

DAC Peer Review

SWITZERLAND

Development Assistance Committee



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Suisse**

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The Peer Review Process

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and efforts of each member are critically examined approximately once every four years. Five or six programmes are examined annually. The OECD's Development Co-operation Directorate (DCD) 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. A recent innovation is to organise "joint assessments", in which the activities of several members are reviewed in a single field mission.

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 posed by DAC members led by the examiners. These questions are 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 New Zealand and Norway for the Peer Review on 30 June 2005.

*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.

List of Acronyms

AC	Advisory Committee on International Development and Co-operation
AfDB	African Development Bank
AsDB	Asian Development Bank
BiH	Bosnia and Herzegovina
CAP	Consolidated Inter-Agency Appeal
CIS	Commonwealth of Independent States
COOFs	Swiss Co-operation Offices
DAC	OECD Development Assistance Committee
DCD	OECD Development Co-operation Directorate
DEA	Federal Department of Economic Affairs
DFA	Federal Department of Foreign Affairs
EBRD	European Bank for Reconstruction and Development
E&C	Evaluation and Control
FDFA	Federal Department of Foreign Affairs
FDI	Foreign direct investment
FOM	Federal Office for Migration
GDP	Gross domestic product
GHD	Principles and Good Practice of Humanitarian Donorship
GNI	Gross national income
GSP	Generalised System of Preferences
GTZ*	Agency for Technical Co-operation
HIPC	Highly indebted poor countries
KfW*	Bank for Reconstruction
IDA	International Development Association
IDB	Inter-American Development Bank
IFC	International Finance Corporation
IFI	International Financial Institutions
IHL	International Humanitarian Law
IKEZ*	Inter-ministerial Committee on Development Co-operation
IMF	International Monetary Fund
INSARAG	International Search and Rescue Advisory Group
IUED	Institut universitaire d'études du développement
LDCs	Least developed countries
LMICs	Lower middle-income countries
MDBs	Multilateral development banks
MDGs	Millennium Development Goals

NGO	Non-governmental organisation
NPOs	National professional officers
ODA	Official Development Assistance
OHR	Office of the High Representative
OLIC	Other low income countries
PRSs	Poverty Reduction Strategies
PRSP	Poverty Reduction Strategy Programme
SDC	Swiss Agency for Development and Co-operation
Seco	State Secretariat for Economic Affairs
SHA	Swiss Humanitarian Aid Unit
SIPPO	Swiss Import Promotion Programme
SMEs	Small and medium-sized enterprises
SOFI	Swiss Organisation for Facilitating Investments
STAR	Strategic Assessment and Review
SWAPs	Sector-wide approaches
TC	Technical co-operation
UN	United Nations
WHO	World Health Organisation
WTO	World Trade Organisation
*	Denotes acronym in the original language

Exchange rate (CHF/USD)

1999	2000	2001	2002	2003	2004
1.5027	1.6879	1.6869	1.5568	1.3450	1.2427

Signs used:

CHF	Swiss franc
()	Secretariat estimate in whole or in part
-	Nil
0.0	Negligible
..	Not available
...	Not available separately but included in total
N/A	Not applicable
P	Provisional

Slight discrepancies in totals are due to rounding.

Aid at a glance

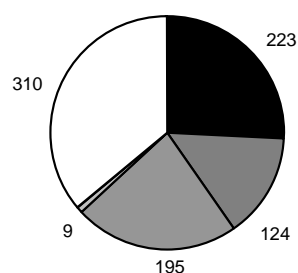
SWITZERLAND

Gross Bilateral ODA, 2002-03 average, unless otherwise shown

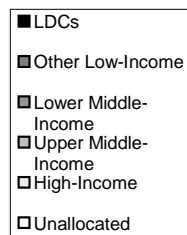
Net ODA	2003	2004	Change 2003/04
Current (USD m)	1 299	1 545	18.9%
Constant (2003 USD m)	1 299	1 412	8.7%
In Swiss Francs (million)	1 748	1 920	9.9%
ODA/GNI	0.39%	0.41%	
Bilateral share	73%	77%	
Net Official Aid (OA)			
Current (USD m)	77	77	-0.7%

Top Ten Recipients of Gross ODA/OA (USD million)	
1 Serbia & Montenegro	41
2 India	24
3 Tanzania	22
4 Mozambique	21
5 Congo, Dem. Rep.	20
6 Burkina Faso	18
7 Bosnia and Herzegovina	15
8 Nepal	14
9 China	14
10 Afghanistan	14

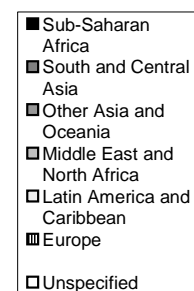
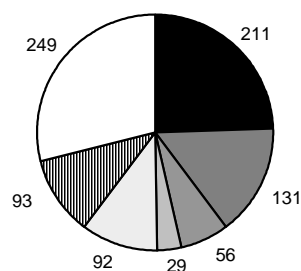
By Income Group (USD m)



Clockwise from top



By Region (USD m)



By Sector

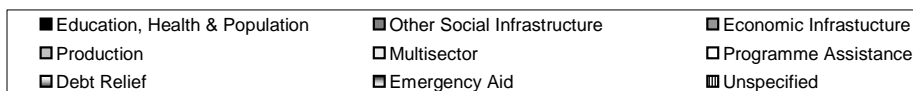
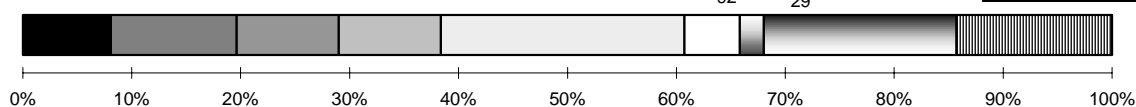


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DAC's Main Findings and Recommendations

Overall framework and new orientations

Strong political commitment to poverty reduction

Switzerland considers the Millennium Development Goals (MDGs) and the Millennium Declaration as development policy milestones and has made poverty reduction a main objective of its foreign policy. Switzerland's key foreign and development policy objectives include alleviating hardship and fighting poverty alongside fostering the peaceful coexistence of peoples, promoting respect for human rights and democracy, preserving natural resources and safeguarding Swiss economic interests. A High Level Statement, dated February 2004, makes national poverty reduction strategies (PRSs) the policy and operational framework for Swiss development co-operation and the vehicle for reaching the MDGs. Switzerland's approach to partner countries emphasizes policy dialogue and persuasion and puts a premium on good governance. Where there are difficult partnerships, Switzerland works through civil society organisations. Switzerland works closely with the donor community in elaborating policies, strategies and appropriate instruments for its international co-operation.

The objectives, strategic thrusts and operational instruments for Swiss development co-operation are set by Parliament on the basis of proposals (the *Messages to Parliament*) made by the Swiss Federal Council. The Messages inform Parliament about funding for international co-operation, to be effected through framework credits every four to five years, with budget allocations decided yearly within those frameworks. Multiyear funding, combined with the ability to roll-over funds, provides the government with a medium-term planning horizon and significant continuity and flexibility, all of which enable the Swiss authorities to better fulfil the commitments made to partner countries in terms of aid predictability.

The need for a more unified vision

Two institutions share the responsibility for elaborating and implementing Swiss development co-operation: the Swiss Agency for Development and Co-operation (SDC) of the Federal Department of Foreign Affairs [DFA] and the State Secretariat for Economic Affairs (seco) of the Federal Department of Economic Affairs [DEA]. SDC is responsible for the overall co-ordination of development activities, for the co-operation with Eastern Europe and for Switzerland's humanitarian aid. It administers about 87% of the total development co-operation budget. As SDC's main partner within the Federal administration, seco has the main responsibility for sustainable economic development and supporting the integration of developing and former communist countries of Central and Eastern Europe and the Commonwealth of Independent States (CIS) into the global economy. Each agency has its own culture, mandate, organisation and development strategy, spelled out as SDC's *2010 Strategy* and seco's *Strategy 2006*. Those strategies have different time frames and were drafted independently of each other, albeit in consultation.

A single set of strategic guidelines covering Swiss ODA should be a priority now that SDC and seco have reaffirmed their common commitment to poverty reduction. An operational framework built around the principle of aligning Swiss co-operation with partner countries' poverty reduction strategies could provide the conceptual basis for any changes in structure, mechanisms and instruments that Swiss co-operation might adopt to support its poverty reduction efforts. Such a framework could be used to help clarify geographic, sectoral and thematic choices and also serve as a communication tool at both national and international levels.

Maintaining strong political and public support for development co-operation

Both SDC and seco are involved in explaining the interconnection between domestic and foreign policy to the Swiss population, to parliament and in the opinion forming and decision-making process of the Federal Administration. A joint SDC-seco Steering Committee on Information Policy helps to co-ordinate Switzerland's information policy, with SDC taking a lead role as the agency that is responsible for the broader range of Swiss development co-operation activities and outcomes. There is scope for raising the level of understanding of Swiss decision makers on the links between global challenges such as world poverty, security and aid flows; and showing how Swiss international co-operation helps make a difference. Surveys of the Swiss public opinion and the overwhelming response to the Indian Ocean Tsunami relief and reconstruction efforts - an estimated USD 225 million - tend to confirm the Swiss public's continuing interest in humanitarian aid and development co-operation. This is in contrast to some Swiss parliamentarians, whose waning awareness of development issues could make it difficult for Switzerland to meet the challenge of further increasing its ODA towards the 0.7% ODA/GNI international target.

Recommendations

- To increase the visibility and transparency of Swiss development co-operation, Switzerland should consider developing a single set of strategic guidelines covering the entire ODA system and linking them to its poverty reduction orientation.
- 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 the constructive role that Swiss development co-operation is playing through targeted interventions and in alliance with other bilateral and multilateral donors.

Aid volumes and distribution

Switzerland could do better in terms of ODA volumes

Following a policy decision, effective in 2004, to make full use of DAC reporting rules by including the cost of asylum-seekers during their first year of residence in the host country, Switzerland has met its commitment made in Monterrey to bring ODA levels to 0.4% of GNI in 2010. In 2004, Swiss ODA reached USD 1.55 billion, compared to USD 1.29 billion in 2003, bringing the ODA/GNI to 0.41%. The 0.40% target, which was confirmed by the Federal Council in the *Foreign Policy Report 2000*, is some distance from the United Nations' goal of 0.7% of ODA/GNI. In the light of actions taken by most DAC members to reconsider and increase their ODA commitments and targets, a more ambitious Swiss target would be more in keeping with international trends and with the poverty reduction and other development objectives that Switzerland has set for itself.

In 2002 Switzerland joined the United Nations by popular vote. This again suggests a solid foundation of support for efforts by the Swiss authorities to meet not only the 0.4% commitment made

in Monterrey, but also to establish a path towards reaching the 0.7% UN target. A higher level of ODA/GNI would build upon the internationally recognized professionalism of Swiss humanitarian and development co-operation and would help to increase the impact of Switzerland's contribution to fighting poverty and achieving the MDGs.

Switzerland prioritizes low income countries ...

Swiss bilateral ODA represents 73% of the total effort in 2003, a percentage which is broadly in line with the DAC average. The least developed countries received the largest share of Swiss gross bilateral ODA between 1999 and 2003: 39.6% in average, compared to 29.2% for the DAC. Africa remains a consistent main target of bilateral disbursements in real terms: 37% in 2003, which is below the level recorded in 1998 (41%) and the DAC average of 40%. However, the percentage of ODA going to sub-Saharan Africa was 36% in 2003, which is higher than the DAC average of 35% for that year.

... but strategic allocation continues to be an issue

The list of bilateral partners for Swiss development co-operation as a whole (45, including nine "special" programmes) is rather long in relation to the size of Switzerland's bilateral aid programme. There are opportunity costs in having such a large number, as well as questions regarding the critical mass necessary to make a durable impact. Seco has indicated that it will further concentrate its co-operation programme on fewer countries (from 27 in 2004 to 20 by 2010). Switzerland should address the issue of geographic concentration worldwide to improve the management, coherence and effectiveness of its overall development programme.

The Swiss Federal government encourages thematic concentration on no more than three sectors in each priority country. That rule is in fact broadly interpreted, and sometimes results in a large number of overlapping priorities. Switzerland should follow the recommendations from recent evaluation and portfolio assessments and reconsider the breadth of its operations from the point of view of comparative advantage, effectiveness and potential for impact on a larger scale. Efforts should also continue to be made to reduce transaction costs and achieve economies of scale by combining Swiss activities with other donors involved in the same sectors.

The need for a strategic approach to multilateral institutions

Switzerland's long standing interest in multilateral institutions has grown further as a result of its recent full membership in the United Nations. Swiss contributions reached 27% of gross disbursements in 2003. SDC and seco have shared responsibility with respect to multilateral agencies. A Swiss multilateral strategy, approved in April 2005 by both the DFA and the DEA, will be published shortly.

Switzerland should reflect on the desired level and spread of its multilateral assistance. A total of 15 UN organisations benefit from Swiss contributions, in addition to 10 or more specialized funds which Switzerland supports, sometimes with modest amounts of money. Playing an influential role within international institutions warrants more clarity on allocation criteria as well as a system for tracking the performance of those institutions. In this respect, Switzerland could join or rely on other DAC members' efforts to evaluate their performance.

Recommendations

- 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 is encouraged to reassess the number of its priority countries, and find a balance between its broader foreign policy objectives and the needs of poor countries, including fragile states. It should concentrate aid in each country or region on sectors and themes based on comparative advantage, effectiveness and potential for impact on a larger scale.
- Switzerland's multilateral strategy should give greater weight to supporting institutions on the basis of criteria linked to performance and impact on poverty reduction.

Policy coherence for development

Involving more federal departments and agencies in setting the coherence agenda

Ministerial co-ordination is formalised in the Ordinance implementing the 1976 Law on Development Co-operation. An inter-ministerial committee - IKEZ - provides a mechanism to discuss issues which straddle development and other areas of the Federal administration such as justice, defence and the environment. Despite having a certain weight, the committee has no decision-making power, its force lying in its capacity to initiate a debate within the administration. Other informal mechanisms are in place, such as the interdepartmental working group to discuss the foreign policy implications of migration and smaller groups addressing more specific issues.

As in many other DAC member countries, the challenge for the Swiss authorities remains to ensure that the debate around policy coherence goes beyond development agencies like SDC and seco to include other Federal agencies. In recent years, SDC and seco have successfully introduced a developmental perspective to the discussion on topics such as trade in agriculture, capital flight and export credit guarantees. They now need to develop creative approaches to ensure that Swiss commitments to the developing world are placed more systematically on the agenda. A clear message from the Swiss authorities that other departments are expected to participate fully at a senior level in a discussion on policy coherence for development would be helpful.

Strengthening policy coherence for development in key sectors

During the Doha Round of trade negotiations Switzerland reconfirmed its commitment to working towards the long-term objective of reaching a fair and market-oriented trading system in agriculture through a programme of fundamental reforms. Under the "zero tariffs, zero quotas" initiative, in 2002 Switzerland began to gradually abolish import tariffs and quotas on LDCs' agricultural products. Other recent policy decisions include reducing tariff escalation for the food industry and a progressive phasing out of milk quotas between 2006 and 2009.

Despite these efforts, the total amount of public financial support to farming as a percentage of GDP remains high. Agricultural imports in direct competition to domestically-grown produce are still subject to high customs tariffs and the full implementation of the zero tariff, zero quota goal remains subject to parliamentary approval. Adopting a more liberal policy towards agricultural imports would not only benefit the Swiss consumer and food industry but also poor countries, in terms of increasing economic growth and reducing poverty.

Switzerland has implemented the measures drawn up by the Financial Action Task Force on Money Laundering. Concrete steps have been taken to return illegally acquired funds to countries like Nigeria and Peru. Switzerland is encouraged to share its experience in this area with the international community. It could also bring up the broader issue of capital flight, with the aim of addressing its root causes and impact on developing countries.

Recommendations

- Switzerland should strengthen existing institutional arrangements for policy coherence for development, deepening the involvement of Federal departments other than development agencies in the debate and enhancing advocacy within the administration and specific interest groups.
- Given Switzerland's support for a fair international trading system, it 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 is encouraged to share with the international community its experience in the area of returning illegally acquired funds to developing countries.
- 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.

Aid management and implementation

Swiss co-operation is widely respected

Overall Swiss development co-operation in all its diversity is considered to be technically sound, with highly committed and professional staff adhering to high standards of integrity. At field level project staff have satisfactory relations with government agencies and representatives at national and sub-national levels based on trust and mutual respect. Partners are consulted regularly and the relations with NGOs and representatives of the private sector are very good. Swiss co-operation is widely respected among peers at both the international and the field levels.

SDC undertakes bilateral actions directly, supports the programmes of multilateral organisations and finances programmes run by other Swiss and international aid organisations. The agency starts with the country context when defining areas of activities. Its operations are highly decentralised in traditionally "soft" domains, *i.e.* conflict prevention and democratic transformation, governance, environment. Policy dialogue, project aid, some sector work as well as technical assistance, including for capacity building are among the agency's most commonly used forms of collaboration. The agency supports individuals, NGOs and public institutions at the local, national and global levels.

Seco selects activities on the basis of its own economic and trade-related instruments, followed by a thorough analysis of the country context. Macroeconomic issues (*e.g.* budget support, debt and financial sector development), investment promotion, trade and basic infrastructure are core fields of competence under its purview. The agency works closely with the private sector both in Switzerland and in partner countries.

Better integrated aid management systems would reduce transaction costs

SDC and seco share common principles (*e.g.* sustainable development, good governance, policy dialogue) and the overall objectives of poverty reduction and aid effectiveness. They collaborate on

strategic choices for Switzerland's international co-operation, including through a joint strategic committee and four joint steering committees - for developing countries, for transition countries, for multilateral co-operation and for information policy. Their differentiated approach, modalities and instruments are perceived as complementary. Nevertheless the potential for synergies and increased joint SDC-seco work could be more fully exploited at field level.

Both SDC and seco headquarters are responsible for co-ordinating with other Swiss Federal offices and backstopping the co-operation offices (COOFs) at field level. The COOFs represent seco in 18 of the agency's 27 priority countries. In the other priority countries, arrangements (including posting of seco staff), are made with the embassies. In the joint COOFs of Eastern Europe, seco contributes to 50% of the fixed costs but depends on SDC's headquarters for programmatic/strategic matters, administration and personnel management. A written agreement between SDC and seco covers issues such as the nomination of country directors, their terms of reference, qualification procedures, and co-ordination and representation. In all cases Swiss ambassadors remain in charge of political matters.

Notwithstanding the value of SDC and seco's respective approaches and the complementarities of their instruments, the agencies' management and operational differences inevitably translate into some unnecessary transaction costs, overlap and duplication of know-how. The systems needed at headquarters for agencies to co-ordinate with each other take up resources that might otherwise be available to strengthen critical field operations. From the limited perspective of the two field visits, it would appear that the agencies' ability to work together depends to a large extent on personal engagement and motivation. Under those circumstances, promoting standards uniformly is a challenge that Switzerland needs to address in order to better meet the compelling demands of the international agenda, for example on harmonisation.

Decentralising more comprehensively to the field level

Country directors enjoy some flexibility to allocate funds according to priorities decided jointly with partner countries on an annual basis. Viewed from the field, they could benefit from larger financial envelopes, biennial planning and a higher level of delegated authority. General programme management tasks could be decentralized more comprehensively to the COOFs and some advisory resources might be transferred from headquarters to support the aid effectiveness agenda at country level. The COOFs could also take a stronger leadership role in key areas where their intellectual and operational competences and achievements are clearly recognized (*e.g.* governance and private sector), and more actively pursue joint arrangements with other donors, such as delegated/silent partnerships and sector work where feasible.

Encouraging greater emphasis on results and institutional learning

SDC's revamped monitoring and evaluation system with increased manpower, as well as a "community of practice" network to encourage lesson learning throughout the organisation, is in line with OECD/DAC standards. The system now has the opportunity to evolve towards a greater focus on outcomes and impact. Efforts are being made, *e.g.* to monitor SDC's *Strategy 2010*, including through a rapid self-assessment method to track the agency's contributions to the MDGs. Though informative, this method is limited to tracking inputs and has yet to link the system to quality improvements in terms of outputs produced. Other challenges include closer scrutiny of cross sectoral issues, raising the quality of evaluation reports for all divisions and making all reports public. To avoid a proliferation of external evaluations and reviews, consideration should be given to strengthening planning and to seizing opportunities for combining different assessments. This would save resources without necessarily impacting negatively on the quality of the evaluation programme.

A quality assurance management system (Certification ISO 9001) was established in 2000 to monitor seco's work on an ongoing basis and ensure the integration of lessons learnt into the decision-making process. A comprehensive monitoring tool for seco's *Strategy 2006*, the Strategic Assessment and Review (STAR) system was also designed to continuously improve programming. Thanks to those efforts seco was able to document some success in reaching the objective of having at least 80% of country specific expenditure in seco's priority countries in 2002-2003. However, as is the case of most other DAC members, challenges remain such as i) designing performance indicators and defining minimum requirements for project-based performance agreements with the COOFs; ii) linking projects objectives to the MDGs as well as country-owned poverty reduction strategies; iii) identifying and collecting poverty related data; and iv) integrating partners in assessing performance.

SDC and seco are planning to undertake more joint thematic assessments and portfolio reviews. The DAC strongly encourages them to pursue this line and to step-up efforts to increase the integration of actual field experiences into decision-making processes. As for other DAC members cases of lessons learnt tend to be isolated and knowledge exchange within the agencies and between them does not translate easily into institutional learning. Staff should be encouraged to adopt a more systematic approach towards accounting for results and additional resources and technical advice could be provided to the COOFs or developing country partners to support this if and when needed. Switzerland could also consider ways of strengthening the exchange of knowledge through regional institutions and through brainstorming with other donors.

The dilemma of local ownership versus visibility

A number of challenges remain with respect to programme implementation. The process leading to the recruitment, monitoring and evaluation of technical assistants on which Swiss co-operation relies for implementing its activities should be more transparent, involving partners in the identification and performance assessment of those agents. The spectrum of implementing agencies could include more regional and national institutions. Increased responsibility for programme implementation should be given to local partners to strengthen local ownership and ensure sustainability. Regarding training activities, Switzerland should explore pooling funds with other donors and then asking the local authorities to take the lead in tendering processes. This would save transaction costs and could substantially improve the overall efficiency of the collective training effort. But it would also require a genuine commitment from all concerned to "lower the flag".

Carrying the aid effectiveness agenda forward

Switzerland is committed to implementing the Rome and Paris Declarations on aid effectiveness and has made a credible start in moving ahead on harmonisation and alignment. As a result of this engagement, many COOFs are now involved in PRSP processes, and SDC and seco are elaborating a common action plan to bring Swiss procedures closer in line with those of other donors, as well as to match Swiss aid delivery with partner countries' priorities and systems. The two agencies are currently working together on a common approach based on the Paris Declaration. A joint statement and implementation plan will be publicised shortly.

Evidence from Vietnam and Bosnia and Herzegovina suggests that operational staff need encouragement from headquarters to follow-up on the declarations and further their work in developing common frameworks for working together with other donors. A "joint SDC-seco platform" for poverty reduction strategies will facilitate exchanges and co-ordination on conceptual and operational PRS-related issues and lead to a clearer division of labour on how to contribute to the implementation of those strategies. Each agency should also review its internal mechanisms for dealing with poverty strategies in countries where these exist and designate focal points to enhance the

coherence of their response. To encourage a culture of aid effectiveness different training options and seminars could be envisaged, including with other DAC members facing similar challenges. These efforts may lead naturally to the exchange of staff between the two agencies (and with other DAC agencies) to meet specific needs or for more extended periods.

A common SDC-seco operational strategy or action plan to reduce poverty would make it easier for the COOFs to take a strategic view of what Swiss co-operation can achieve in specific contexts and how to exploit the potential for positive synergies between the bilateral programmes, national poverty reduction strategies, Swiss and local NGOs. In the context of PRSs the COOFs could still increase their engagement with other donors, for example in joint country assessments and diagnostics, monitoring reviews, evaluations and capacity building interventions, pooling funds as much as possible, including for technical assistance. Together with other donors Switzerland should also explore ways to abandon approaches (for example, project management units) that are slowing, if not undermining, the harmonisation process and examine other options like collective support for public service reform. Staff from the field should be brought together on a regular basis with colleagues from SDC and seco headquarters to exchange experiences and lessons learnt. Finally, more efforts should be made to find sustainable solutions to the challenges of programme and activity management, for example to provide ODA resources through strengthened government systems, including local levels of government.

Recommendations

- There may be scope for rethinking the overall structure and organisation of the Swiss development co-operation system, in particular to face the challenges of poverty reduction and aid effectiveness at field level. As an initial step in this direction, Switzerland should consider the advantage of consolidating SDC and seco's services dealing with multilateral institutions, including the International Financial Institutions.
- 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.
- Switzerland's evaluation culture should be scaled up to put 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.
- 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.
- Switzerland should provide more opportunities for developing country partners to manage development activities directly. It should increase the use local and regional technical expertise whenever possible and the involvement of partner authorities in the selection and performance assessment of technical assistants.

Switzerland's humanitarian aid

A strong and centralised system

Humanitarian action holds a distinct position in Swiss foreign affairs and Switzerland has a strong tradition of humanitarian aid, being a valuable contributor to the international humanitarian system. The Federal Law on International Development Co-operation anchors this dimension in International Humanitarian Law (IHL) and the humanitarian principles. A humanitarian strategy further defines the mandate, principles, tasks and operational activities, translating the federal law's provision of humanitarian aid into a strategic approach. Switzerland identifies the promotion of IHL as a core area of its humanitarian policy and is also firmly committed to the "*Principles and Good Practice of Humanitarian Donorship*" (GHD). Its humanitarian system is advanced, with innovative and complementary approaches in disaster risk reduction and cash distribution projects.

Switzerland allocates humanitarian aid based mainly on needs. Detailed principles are not formalised. Traditionally, 20% of the ODA budget was earmarked for humanitarian aid. Since 2000, however, the share of humanitarian aid, including expenditure on refugees in donor countries, has not exceeded 15% of ODA. The humanitarian budget is divided into three parts: one third is allocated to bilateral programmes and programmes managed by Swiss NGOs; one third is committed to the International Committee of the Red Cross/International Federation of Red Cross and Red Crescent Societies; and one third is divided between United Nations agencies.

Management of Swiss humanitarian aid is centralised in the SDC within the Federal Department of Foreign Affairs, which also holds authority over the advanced national rapid response mechanism. Co-ordination and consultations with units responsible for other political areas are in general well developed. Humanitarian responsibilities or funds are not delegated to embassies or co-operation offices. These can be strengthened with humanitarian specialists. Special co-ordination offices may also be established in affected regions. Switzerland's national response mechanism and Swiss NGOs hold a prominent position in implementing Swiss humanitarian aid. However, the cost of using national mechanisms should be weighed against that, and some of the other benefits, of using local capacities.

Addressing further improvements

With an increase in ODA level Switzerland could contribute even more to humanitarian action. The global multiyear framework credit could provide measures for predictable funding arrangements which should be explored further. Switzerland could also consider developing directives for making funding more timely. The budget structure could be simplified and better reflect (i) allocations to multilateral agencies; (ii) support to Swiss and local NGOs; and (iii) Swiss response capacity. The present division of budget lines also indicates limitations in terms of the untied status of food aid items.

Swiss humanitarian policy is clear but could be reflected more consistently in other SDC strategies. Humanitarian aid is considered a separate discipline within SDC but is sometimes referred to as a component of crisis prevention and crisis management. Hence there is a risk of overlapping policies and conflicting positions between divisions of the Federal Department of Foreign Affairs (FDFA) in the area of complex emergencies. Switzerland should continue to ensure that policy debates on migration do not influence humanitarian allocations and could consider evaluating its voluntary return programmes.

Switzerland could also develop further its management system for humanitarian strategies. To strengthen the needs-based approach and promote harmonisation and alignment in complex emergencies, it could explore further how to take full advantage of its country operations and develop humanitarian strategies based on the UN Common Humanitarian Action Plans (CHAP). Strategies focused on implementation could also better address how to ensure involvement of beneficiaries as well as environmental and social (including gender-related) perspectives.

Recommendations:

- Switzerland should ensure that humanitarian aid remains an independent policy discipline, albeit interlinked to crisis prevention and management in operational terms.
- 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 in strategies for implementation.
- 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 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 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.

Secretariat Report

Chapter 1

General strategic framework and new directions

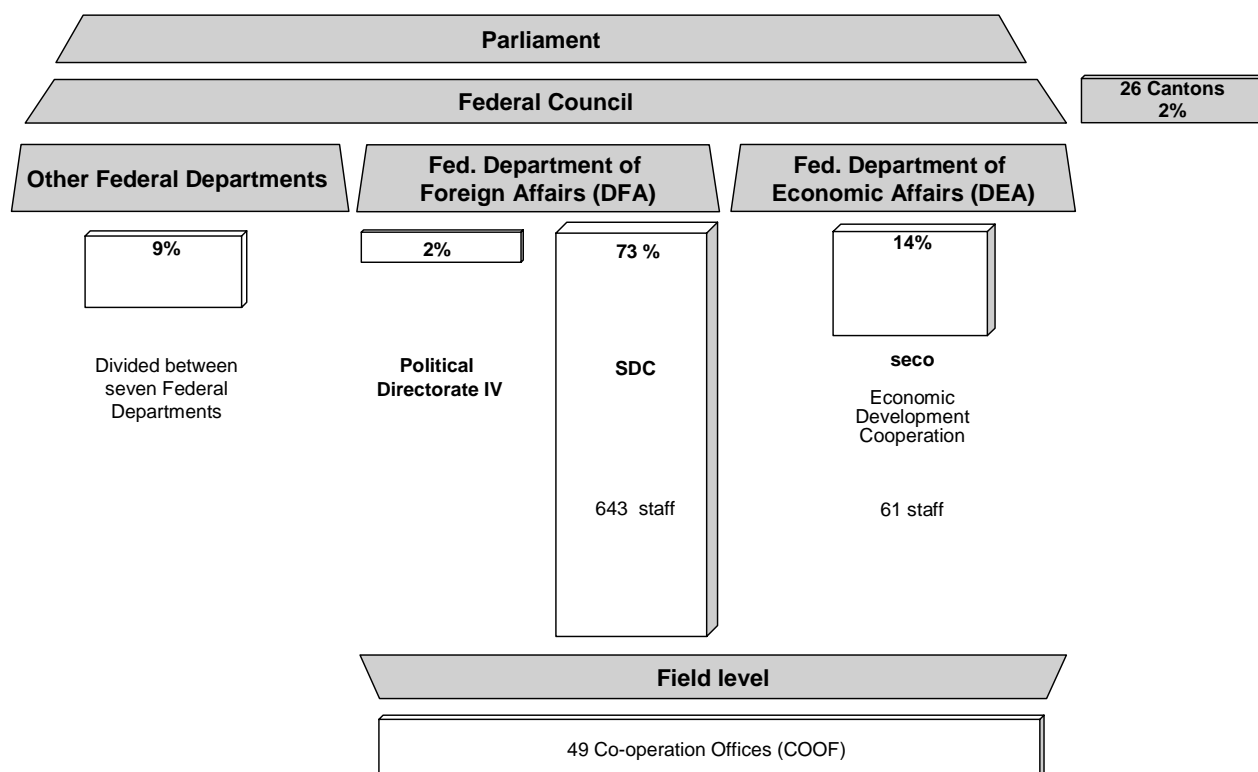
The context for Swiss development co-operation

Swiss development co-operation is based on the Federal Constitution, the Federal Law of 1976, the *1994 North-South Guiding Principles* and the *Report on Foreign Policy 2000* (Federal Council, 2000). Other key policy documents are the *Messages to Parliament* and associated federal decrees dealing with technical and financial assistance to developing countries in the South as well as economies in transition in Eastern Europe and the Community of Independent States (CIS); and the federal laws on Switzerland's accession to the Bretton Woods Institutions (1991), the World Trade Organisation (WTO) (1994) and the United Nations (2002).

The Federal Council's *Messages to Parliament* (see Chapter 2) provide a complete, albeit fragmented, picture of Swiss strategic involvement in development co-operation and draw a link between Swiss foreign policy interests and development assistance. Swiss economic and security interests are recognized as influential factors for development co-operation as is the need to manage migration flows and to preserve Swiss independence and prosperity. The Messages inform Parliament about funding for international co-operation, to be effected through framework credits every four to five years (see Table 1, Chapter 2). Since the last parliamentary elections (October 2003) pressure from certain Swiss political parties to cut the budget for development aid is having an impact on both Official Development Assistance (ODA) volumes and budget allocations within the Federal administration.

The Federal Department of Foreign Affairs (DFA) and the Federal Department of Economic Affairs (DEA) are the two entities involved directly in development policy and its operational dimensions. Having two federal departments, each with their own minister, is perceived as valuable for lobbying more effectively for development goals. The Swiss Agency for Development and Co-operation (SDC), which is part of the DFA, and the State Secretariat for Economic Affairs (seco)'s Division for Economic Development Co-operation, which is part of the DEA, have overall responsibility for elaborating and implementing development co-operation. Peace promotion and human rights are dealt with separately by the DFA's Political Directorate (PD IV). Other federal departments are involved in collaboration with them and through specific structures, such as the Interdepartmental Committee on International Co-operation. The Swiss Federal Finance Administration deals specifically with relations with the International Monetary Fund (IMF).

Figure 1. Key Actors in the Swiss Development Co-operation System



Source: OECD and SDC

Since the publication of the *Foreign Policy Report 2000* a number of policy and strategic documents as well as sector specific or thematic guidelines and action plans have emerged, mostly as a response to the evolving international agenda. Foremost among them stand SDC's *2010 Strategy* and seco's *Strategy 2006* specifying the goals, principles and instruments of Switzerland's bilateral and multilateral international co-operation. Both strategies have different time frames and were drafted independently from each other but in consultation. Joint guidelines for international co-operation and a common multilateral strategy with additional guidelines for the most important multilateral partners are in the making.

Selected features of Swiss development co-operation

Development policy is explicitly part of Swiss foreign policy

The Federal Constitution, which entered into force on 1 January 2000, enshrines the overarching goal of Swiss foreign policy: to promote a just and peaceful international order and to preserve Switzerland's independence and prosperity. The *Report on Foreign Policy 2000* (see Box 1) yields five key foreign and development policy objectives for the next ten years: to foster the peaceful co-existence of peoples; to promote respect for human rights and democracy; to preserve natural resources; to safeguard Swiss economic interests; and to alleviate hardship and fight poverty.

The fight against poverty is justified on two fronts: for the sake of solidarity but also in name of the national interest, as the Swiss economy will benefit in the long term from new outlets for its products as well as investment opportunities. A broad-based approach to fighting poverty is therefore emphasized, focusing on economic growth, private investment and trade. Good governance principles must also be applied.

Box 1. The key features of Swiss foreign policy

- **Peaceful coexistence of nations.** The Federal Council will contribute to conflict prevention, with a focus on South East Europe and Eastern countries as well as Mediterranean countries. Engaging in other States will be done on an *ad hoc* basis, where Switzerland considers that it has a comparative advantage. Themes cover democracy and the rule of law, the promotion of dialogue in case of armed conflicts and reconstruction. Assistance to refugees is included as well.
- **Respect for human rights and promotion of democracy.** The Federal Council will follow an independent and distinctive humanitarian policy according to Switzerland's foreign policy tradition. It will increase its efforts to achieve respect for and promotion of human rights, democracy and the rule of law.
- **Safeguarding Swiss economic interests.** The Federal Council will guarantee the best possible framework conditions for the Swiss economy domestically, thereby providing the necessary conditions for its success at international level. The promotion of exports from small and medium size enterprises, supporting Swiss position as a research and training centre and creating good framework conditions around the world are emphasized. The promotion of Switzerland as a competitive and high-performing financial centre and safeguarding Swiss interests abroad are also important.
- **Alleviating need and poverty in the world.** The Federal Council will put the fight against poverty at the centre of its development co-operation, emphasizing revenue generation and job creation, good governance, private sector development, the sustainable management of natural resources, integration within the world economy, debt reduction, social equity and conflict prevention and management. Increased financial support, at both the bilateral and multilateral levels, will be provided to help achieve the MDGs. Hence during the next ten years Switzerland will aim at an ODA/GNI target of 0.4%.
- **Preserving natural resources and protecting the environment.** The Federal Council's interest in this area is to put in place the legal instruments in favor of a strong international system capable of protecting the environment. The priorities are climate change, biological diversity and chemical products as well as an international legal framework to protect natural resources such as forests and water.

Source: *Report on Foreign Policy 2000*

In the countries in the South, Swiss policy encourages self-initiative in reducing poverty, eliminating the structural causes of conflict and relieving hardship. Depending on the prevailing situation the government will finance activities in good governance, social development, conflict prevention, the sustainable use of natural resources as well as employment and revenue generation. Cross-cutting themes such as the promotion of equality between men and women and environmental protection will also be supported. Development activities should be sustainable, aim for maximum impact and be carried out in a spirit of partnership. The most recent, and largest frameworks secured from parliament for the co-operation with developing countries are, on the one hand, the credit for technical and financial co-operation with countries in the South (CHF 4.2 billion for the period 2004-07) and, on the other hand, the credit for economic and trade related measures (CHF 970 million for the period 2003-08).

Since the 1990s, Switzerland has supported the political, economic and social transition in Eastern European countries and the CIS. The objective is to build pluralistic democracies and market economies which are socially, culturally and environmentally oriented. In those countries Switzerland supports the private sector, public structures and civil society with special objectives: the introduction of a multi-party system and freedom of the media, labour unions and other interest groups.

Co-operation is said to be a long-term investment for Europe's common future, security and well-being. Four major themes are currently prioritized: political stability and governance; structural and economic reforms and revenue generation; infrastructure and natural resources; social reforms and the disadvantaged (the "new poor"). The most recent framework credit for countries in the East and the CIS, which was increased and prolonged in 2002 and 2005, represents CHF 1 400 million for the period 1999-2006.

Playing a greater role on the international scene

Switzerland became a member of the United Nations following a referendum in 2002 supported by 55% of the population and a large majority in Parliament and the government. The popular vote demonstrated a general acknowledgement of Switzerland's role in the global arena and has stimulated the multilateral agenda of Swiss development co-operation. The priority attributed to the MDGs has been boosted by this landmark event in Swiss foreign policy. The authorities clearly feel that membership in the United Nations can upgrade Switzerland's participation in debates of importance for international development in general and for Switzerland's own bilateral programmes, and leverage the knowledge and experience gained in its own bilateral co-operation. Switzerland's engagement and commitment to the United Nations argues in favour of a strong commitment to reach the 0.7% ODA/GNI target as a condition for meeting the MDGs, and hence share the burden within the donor community with respect to those goals.

The year 2002 also marked the 10th anniversary of Switzerland joining the Bretton Woods Institutions (BWI). In this context, Switzerland can act at different and mutually reinforcing levels: as an active participant with respect to the implementation of international agreements and to strengthen the coherence between its foreign economic policy and its domestic economic policy. As part of its responsibilities, Switzerland represents a number of Eastern European countries as a Board member of the BWI and the European Bank for Reconstruction and Development (EBRD). Swiss policy at multilateral level also involves ensuring that poor developing countries are adequately represented in international trade negotiations. As well, the Federal Council recognises that it can no longer conduct its foreign economic policy without thinking of its impact on economic relations with other countries.¹ Thus traditional obstacles to trade (*e.g.* custom duties) must be dismantled and international norms must be put in place to stimulate international exchanges (see Chapter 4). In addition, the recent Strategy of Swiss Foreign Economic Relations also highlights one of Switzerland's three main interventions: "to strengthen the economic development of partner countries and their integration in the world economy".

The work done within multilateral institutions on the Millennium Development Goals (MDGs), poverty reduction and harmonisation and alignment (H&A) in particular has influenced Swiss thinking on major policy and strategic issues. To face international challenges Switzerland subscribes to the concept of global public goods, particularly in areas like biodiversity, financial stability and security. This concept provides an opportunity to make Switzerland's multilateral commitments and co-operation more visible and to convey strong messages to the Swiss public. Problems linked to world security, population growth, poverty and inequality, migration flows and environmental sustainability also need a global response. Hence Switzerland works closely with other nations to solve those problems, and first and foremost with the European countries.

1. See for example the *Report on Foreign Economic Policy 2004* and the *Message on International Economic Agreements* dated 12 January 2005.

The need for a single strategic document for Switzerland

Switzerland's engagement in addressing poverty reduction is evidenced in policy documents. Both SDC's *Strategy 2010* and seco's *Agenda 2010 - Poverty reduction* make reference to the MDGs. In a *Joint High Level Statement*, approved by SDC and seco in February 2004, national poverty reduction strategies (PRSS) are seen as the policy and operational framework for Swiss development co-operation and the vehicle for reaching the MDGs, harmonising development activities and ensuring their effectiveness. Poverty is also addressed in the context of gender relations, *i.e.* in SDC's *Gender policy: gender equality – a key for poverty alleviation and sustainable development* (2003) which advocates a better distribution of the benefits of development between rich and poor and improved lives for poor women and men. These efforts are reinforced by SDC's and seco's active role in the Poverty Reduction Trust Fund of the International Development Association, seco's support to the Integrated Framework Initiative for Least Developed Countries (LDCs), which aims at integrating trade into poverty reduction strategy papers (PRSPs) and debt relief provided through the initiative in favour of the highly-indebted poor countries (HIPC). Finally, the Federal Council is preparing a report on Switzerland's contribution to the MDGs for the September 2005 United Nations General Assembly.

The publication of a single over-riding strategy covering Swiss ODA, which was already recommended in the last peer review, is even more of a priority now that SDC and seco have reaffirmed their commitment to poverty reduction. Having a common framework built around the principle of aligning Swiss co-operation with partner countries' national poverty reduction strategies and the 2005 Paris Declaration on Aid Effectiveness would provide the conceptual underpinning of any changes in structure, mechanisms and instruments that Swiss co-operation could adopt to support its engagement in favour of poverty reduction. A combined document could facilitate the nuts and bolts of SDC and seco's collaborative efforts and serve as a platform for discussions with actors from the public and private sectors as well as civil society.

In the absence of such a tool, the large number of conceptually dense policy and strategic documents tends to blur the messages which the Swiss administration wants to convey. Just as importantly, there are questions regarding the binding nature of the documents produced and whether existing policies can be internalised, particularly by staff working for Swiss development co-operation at field level. Beyond the frameworks provided by SDC's *Strategy 2010* and seco's *Strategy 2006*, the Swiss administration may want to reflect on the operational relevance of some of the guidelines produced and reflect on whether they provide the appropriate orientation that field staff need within their specific contexts.

Humanitarian policy, humanitarian aid and the case of fragile states

Humanitarian action holds a distinct and important position in Swiss foreign policy. The Federal Council particularly promotes two core areas of humanitarian foreign policy: i) humanitarian operations by Switzerland, especially humanitarian aid, and ii) International Humanitarian Law (IHL), especially its secure establishment and development worldwide. Switzerland's commitment to humanitarian aid is outlined by the federal law on international development co-operation and humanitarian aid and further developed in SDC's humanitarian strategy which defines working principles, tasks and operational activities. The humanitarian strategy complies with SDC's guidelines and distinguishes four different situations where humanitarian aid may be provided: i) armed conflicts; ii) crises; iii) natural disasters; and iv) technological disasters. Humanitarian aid is further divided into four tasks: prevention (including preparedness), emergency relief, reconstruction and advocacy. Switzerland is also committed to the "Principles and Good Practice of Humanitarian Donorship" (GHD).

This policy structure is exceptional and Switzerland is one of the few countries to have its humanitarian aid guided by national legislation. The advantages of having a legal mandate are two-fold: Firstly, to provide a distinction between the objectives of humanitarian aid and development co-operation and secondly, to offer a distinct framework for budget procedures. Switzerland's humanitarian aid is assessed in Annex C.

Switzerland applies the term "fragile states" to different but overlapping processes of transformation, believing that special considerations are necessary to smooth the transition process from conflict to peace as well as adequate concepts for co-operating with such states. The Swiss administration participates in the international debate on this issue, including in the DAC's GOVNET, the Conflict, Peace and Development Co-operation Network and the Fragile States Group; and is playing an active role to elaborate an adequate methodology and appropriate instruments for its international co-operation.

More generally, SDC's selective approach to working with partner countries puts a premium on good governance, with a reliance on NGOs for channelling aid in countries with a dubious governance track record. As a matter of principle, Switzerland also emphasizes the need for change through policy dialogue and persuasion. Switzerland is concerned that beneficiary populations should not suffer as a result of a cut in aid through government channels. A conditional clause in international agreements is nevertheless applied to ensure that recipients respect democratic principles and human rights, with a focus on partnership and dialogue (Swiss Federal Council, 2004). The conditionality clause does not apply to Switzerland's Humanitarian Aid. Generally there needs to be a minimum of potential for improvement for the Swiss to invest in long-term development and partnership and some basic conditions must be fulfilled (*e.g.* elections). Like other DAC donors, however, the Swiss authorities make decisions on a case-by-case basis.

Moving ahead on the aid effectiveness agenda

Switzerland is committed to implementing the Rome and Paris Declarations dealing with harmonisation and alignment (H&A). Both SDC and seco have moved ahead on the agenda with action plans to bring Swiss procedures closer in line with those of other donors as well as to match Swiss aid delivery with partner countries' priorities and systems (SDC-seco, 2004). SDC's Steering Committee (COSTRA) and seco's Strategic Committee (POLKOM) are currently working together on a common approach based on the Paris Declaration. A joint SDC-seco working group on implementation has been set up. A joint statement and a joint implementation plan on the Paris Declaration have recently been approved. All staff will be asked to follow-up on decisions that will be taken jointly and lines of action for headquarters will be elaborated.² Evidence from Vietnam and Bosnia and Herzegovina (BiH) shows that operational staff do need strong messages from headquarters to follow up on the declarations as well as a common framework for working together with other donors (see Chapters 5 and 6).

Maintaining strong political and public support for development co-operation

The federal government is legally obliged to play a role in building understanding and sensitising the public on foreign policy. Both SDC and seco are involved in explaining the interconnection between domestic and foreign policy to the Swiss population, to parliament and advise the opinion forming and decision-making process of the federal administration. A joint SDC-seco Steering Committee on Information Policy helps to co-ordinate Switzerland's information policy, with SDC taking

2. This information was provided to the DAC team in a note dated 1 April 2005.

the lead role as the agency that is responsible for the broader range of Swiss development co-operation activities and outcomes.

The Steering Committee's role is being challenged by the shift in Switzerland's political architecture since the last parliamentary elections. The decreasing support for development co-operation within parts of the country's political elite may have unfortunate implications in terms of the budget for ODA despite the fact that this does not necessarily reflect a reduction in the general public's interest in development-related issues. A survey conducted in 2002 on Swiss attitudes towards foreign policy found that 80% of the population supported development co-operation and 92% humanitarian aid (an increase over earlier years). More than 70% supported multilateral co-operation in the fields of refugees, environment and development.

In a more recent survey (2005) conducted by NGOs on whether development aid should be increased or reduced, 53% of those interviewed responded that aid volumes should be maintained while 22% thought that they should be increased and 21% that they should decrease, as compared to respectively 56%, 22% and 17% in 1999 (*Le Temps*, 2005). Interestingly 75% of the Swiss interviewed believe that a ban on arms to developing countries would reinforce Switzerland's policy towards development co-operation, as would the promotion of equitable trade. Based on those results and the overwhelming Swiss response to the 2004 Tsunami in South East Asia, with contributions reaching CHF 224 millions in 2005,³ it is difficult to reach the conclusion that the Swiss public has declining interest in humanitarian aid and development co-operation. There is, however, scope for raising the general level of understanding of the issues at stake with respect to world poverty and aid effectiveness and showing how Swiss international co-operation helps make a difference.

SDC and seco address the general public through media events, press releases, visits to projects, national exhibitions, cultural events and international conferences. They jointly organise the annual conferences on development co-operation and assistance to transition countries. Amongst special efforts one notes the "Sustainable Switzerland" initiative following the World Summit on Sustainable Development (2002), the International Conference on Sports and Development (2003) and the Information and Communication Technologies for Development (ICT4D) Platform at the World Summit on the Information Society (2004). Special programmes on micro-credit as well as on Sports and Development were organised in 2005. Every year, each of SDC's Departments organises a one-day thematic or geographical meeting aimed at reaching the general public and/or various stakeholders in Switzerland. A platform on education involving the Swiss cantons has recently been created to reach out to the younger generation. SDC is also trying to meet a request by a number of public figures and parliamentarians to measure international solidarity and to explore alternative financial options with the private sector.

Those efforts should be commended and sustained. Parliament's interest in development issues is waning and Switzerland may have difficulty in further increasing its ODA and meeting the 2015 target of 0.7%. Swiss political decision makers should consider carefully the link between global challenges such as world poverty and security and aid flows, aid effectiveness and poverty reduction. SDC and seco are encouraged to present their work on development co-operation persuasively to decision makers; failing this the traditional support for development co-operation within political circles may decline.

3. Information provided orally by the Swiss authorities to the DAC team.

Future considerations

- To increase the visibility and transparency of Swiss development co-operation Switzerland should consider a single strategic document covering the entire ODA system and linking the guiding principles of Swiss development co-operation and its poverty reduction orientation. The document could serve as a platform for discussion with actors from the public and private sectors and from civil society and as a communication tool at both the international and domestic levels.
- SDC and seco should scale up their communications strategy, focusing on clear messages for achieving the MDGs and harmonisation and alignment. The profile of global challenges linked to poverty and world security should be raised as well as the constructive role that Swiss development co-operation can play through targeted interventions and in alliance with other bilateral and multilateral donors.

Chapter 2

Aid volume, channels and distribution

Overall aid volume

Switzerland should set more ambitious ODA goals in line with its poverty orientation

The Swiss Federal Council reaffirmed its commitment at Monterrey to bring ODA from 0.34% of GNI (in 2001) to 0.4% by 2010. In 2003, Swiss ODA totalled USD 1.3 billion or 0.39% of gross national income (GNI), compared to USD 1 billion or 0.32% of GNI in 2002 (See Table B.1 in Annex B).⁴ The increase is partly due to the deferred payment of the first Swiss contribution to the international development association (IDA-13), which was initially scheduled for 2002. In 2003, Switzerland had the 14th largest ODA programme among the 22 DAC member countries and was in 9th position in terms of ODA/GNI.

Preliminary figures show that in 2004 ODA levels reached USD 1.55 billion, bringing the ODA/GNI target to 0.41%, which would improve the relative position of Switzerland in terms of ODA/GNI (see Figure B.1). The increase is due to a recent policy decision to make full use of DAC reporting rules to include the cost of asylum-seekers during their first year of residence in the host country.⁵ There is hence no increase in the transfers to partner countries via development co-operation programmes. Furthermore, on 18 May 2005, the Federal Council decided to increase the ODA volume by 8% cumulatively between 2006 and 2008.

Some doubts were expressed in Switzerland regarding the country's ability to reach even the 0.4% target within the agreed time frame given the current political climate and the deterioration of Swiss federal finances in 2003. OECD's 2004 review of the Swiss economy found that output growth had indeed suffered from a recession in 2003, mostly in the capital goods and financial areas which are traditionally the most important economic sectors. Hopes for a quick economic recovery are slim unless Switzerland hastens the pace of structural reforms. Despite those economic set backs, Switzerland's per capita income remains among the highest of the OECD countries and high investment income, combined with favourable terms of trade, should maintain Swiss standards of living at a level comparable to that of countries in the Euro zone in the short to medium term.

In 2002, Switzerland joined the United Nations by popular vote. This suggests a solid foundation of support for efforts by the Swiss authorities to meet not only the 0.4% commitment made in Monterrey, but also to establish a path towards reaching the 0.7% target for 2015 advocated by the

4. In 2003, Swiss ODA represented 3.49% of the Swiss federal expenditures compared to 3.10% in 1999.

5. Switzerland's statistical notification to the DAC was brought in line in 2003 following the decision among DAC members to take into account debt relief, security system reform, peace building and peace keeping. Moreover, the Government of Switzerland decided in May 2005 to report fully (as of 2004) the initial cost of asylum-seekers from developing countries arriving in Switzerland, a decision which brings Swiss ODA to 0.41%. Previously, Switzerland reported only first year costs of those granted asylum, a more limited interpretation than that used by many DAC members.

United Nations. As the 0.4% ODA/GNI target dates back to 1994 on the basis of a more restricted use of DAC accounting procedures, there is a compelling case for Switzerland to set a more ambitious goal for itself. Moreover, a higher level of ODA/GNI would build upon the internationally recognized professionalism of Swiss humanitarian and development co-operation and would help increase the impact of Switzerland's contribution to fighting poverty and the achievement of the MDGs. This would in turn help to provide the foundation for peace and security on which the continued stability and growth of the global economy depends.

A tradition of multi-year appropriation for ODA

The objectives of Swiss co-operation are set by parliament on the basis of proposals (the Messages) presented by the Federal Council. The Messages establish a breakdown of commitments by geographic area as well as the scale of contributions to bilateral and multilateral co-operation. Budget amounts are decided yearly on the basis of four to five-year framework credits (see Table 1 for the most important framework credits). They are decided primarily on the basis of past commitments. Theoretically, funding can be reallocated between countries as need arises, although this is not often the case in practice as Swiss engagement in priority countries in particular depends on a number of factors, such as past engagement and the desire to preserve long-term relations.

Table 1. List of framework credits currently in force

Type	Agency	Name	Amount (in CHF million)	Expected Timeframe
Technical and financial co-operation with developing countries	SDC	10 th framework credit	4200	2004-2007
Co-operation with East European Countries and the CIS	SDC/seco	3 rd framework credit	900	1999-2006
		Credit prolongation	500	2002-2005
		Credit prolongation	400	2005-2006
Economic and trade policy measures	seco	6 th framework credit	970	2003-2008
International humanitarian aid	SDC	19 th framework credit	1500	2002-2006/07
Capital to Multilateral Development Banks	SDC/seco	Framework credit for Swiss participation in the capital of MDBs	800	1995-ongoing
Other	BUWAL	Framework credit for the global environment	125	2003-2006
	Political Division IV	Framework credit for civil conflict management and the promotion of human rights	240	2004-2007

The 2004-07 appropriation for technical co-operation (TC) and financial assistance for countries in the South is by far the largest, covering about two-thirds of total bilateral and multilateral aid expenditures. The framework credit concerns SDC's co-operation with 17 priority countries in the South and 7 special programmes in Africa, Asia and Latin America.

Multi-year funding, combined with the rolling-over principle, provides the government with a medium-term planning horizon and significant continuity and flexibility, all of which enable the Swiss authorities to better fulfil the commitments made to partner countries in terms of aid predictability. Notwithstanding the value of this arrangement for policy makers, the Swiss budgetary system for development assistance tends to be fragmented by region and by category and not synchronized in terms of time frames. A presentation combining all of the categories on a yearly basis would provide a good picture of the total budget for that year and would be particularly useful for communications purposes with the Swiss public.

Swiss Bilateral ODA

Switzerland's bilateral ODA represents 73% of total ODA in 2003. This percentage is broadly in line with the DAC average of 76% as well as with other DAC members which are not in the European Union. SDC administers approximately 70% of bilateral aid to the South, while seco administers 14%. The remainder is distributed between (i) the cantons (2%); (ii) the Federal Office for Migration (3%); debt relief (2%); the Department for Defence, Civil Protection and Sports (2%); the DFA's Political Directorate (2%) and other federal offices for contributions in the fields of environment and forestry, education and science.⁶ Both SDC and seco share equally the administration of the financial assistance going to eastern countries and the CIS, also called the "transition economies".

Geographic allocation remains a challenge

SDC currently co-operates closely with 28 countries (17 in the South, 11 in Eastern Europe and the CIS) and through 9 special programmes (up from 4 noted in the previous peer review), compared to an overall number of 33 in 1998 (see Box 2). Seco is active in 27 countries, compared to 36 in 1998: 15 from the South, 12 in Eastern Europe and the CIS. Both SDC and seco are active in the same 21 priority countries: 9 in the South and 12 in the East and CIS, compared to only 10 in 1998. In the developing countries in which both SDC and seco share a country or regional programme, closer working relations are already beginning to emerge (see Chapter 6), while in Eastern Europe and the CIS close co-operation has been established since 2000. Switzerland's country selection reflects a number of factors, such as (i) demand from the partner country as well as potential for Swiss aid to be highly effective; (ii) prospects for playing a role that other donors don't play; (iii) a history of bilateral relations; (iv) shared values, *e.g.* in environment and gender; and/or (v) pressure to participate in some activities with other donors, as in Afghanistan. Increasingly, migration is becoming an important consideration for engaging in activities linked, for example, to the resettlement of refugees. The developmental, economic and political dimensions of a country are taken into account. In countries that completely lack the conditions for a co-operative partnership either with government or civil society, existing relations may be suspended, broken off or not taken up by decree of the Federal Council (SDC, 2000). With respect to fragile states, the potential for improving a country's situation must be real or else Swiss involvement in long-term development is postponed.

6. Public and private aid to developing and transition countries, by source. The information was handed to the examiners during their visit to Bern in February 2005.

Box 2. List of priority countries and special programmes of Swiss Development Co-operation (2004)	
SDC	SECO
17 Countries in the South: Bangladesh, Benin, Bhutan, Bolivia, Burkina Faso, Chad, Ecuador, India, Mali, Mozambique, Nepal, Nicaragua, Niger, Pakistan, Peru, Tanzania, Vietnam	15 Countries in the South: Bolivia, Burkina Faso, China, Egypt, Ghana, India, Indonesia, Jordan, Mozambique, Nicaragua, Peru, South Africa, Tanzania, Tunisia, Vietnam
11 Countries in Eastern Europe and the CIS: Albania, Armenia, BiH, Bulgaria*, Georgia, Kyrgyz Republic, Macedonia, Serbia and Montenegro, Romania*, Tajikistan, Ukraine*	12 Countries in Eastern Europe and the CIS: Albania, Azerbaijan, BiH, Bulgaria*, Federation of Russia*, Kyrgyz Republic, Macedonia, Romania*, Serbia and Montenegro, Tajikistan, Ukraine*, Uzbekistan
9 Special programmes: Cuba, Federation of Russia*, Kosovo, Madagascar, Mongolia, North Korea, Rwanda, South Africa, West Bank and Gaza	

Source: Memorandum of Swiss Development Co-operation (2004)

* These countries receive official aid

The list of priority countries for Swiss development co-operation as a whole is rather long in relation to the size of Switzerland's bilateral aid programme, which means that Swiss development aid is scattered. There are opportunity costs in having such a large number of countries as well as questions concerning whether Swiss co-operation reaches the critical mass necessary to have a durable impact in the countries in which it is involved (see also Chapter 3). Seco has already indicated that it will further concentrate its co-operation programme to fewer intervention countries (from 26 in 2006 to 20 by 2010) (seco, 2004). Switzerland should consider further the issue of geographic concentration worldwide as a way of strengthening the management, coherence and aid effectiveness of the overall programme. From the perspective of partner countries there is increasingly a preference for fewer donors, joint programming and implementation as well as more responsibility in the management of development aid. Switzerland should reassess the shape and review the management of its development co-operation in light of those powerful messages.

Finally, a significant proportion of bilateral ODA - 35% in 2003 as compared to 21% for total DAC (Table B.3 in Annex B) - is not allocated by region or country. Unallocated ODA (USD 335.19 million in 2003) represents a combination of grants (USD 320.19 million) and equity participation (USD 15 million). The grants include the cost of refugees in Switzerland; co-funding for NGOs; funds channelled through multilateral organisations for earmarked bilateral programmes; support to conflict prevention; administrative costs at headquarters; advocacy and research activities, technical co-operation; and regional programmes.⁷ It is difficult to draw firm conclusions on aid distribution for Switzerland if such a large proportion of ODA is not allocated by country, region or programme. An increased effort to break down and report on these amounts would help strengthen Switzerland's DAC statistics.

The share of bilateral ODA to the lowest income group could increase

Consistent with the most recent message on development co-operation with countries in the South, the least developed countries (LDCs) received the largest share of Swiss gross bilateral allocable ODA (Table B.3 in Annex B): 39.6% in average between 1999 and 2003, compared to 29.2% for the DAC. Other low income countries (OLIC) received 19.7% in average compared to

7. This information was provided during the DAC visit to Bern.

25.8% for the DAC; and lower middle income countries (LMIC) 39.1% compared to 40.5%. The share of upper middle income countries is negligible. When combined, the share of ODA going to LDCs and OLICs has gone down from an average of 67.3% between 1994-98 to an average of 59.3% between 1999 and 2003. However, it has increased from 54% in 1999 to 63% in 2003.

Among the top twenty recipients of Swiss bilateral aid in 2002-03 (Table 4) all but three (Afghanistan, Colombia and the Democratic Republic of Congo) are on Switzerland's list of priority countries. Seven are LDCs, five are OLICs and eight are LMICs. Hence the poorest 12 countries from that list (LDCs and OLICs) received USD 178 million or 35% of gross disbursements during that period, which is in line with DAC averages.

Africa remained a consistent main target of gross bilateral disbursements in real terms in the period between 1999 and 2003, with USD 199 million in 2003 or 37%. This proportion is below the 41% share recorded in 1998 and the DAC average of 40%. However, the percentage of ODA going to Sub-Saharan Africa was 36% in 2003, compared to the DAC average of 35%. Asia received USD 153 million or 29%, Europe USD 82 million or 16% and America USD 76 million or 14%. Europe's share has doubled since 1998 as a result of Swiss involvement in the Balkans and is high compared to the DAC average (5%). Switzerland's assistance (including emergency and distress relief and reconstruction) to the sub-region peaked in 1999 to reach 25% and then decreased to 12% in 2003.

From the above information one may conclude that despite the fact that Switzerland continues to target the poorest countries, the share of Swiss bilateral ODA going to those countries has declined since the last peer review. Bilateral ODA going to Africa has decreased compared to the 1995-1999 period but has increased from 34% in 1999 to 37% in 2003. Flows to sub-Saharan Africa (36% in 2003 compared to 31% in 1999) remain above the DAC average of 35% in 2003. Switzerland should pursue its efforts and focus an even higher level of ODA on the poorest priority countries over the long term to be consistent with its stated objective of poverty reduction.

Swiss ODA is thinly distributed around sectors and themes

The federal government encourages sectoral concentration on no more than three sectors in each country. As can be observed from the following chapter this rule is broadly interpreted depending on, *inter alia*, how a sector is defined; the interests of specific Swiss constituencies; and the ability of the co-operation offices (COOFs) to balance demands from partners and activities inherited from the past. In theory the decision to cover specific themes reverts to SDC's and seco's Boards of Directors. In practice, however, the number of themes, sub-themes and sectors is quite large (see Annex D). Efforts could be made not only to concentrate on fewer sectors, but also to achieve economies of scale by combining Swiss activities with that of other donors involved in the same sectors.

Thematic concentration was recommended in a recent assessment of Swiss co-operation in the East, the results of which are summarized in Chapter 6 (SDC-seco, 2003). A portfolio analysis is underway for SDC's projects focusing on effectiveness, comparative advantage and potential mechanisms for scaling-up. For the time being, as for other DAC members the sectoral breakdown of Swiss co-operation illustrates that commitments made to the MDGs remains difficult to reflect in terms of actual disbursements. For example, the share of Switzerland's bilateral ODA disbursed in basic social services is in the low bracket but is comparable to the DAC average for those sectors in 2002-03: *i.e.* USD 13 million or 2% in basic education, USD 24 million or 3% on basic health, USD 28 million or 3% in water supply and sanitation (see Table B.5 in Annex B). Closer scrutiny of the data shows that a large proportion of aid to those three sectors goes to technical co-operation: over 65% in average between 2000 and 2003 for education; 35% for health and 43% for water and

sanitation. The data illustrate that TC is a much used instrument in Swiss development co-operation in those as well as other sectors (see Chapter 6).

Switzerland sees governance and economic development as essential for underpinning the achievement of the MDGs. As indicated elsewhere in this report, the fight against poverty encompasses a wide perspective, including the promotion of economic growth and private sector development through investment and trade. Table 5 shows that Swiss involvement is indeed higher in 2002-03 than the DAC average, *e.g.* in the banking, business and productive sectors. However, the share of those sectors is still rather low - 7% and 9% respectively - compared to emergency assistance (18%) and core support to NGOs (11%). The share going to economic infrastructure and services is lower than the DAC average overall, while the share going to the multi-sector category is the highest: 23% (18% in 1999), compared to 8% for the DAC. This category may include activities implemented in areas that are not readily captured by DAC statistics, *i.e.* governance. As an illustration, a breakdown of Swiss projects between 2002 and 2006 in the Mekong region (Cambodia, Laos and Vietnam) shows that cross-cutting themes, *i.e.* governance, institutional development and urban governance and infrastructure, are the main focus rather than social sectors.

Debt relief through the multilateral channel

Switzerland has been a driving force in the international debate on debt relief. Seco put in place a special bilateral debt relief programme in 1991 to write off the public and commercial debts owed by various poor countries as a gesture of solidarity within the context of the 700th anniversary of the Swiss Confederation. The programme reduced bilateral debt vis-à-vis 19 countries for a total amount of CHF 1 billion. The counterpart funds associated with this programme allowed the financing of development projects in 12 poor countries for a total amount of CHF 267 million. Three funds are still open for projects in Côte d'Ivoire, Egypt and Senegal. They are managed by the Debt for Development Unit of the Swiss coalition for NGOs, under guidance from both seco and SDC.

Over the last few years, Switzerland has cancelled almost all bilateral public debts of Highly Indebted Poor Countries (HIPC). Today, the HIPC initiative constitutes the main thrust of Switzerland's debt forgiveness policy. Bilateral debt relief measures have been gradually replaced by the multilateral HIPC for which Switzerland has reported CHF 280 million since its inception. The total amount consists of Switzerland's contribution to the World Bank HIPC Trust Fund, the Poverty Reduction and Growth Facility (PRGF) Trust Fund of the IMF and the Swiss contribution to the HIPC-related costs in the context of the 14th IDA replenishment. Switzerland is willing to continue its strong support to HIPC to the extent that other donor countries also contribute.

Seco is in charge of debt relief operations, including implementing the multilateral measures and capacity building for debt management through its participation in the HIPC Debt Capacity Building Programme of Debt Relief International. In spite of budget constraints, Switzerland should make best efforts to build on its historical involvement and remain a committed partner in international debt relief.

Swiss Confederation's humanitarian aid

Switzerland's humanitarian aid totalled USD 158 million in 2003, representing 12% of ODA. In 2003, approximately 70% of SDC's humanitarian aid was allocated through international organisations, including the International Committee of the Red Cross (ICRC). Direct actions implemented by SDC and the Swiss Humanitarian Aid Unit (SHA) accounted for 10% and support to Swiss NGOs 10%. The remaining 10% was allocated to various smaller activities (*e.g.* non-Swiss NGOs, administrative costs, advocacy, etc.). Of the total SDC's Humanitarian Aid budget of

CHF 272.2 million, more than CHF 32 million (12%) was food aid, of which CHF 19 million remained tied in the form of Swiss dairy products.

Data provided by UN-OCHA Financial Tracking System shows that Switzerland has increased its support to the UN Consolidated Inter-Agency Appeal (UN-CAP) from USD 26 million in 2002 to USD 37 million in 2004, positioning Switzerland as the 12th largest CAP donor in 2004 (OCHA, 2005a, b). According to the same source Switzerland contributed 3.1% (USD 142 million) of global humanitarian funding in 2004 (OCHA, 2005c). As in most DAC countries, the enormity of the destruction of the 2004 Indian Ocean Tsunami prompted an unprecedented response from both the general public and the private sector. The Federal Council allocated an additional CHF 25 million for emergency relief in response to this large-scale disaster.

Switzerland's support to civil society organisation is fairly constant

A recent analysis of Swiss NGOs' role and prospects reveals that approximately 29% of total Swiss ODA is managed by these organisations (IUED, 2004). This includes funds from private (NGOs) as well as public sources. Measured in percentage of GNI, Swiss private donations have increased steadily, reaching CHF 314 million in 2002, compared to CHF 250 million in 1998 (OECD, 2000). This figure is likely to be much higher in 2005 as a result of the overwhelming response of the Swiss population to the Tsunami. Both the number of private donors and average donation size are increasing, mostly because donations are being collected in a more professional way and because the ageing population is wealthier than the younger one.

NGOs also benefit from Swiss public contributions (Confederation, cantons and communes) as well as from other DAC members' public contributions, from the EU and international organisations. Contributions from the Swiss Confederation (2002) include:

- SDC's programme contributions which support NGOs' own programmes on the basis of three year contracts. Those contributions are not necessarily aligned with SDC's geographic and sectoral priorities and cannot exceed 50% of project costs, the remainder being self-financed by NGOs.
- SDC's contributions for humanitarian aid activities (in cash or in kind for food aid, relief and medical supplies).
- Specific mandates which are the equivalent of sub-contracts for implementing SDC's as well as seco's projects.

Switzerland's support to and through civil society organisations accounted for USD 153 million in 2003 (19% of gross bilateral aid or 13.5% of total ODA). Support to NGOs has been fairly constant since 2000, with an increase in 2003 compared to previous years.

The largest recipients of public funds are Helvetas, Interco-operation, Swisscontact, Caritas Switzerland, Swissaid and the Swiss Red Cross.

Swiss approach to multilateral institutions could be more strategic

As mentioned in Chapter 1, Switzerland's already longstanding interest in multilateral institutions has grown further as a result of its recent full membership in the United Nations. SDC and seco have shared responsibility with respect to multilateral agencies. They jointly develop overall strategic priorities for Switzerland's participation in multilateral co-operation. Seco is the co-ordination office for the MDBs and pursues this task in close co-operation with SDC. SDC is in charge of the co-operation with the majority of UN agencies. The joint Steering Committee on Multilateral

Financial Assistance helps co-ordinate the respective activities of the two offices with the MDBs. A Swiss multilateral strategy, approved in April 2005 by both the Federal Department of Foreign Affairs and the Federal Department of Economic Affairs, will be published shortly. To implement the strategy SDC and seco are preparing a paper that specifies Switzerland's institutional priorities and defines a medium-term financial framework for its multilateral development co-operation.

**Table 2. SDC/seco co-operation with Swiss NGOs 2003
(mill. CHF)**

NGOs	Programme contributions	Specific mandates (projects)			Total
		SDC humanitarian aid	SDC development and East	seco	
Helvetas	10.3	0.2	23.4	1.3	35.2
Interco-operation	-	-	34.8	-	34.8
Swisscontact	5.7	-	17.8	1.0	24.5
Caritas Switzerland	4.2	6.6	1.2	-	12
Swissaid	6.3		0.2		6.5
Swiss Red Cross	3.2	2.7	2.5	0.2	8.6
Total	29.7	9.5	79.9	2.5	121.6

Source: SDC-seco, Switzerland's international co-operation Annual Report 2003.

Multilateral institutions are ranked according to three broad categories: high priority institutions in which Switzerland participates with financial and/or human resources; medium-priority institutions that justify a more modest degree of involvement; and low-priority institutions in which involvement is limited to a specific thematic focus (SDC & seco, 2005). As a shareholder, Switzerland participates in the managerial and oversight bodies of the respective UN agencies, international financial institutions and global programmes, exerting influence whenever it can and participating in joint decision making. As a stakeholder it represents the interest of partner countries and promotes the inclusion of civil society and the private sector as well as some Swiss national interests.

SDC deals with UN funds, programmes and specialised agencies in the fields of development as well as humanitarian assistance. As Switzerland provides funding on a yearly basis to UN organisations it should aim for a multi-year financial framework. In co-ordination with SDC, seco negotiates funds replenishments and capital increases for the MDBs. In this role it co-ordinates the Swiss position on projects, strategies and policies discussed in those institutions. Seco also i) deals with selected UN bodies in its field of comparative advantage (UNCTAD, UNIDO); ii) manages the Consultant Trust Fund Programme, iii) provides oversight on Switzerland's strategic partnerships with the IFC and the EBRD; iv) monitors Swiss participation in nuclear safety accounts; and v) encourages collaboration between MDBs and the private sector.

Except for 2002, the split between bilateral and multilateral aid has remained approximately 70/30% between 1999 and 2003. Swiss ODA in the form of contributions to multilateral organisations (Table B.2 in Annex B) has been fairly constant since 1999, disregarding an unusual increase of 56% in 2003 due to IDA contribution carried forward from the previous year. It reached USD 307 million in 2003, or 27% of gross disbursements, slightly above the DAC average of 24%. Compared to 2002, contributions to multilateral ODA paid to UN institutions and to other multilateral organisations in 2003 have remained virtually stable while contributions to international financial institutions, notably IDA, have increased.

A total of 15 UN organisations benefit from Swiss contributions (SDC, 2002). UN agencies received USD 89 million in average between 1999 and 2003 (about the same sum given to the World Bank Group). The UNDP is getting the largest share with 36% in 2002-03, followed by UNICEF (13%). According to data provided by Switzerland, support to large UN humanitarian organisations such as WFP and UNHCR, through general as well as specific contributions, have exceeded CHF 30 million per year on average (Federal Council, 2004). Other agencies supported through mandatory or general contributions are WHO, UNEP, FAO, UNIDO and UNESCO. Two special programmes, *i.e.* the Joint UN Programme on HIV/AIDS and the Special Programmes of the WHO, also receive funding. In most cases Switzerland provides funding for one year at a time to the UN system.

Swiss stakes in multilateral banks are shared between the different funds of the major institutions: the AfDB, the AsDB, the EBRD, the Inter-American Development Bank (IDB), the Inter-American Investment Corporation and the World Bank Group. Among the regional development banks the share of the AfDB Group is by far the largest (80%) compared to the AsDB Group (18%) or other multilateral players such as the IDB (2%). In March 2005, the Federal Council approved Switzerland's participation in the 14th IDA replenishment, with a contribution of CHF 585 million compared to CHF 530 million for IDA 13, as well as the 10th replenishment of the ADF, with CHF 153.5 million (seco, 2005). Switzerland also contributes to ten or more specialized funds or organisations, among which are the International Fund for Agricultural Development, the Global Environment Facility, the Consultative Group for International Agricultural Research, the *Agence intergouvernementale de la francophonie*, the International Organisation for Migration and the World Conservation Union. From the strict point of view of aid effectiveness, it can be costly for the Swiss administration as a whole to be dispersed over such a large number of organisations and funds, some of which are supported through modest amounts of money.

More generally, Switzerland could be more strategic in its approach with respect to multilateral institutions, funds, networks and fora which it is supporting. More clarity on the allocation criteria would help improve the focus and impact of Swiss contributions. Switzerland could participate in and rely on evaluations undertaken by other donors to improve the performance of the multilateral system and uphold its policy of improving the process of gathering information from embassies in preparation for relevant boardroom discussions in the multilateral institutions. The feedback on multilateral agency performance from co-operation offices could be better exploited. More systematic communication should be developed between headquarters in Bern and the field offices in this respect.

Future considerations

- Switzerland has a great deal at stake in terms of global growth and world security and a strong tradition of engaging in international issues. It should revisit the issue of ODA commitments in view of the fact that it has much to contribute as a bilateral donor. Sustained increases in its ODA levels would provide Switzerland with the means to do more to address the many pressing development challenges in its partner countries.
- Switzerland should reassess the number of priority countries in which it is involved, finding the right balance between its broader foreign policy objectives and the needs arising from poor countries, including fragile states. An assessment of where Swiss activities are having the most impact in reducing poverty is warranted in this context.
- Swiss ODA is thinly distributed among sectors and themes. Switzerland should consider carefully the recommendations from recent evaluations and portfolio assessments to

reconsider the breadth of its operations from the point of view of comparative advantage, effectiveness and potential for impact on a larger scale.

- Switzerland's new multilateral strategy should give consideration to supporting institutions on the basis of criteria linked to performance and impact on poverty reduction.

Chapter 3

Sector priorities and special themes

This chapter examines Switzerland's sector and thematic priorities. It first looks at Switzerland's approach to prioritisation, focusing in particular on the criteria and incentives shaping the sectoral and thematic portfolio. It explores the scope for more sectoral selectivity by highlighting the opportunities offered by a focus on poverty reduction and a number of areas where Switzerland shows comparative advantages.

Governance and private sector development were selected as special themes because of: i) their relevance with respect to the Swiss programme both at policy and operational levels; ii) their role as core areas of activity for both SDC and seco; and iii) the specificities of Switzerland's approach in these sectors which provides useful insights for the broader DAC community. Switzerland's approach to humanitarian aid is presented in Annex C.

Trends in sector priorities

The risk of thematic proliferation

As mentioned in Chapter 1, since the last peer review both SDC and seco have made substantive efforts at strategic and policy development. SDC's *Strategy 2010* and seco's *Strategy 2006* constitute the main bases for sectoral and thematic prioritisation for both agencies, reflecting their different and at the same time complementary mandates. The introduction of *Strategy 2010* led to a redefinition of SDC's thematic and sector focus around five main themes: i) crisis prevention and management; ii) good governance; iii) income generation and employment; iv) social justice and development; and v) sustainable use of natural resources. Each of these themes is in turn articulated into a number of priority areas which are subdivided into supplementary topics, forming a framework consisting of more than 30 fields (see Table D.1 in Annex D).

Strategy 2006 equally lists the five components of seco's strategic orientation: i) promoting a market-based economy and sustainable growth; ii) integrating partner countries into the world economy; iii) good governance; iv) mobilising private sector resources both in Switzerland and in partner countries; and v) strengthening Switzerland's presence and position within the multilateral development banks. Seco's strategic orientations are translated in five main spheres of activity linked to objectives, and further articulated into a range of thematic and programmatic foci (see Table D.2 in Annex D).

What results from this is an inventory of thematic and sectoral areas of intervention which, if considered from the perspective of the Swiss system as a whole, appears to cover the entire development co-operation spectrum. Although this may illustrate the breadth of expertise of the Swiss system and the intellectual efforts deployed in devising the programme portfolio, it also raises the question of the effectiveness of the Swiss approach to prioritising.

Sectoral dispersion and thematic proliferation tend to raise a number of issues, first and foremost the impact this has on general efficacy as efforts tend to be diluted over a wide spectrum of priorities. It may also reflect mounting pressures on the thematic and policy departments (as well as the rest of the Swiss aid system, including field offices) to keep abreast of policy developments in all the different sectors concerned. Ultimately there are trade-offs between monitoring international policy developments, adapting them to the Swiss context, developing policy guidelines, providing guidance and backstopping at field level and making sure that Swiss sectoral policies keep in touch with the reality in partner countries.

Main factors driving Swiss sectoral and thematic prioritisation

Four factors help to understand the tendency for sectoral dispersion and thematic proliferation. The first is foreign policy. As shown in the table below, topics in SDC's *Strategy 2010* are directly derived from the objectives laid out in the *2000 Foreign Policy Report*. Echoes of Swiss foreign policy are also present in seco's *Strategy 2006*, which contains a mandate to "strengthen Switzerland's position in the world".

Table 3. From foreign policy to development co-operation

Swiss Foreign Policy Objectives	→	SDC's development co-operation topics
1. Preservation and promotion of security and peace	→	Crisis Prevention and Management
2. Promotion of human rights, democracy and the rule of law	→	Good Governance
3. Promotion of prosperity	→	Income Generation and Employment
4. Promotion of social cohesion	→	Social justice and development
5. Preservation of the environment	→	Sustainable use of natural resources

Source: SDC Agenda 2010 and Foreign Policy Report 2000.

Second, the domestic political environment also contributes to the broadening of the portfolio. Both SDC and seco need to ensure that their actions are backed by their specific constituencies (private sector and NGOs) but also the Swiss public in general.⁸ A third factor relates to Switzerland's partnership orientation and attention to partner country needs. In addition to ensuring alignment with country-owned strategies (see Chapter 6), the formulation of Swiss country programmes and project design are the result of long consultations with partners at all levels. Basing the selection of sector and themes on country needs requires a broad range of thematic expertise. This may contribute to thematic proliferation, particularly when the geographic portfolio is already broad.

A fourth factor responsible for broadening the sector portfolio relates to Switzerland's perception of its own role as a donor. Switzerland's approach is based on the belief that the quality of development assistance is not simply a function of aid volumes. Its objectives are as much about influence and multiplier effects as they are about funding (SDC, 2003). To have an impact on global development objectives given its size and comparative advantage, Switzerland strives to occupy important niches on the grounds that targeted, small interventions can trigger policy changes and create a climate of confidence. This may stimulate investment by other donors and the authorities in partner countries.

8. For an explicit consideration of these, see *Evaluation of SDC's Bilateral Engagement in the Poverty Reduction Strategy Paper Process*, 2003, p. 33.

The quest for strategic positioning and engagement in innovative initiatives allows Switzerland to remain “small but special” and to perform not simply the role of a funding agency but also that of a policy/intellectual partner. This ultimately raises the operational costs of the programme, including in terms of expertise available. It can also potentially lead to losing sight of where Switzerland’s comparative advantage lies. Engaging in the rapidly changing international debate on aid, responding to domestic pressures on new fronts and meeting the specific demands coming from the field thus put expansionary pressures on the system.

Rationalising and consolidating the thematic portfolio

As stated in the *Message to Parliament on Continuing Co-operation with the Eastern countries and CIS* (Federal Council, 2004), which contains a number of references regarding the need for concentration, the Swiss authorities are aware of the “danger of trying to be omnipresent, not only geographically but also thematically”. At field level, the evaluation of SDC/seco’s 2000-03 Mid-Term Programme for Bosnia and Herzegovina stated the need to streamline the programme, which then led to a reduction in the number of projects and consolidation of the main sectors. The Mekong Regional Programme may undergo a similar concentration process. Building on these efforts, thematic consolidation could remain on the agenda for quite some time to achieve a higher level of effectiveness. The mid-term review of SDC’s *Strategy 2010* constitutes a clear opportunity in this sense. To maximise impact and resource use in a strategic way, both SDC and seco should further consider sectoral concentration as well as more opportunities for combining their efforts in relevant areas.

Reducing the thematic proliferation of Switzerland’s development co-operation programme should proceed hand in hand with the rationalisation of the geographic portfolio and current efforts at prioritising. It should be based on a search for a new strategic focus primarily centred on poverty reduction and Switzerland’s value added, including with respect to ongoing efforts at donor harmonisation and alignment with PRSPs.

Focusing on poverty reduction and the MDGs

Since the last peer review, Switzerland has made clear efforts to put poverty reduction at the centre of its interventions. Poverty reduction has been incorporated into Swiss foreign policy as one of its five strategic goals and both SDC and seco’s strategy statements refer to poverty alleviation as their overarching objective (see Chapter 1). Although in Eastern Europe and the CIS the focus lies on support to transition and not poverty reduction, Seco complements its strategy with *Agenda 2010 - poverty reduction*, which defines related policy adjustments. Moreover, Switzerland considers the MDGs and the Millennium Declaration as development policy milestones, with a large share of SDC’s engagement going towards governance which is not directly included in the MDGs. Hence the MDGs are not used as a straightjacket.

Switzerland interprets these commitments through a systematic reorientation of activities based on a context specific analysis of poverty. In BiH, due to the different transitional issues at stake, the Swiss programmes conceptualise and address poverty in different ways, to include both the new poor and those caught in poverty traps. Switzerland is known within the donor community there for regularly raising the need for more attention to poverty issues without losing sight of the importance of economic growth and employment creation. In Vietnam, Switzerland financed the development of poverty maps to track poverty changes countrywide. This helped show that poverty is increasingly affecting minorities, highlands population and the socially excluded in the Mekong delta (Vietnam Consultative Group, 2003). When it became clear that those areas were not sharing the benefits of economic growth, the Swiss country programme looked for ways to address such deep poverty.

As recognised by the Swiss authorities, the challenge of strengthening the poverty focus entails emphasising sectors in which Swiss operations have the most impact at the macro, meso and micro levels. For both SDC and seco, the introduction of poverty impact appraisals could help prioritise according to expected outcomes on poverty reduction.

While maintaining a partnerships approach and openness to country needs, Switzerland should rationalize its thematic orientation based on comparative advantage. To retain its important role as innovation driver, it should clarify the areas where it has a proven value added and focus on niches where it can bring relevant experience to facilitate replicability and policy change. There is scope at country level for better exploitation of possible synergies between individual interventions in order to maximise their impact through programme consolidation.

Paying more attention to the gender dimension of poverty

SDC has a policy addressing the gender dimension of poverty (SDC, 2003), with a toolkit to assist practitioners in implementing the policy. A recent review of SDC's experiences in working with gender as a transversal issue complements the useful package prepared for the practitioners (SDC, 2005). The recommendations should be debated with all staff from both the field and headquarters as they provide good learning experience for all to benefit from.

The gender policy for poverty alleviation applies to all of SDC's bilateral and multilateral interventions. According to the policy these should be guided by a systematic gender analysis. The gender dimension should also be tackled in the policy dialogue and framework conditions; in institutional development and relations between and within organisations; and at the households/communities level. Those conditions are constraining and should be implemented with some flexibility. The DAC reviewers were not aware that they were followed in their entirety in either BiH or Vietnam.

Some of the difficulties which the COOF meet at country level relate to the lack of sex disaggregated data to guarantee a baseline for gender mainstreaming, and of gender specific indicators to be used in the programme cycle management and in SDC's strategic monitoring and controlling system. Concrete tools for measuring the impact of SDC's interventions are also lacking. The agency should make special efforts in developing those.

Seco is making efforts towards integrating the gender dimension, building on existing SDC and DAC guidelines so as to induce change and transform operational approaches. At the time of this review none of seco's activities in Vietnam had integrated the gender dimension. The agency is moving in the direction of a more 'gendered' approach to poverty reduction, with preliminary studies in key areas to help identify concrete recommendations for planning future activities. More effort to sensitize staff, including managers, should be made and key areas that warrant a gendered approach, e.g. in trade and microfinance for which up to 70 % of clients in partner countries are female, should be identified and properly resourced, including with outside expertise if necessary. Seco should also capitalise on existing information and good practice, including through the DAC Gendernet, and tap resources available within SDC, other donors and specialised institutions. Seco's planned activities, for example concerning gender-specific analyses in budget support programmes; analysing women's role in processes of economic change; or assessing women's needs in infrastructure projects should be actively pursued. Finally, both SDC and seco should check that gender is addressed in terms of reference for projects, feasibility studies, data collection etc., and measure the outcome of activities on women's economic and social well being.

The cross-cutting topic of gender is integrated into the work of DFA's Political Division IV. Particular attention is given to women's rights, including human trafficking, at the multilateral level and in bilateral relations, and peace promotion. The DAC reviewers were not informed of collaboration between SDC and PD IV integrating those dimensions, including in BiH. More efforts could be made in this area.

Private sector development and governance

Private sector development and good governance are of special interest to both seco and SDC. In these areas Switzerland demonstrates a holistic approach to build links across different levels and areas of intervention, and a capacity to provide value added.

Private sector development

A healthy private sector is central to strong and sustainable growth and poverty reduction. Switzerland targets the main impediments to private sector development in a comprehensive way along the various dimensions of trade, investment, small and medium-sized enterprises (SMEs) and financial systems. Whilst placing equal emphasis on the need to mobilise private sector resources, seco and SDC adopt complementary approaches: seco views broad-based growth as a trigger to poverty reduction, whereas SDC pays more attention to those at risk of being excluded from growth. In Vietnam for instance, seco is heavily focused on supporting the Government's poverty reduction strategy centred on "growth centres", whereby growth in the big cities (Hanoi, Ho Chi Minh and Danang, where poverty is also acute and unemployment represents a challenge) will eventually boost broad-based growth at national level with benefits for the poorer periphery. For its part SDC focuses on ensuring broad-based growth by attempting to address inequality and vulnerability. SDC targets minorities and groups relegated to poverty traps or who risk falling back under the poverty line. However, both in the Vietnam and BiH programmes, women as an economically active but vulnerable group appear underrepresented as beneficiaries of Swiss interventions.

Trade support

The Swiss economy depends heavily on exports and earnings from foreign direct investments (FDIs). Switzerland's strong export orientation makes trade a traditional area of its development co-operation. The Swiss approach to trade assistance takes a variety of forms and impacts at different levels.

Since the launch of the Doha Development Agenda, seco has broadened the scope of its trade-related technical co-operation programmes to include technical standards, government procurement, competition policy and intellectual property. Switzerland has developed a training and capacity building framework to familiarise developing countries with negotiating procedures and gain adequate voice in the World Trade Organisation (WTO). This involves both direct support to developing countries' delegates as well in-country technical assistance to improve research and statistical capacity. Switzerland also actively supports the Integrated Framework for Trade Related Technical Assistance to Least Developed Countries to mainstream trade strategies into national development plans and is currently responsible for global donor co-ordination in this area. In Vietnam, Switzerland supports the trade ministry in its efforts to define goals, outputs and activities for its export strategy and related institutional and human resource needs. At micro level, Switzerland provides direct trade development assistance to exporters through the Swiss import promotion programme (SIPPO), which especially targets SMEs. It is at this level that the impact of trade related technical assistance seems to be more limited, particularly due to sustainability concerns (see Box 3).

Box 3. The Swiss Import Promotion Programme

Switzerland provides direct trade assistance to developing country exporters through SIPPO. Located in Zurich and operating under seco's leadership, SIPPO helps SMEs from emerging and transition economies gain access to the Swiss and EU markets, whilst at the same time assisting Swiss importers to find new products and sourcing opportunities.

SIPPO concentrates on (i) providing market analyses on various product categories and business branches to familiarize producers in emerging and transition economies with European norms, standards, quality requirements and import regulations, customs regulations and charges; ii) locating exportable products for which there is a demand in the Swiss and the EU markets; and providing producers with in-depth support in the fields of design, quality management and product adjustment and through general sales promotion measures such as trade fair attendance and the sourcing of new suppliers.

SIPPO stresses its relevance and success by highlighting its immediate results, such as the 130 businesses which in 2003 were given the opportunity to participate in 10 trade fairs and the 5 200 requests for services received by SIPPO from 157 countries. Despite these indications of success, SIPPO's intervention modalities raise some sustainability concerns. In Vietnam for example, SIPPO's beneficiaries highlighted its important role in locating Swiss importers but also lack of follow-up, and a range of longer term capacity needs were left unanswered.

Seco is aware that to enhance sustainability and achieve long-term impact, export oriented sector producers need to develop their own market strategies. Whilst continuing to focus on its core mandate of direct assistance to promising exporters of goods and services. SIPPO could also intensify its co-operation with specialized UN agencies whose core mandate is to promote local export capacity and institution building in the field of technical, environmental and social standards. Closer co-operation with these organizations would help to transfer sustainable capacity at country level and strengthen the impact of SIPPO's programme.

Investment promotion

In the area of investment promotion the Swiss programme is switching from promoting FDI from OECD countries to attracting investment from the domestic private sector in partner countries. The Swiss Organisation for Facilitating Investments (SOFI) is Switzerland's prime instrument to promote FDI in developing and transition countries. Created in 1997, SOFI is a joint venture between a private consulting company and seco, mainly targeting Swiss and OECD countries' investors interested in emerging markets through the provision of market information, consulting and matchmaking services. In addition to providing financial, advisory and commercial planning services through some 200 projects, SOFI organised 50 missions, conferences and seminars in various parts of the world in 2003 alone, bringing information to some 500 companies from partner countries. Seco also promotes private sector participation in infrastructure through technical and financial assistance as well as participation in specialised investment funds.

To attract local investment funds seco encourages a business enabling environment using a range of tools including guarantees, leasing and venture capital funds. The agency supports the creation of networks between banks and SMEs and provides technical assistance through bilateral and multi-donor initiatives such as the Southeast Europe Enterprise Development, to improve business development services. This was particularly impressive in BiH.

Financial sector development

Switzerland enjoys a leading global position in managing private financial assets. According to its 2001 sector strategy, Swiss assistance addresses low and lower-middle income countries which do not benefit from important financial inflows and middle income countries which already attract substantial private financial flows but whose financial stability is in doubt. Building on its strong tradition as a financial centre, Switzerland's assistance aims at i) developing healthy national financial systems, reinforcing the macroeconomic conditions and the competencies of financial institutions; and ii) reinforcing the international financial architecture through bilateral and multilateral initiatives.

Swiss bilateral financial sector support is usually delivered in comprehensive assistance packages aimed at increasing the institutional capacity and technical know-how of partner institutions in the areas of central banking, commercial banking, bank restructuring and capital markets development. On the multilateral side, together with the WB, the IMF and a small group of bilateral donors, seco set up the Financial Reform and Strengthening Initiative (FIRST) in 2002 – a joint technical assistance programme to support growth and poverty reduction in low and middle income countries by promoting solid and diversified financial sectors.

Box 4. Attracting private capital in developing and OECD countries: Switzerland's microfinance focus

Switzerland's work in microfinance is based on the principle of mobilizing private sector funds in order to leverage the impact of ODA and achieve sustainability. Seco sees itself as a promoter of finance, rather than a mere financier, whose role involves using ODA to support commercially viable initiatives which have an impact on poverty. Notable examples include the Profund project in Latin America which channels private financial flows into the microfinance industry, and the Emergency Liquidity Facility aimed at making the microfinance sector less vulnerable to unforeseen shocks by providing financial crisis management training and opportunities for bridging liquidity.

Through its start-up financial expertise seco is also succeeding in making the private sector in OECD countries pay more attention to the opportunities offered by microfinance markets. Sponsored by four Swiss banks, each representing a specific segment of the Swiss financial market, the Responsibility fund provides a range of financial products and services to promising microfinance initiatives in developing countries. Seco also supports the Global Microfinance Facility developed by IFC to provide microfinance institutions throughout the developing world with access to medium term local currency and USD funding from commercial banks that would otherwise not be prepared to lend to them.

Switzerland's multifaceted approach to private sector development, which tackles the various dimensions of financial sector development, trade support and investment promotion, is worth mentioning. Seco's attention to mobilising private capital for poverty reduction activities through commercially viable schemes sets an example, although more vigilance to sustainability issues of certain activities is encouraged. In light of the capacity for innovation demonstrated in this area, the agency could consider expanding the financial commitments to this sector. In parallel, Switzerland should explore opportunities for supporting women's role in trade and the SME sector, and give further attention to the role of the poor in the growth process not simply as passive beneficiaries but as active participants, in line with seco's *Agenda 2010* and SDC's poverty guidelines. This would involve expanding the poverty reduction focus from notions of inclusive and pro-poor growth to new approaches focused on making the poor drivers, and not simply beneficiaries, of economic change (OECD, 2004).

Governance

Civic traditions, comparative advantages and the national interest

Switzerland can boast one of the oldest democratic political systems in the world and a tradition of consultative decision-making processes capable of accommodating a range of diverse ethnic, religious and linguistic groups. Its three-tier democracy built on community, canton and federal levels endows it with specific comparative advantages in working with local government and representative authorities at sub-national level. Its tradition of multicultural federalism, protection of civil minorities and strong grassroots participation constitute obvious assets in operating in complex political contexts. In addition to its history, Switzerland's attention to governance stems out of its long term national interest as stated in Switzerland's foreign policy, which makes the promotion of democracy and human rights one of its five objectives.

Although its political system and tradition constitute a source of inspiration, Switzerland bases its governance operations on careful consideration of local realities, through context analysis including the State, civil society and the private sector. SDC's definition of governance as the "exercise of

economic, political and administrative authority at all levels in a country” makes for an inherently political approach to governance issues. Building on its reputation of neutrality Switzerland often aims not simply at rationalising administrative and electoral procedures, but also at changing the rules of the game regulating central-local government relations, the justice system, the provision of public goods and services and access to information.

Switzerland’s holistic approach to governance

In Vietnam, improving the governance framework for poverty reduction is integrated into the local development goals with effective grassroots democracy, budget transparency and legal reform as the main objectives. SDC’s activities include diagnostic work, legal and administrative reforms, civil society support and strengthening the National Assembly. Seco’s activities include promoting corporate social responsibility for SMEs, supporting intellectual property regulatory system and strengthening competition policy and law.

Switzerland played a key role in the production of Vietnam’s 2005 Development Report on Governance which contains a mapping of country needs for direct action by government and donors (Consultative Group, 2004). Concerning legal reform, Switzerland works to improve access to free legal aid services for the poor at municipal and provincial levels, with a special focus on the most disadvantaged provinces. Although local governments and representative bodies retain a special level of attention given their lower level of resources, Switzerland’s support to Vietnam’s political transition also targets the National Assembly, mainly through capacity building activities for parliamentarians and office staff. At the same time, Switzerland plays an active role in the Public Administration Reform Programme initiated by the Vietnamese government at the outset of the renovation policy (*doi moi*) launched by the government in 1986.⁹ Swiss interventions focus on enhancing the capacity of the central administration (Home Affairs and Prime Minister’s Office) to steer and monitor the reform process and improve the efficiency of public resources at local level. This involves not only helping the authorities to streamline public financial management systems and minimise bottlenecks, but also encouraging local efforts to reduce corruption (see Box 5). Switzerland’s support to civil society groups is very much oriented towards empowerment and monitoring the government’s adherence to its commitment concerning the implementation of the poverty reduction strategies.

Box 5. One Stop Shops in Vietnam

In Vietnam, until recently, procedures to get public services, obtain certificates and documents were scattered among several offices. One of the strategic objectives of the Public Administration Reform Programme is to enhance the delivery of administrative services to the people.

Building on the introduction of the first example of One Stop Shops in Ho Chi Minh City in 1995 and on its domestic experience in this area, Switzerland promoted the creation of One Stop Shops in Dong Hoi as a pilot in consultation with the authorities. One Stop Shops are service centers that provide several administrative services through a single office. Following the replication of this pilot by other donors, the government decided to introduce them throughout the country as a way to “radically change the relationship between public administrative agencies and citizens, with a view to reducing the inconvenience for the latter, preventing bureaucratic and corrupt practices and authoritarian behavior of some cadres and civil servants, to improve state management efficiency”.

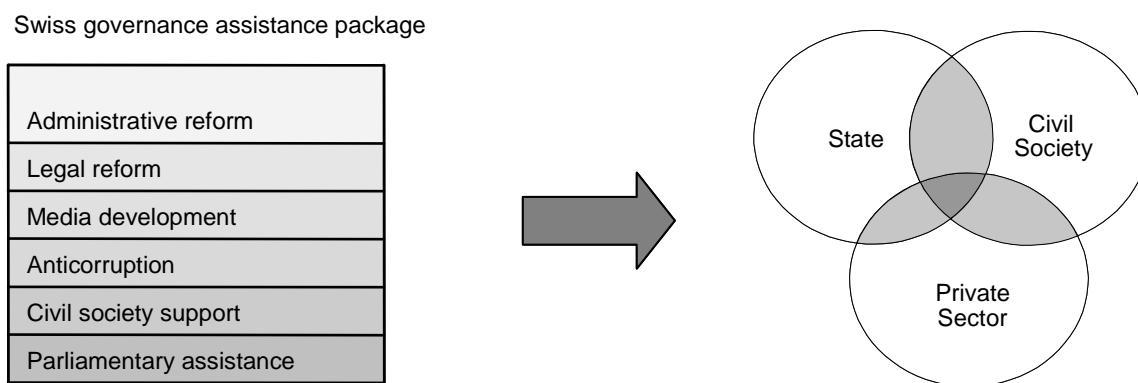
Switzerland’s success with One Stop Shops illustrates its capacity to bring innovative solutions which can be replicated on a larger scale and to encourage local partners to engage in reform processes. The project demonstrates Swiss impact through low cost and highly effective actions, in areas where Switzerland has a comparative advantage and can maintain some visibility.

9. Stemming out of a tacit admission of the failure of socialism, the *Doi Moi* policy represented a breakaway from strict communist rule and a progressive move towards Western-style economic and social reforms.

Switzerland's governance approach in BiH is informed by the challenge of building a functioning democratic State in a very complex political, economic and social environment. The 1995 Dayton Peace Agreements and the resulting Constitution established a Federal Democratic Republic with a weak central government composed of two multiethnic entities, each with their own governments (the Federation of BiH and the Republika Srpska), and the independent District of Brcko. The Federation is further broken into ten cantons, each with their own mini-state structures duplicating institutions at a higher level. This complicated governance system absorbs over 50% of the State budget. BiH also remains dependent on external administrative structures, foremost among them the Office of the High Representative (OHR) which oversees the implementation of the civilian provisions of the peace accord and has the power to impose legislation. The European-led force which replaced the previous NATO-led Stabilization Force continues to provide national security. As a result BiH functions in the main as a quasi international protectorate.

Some of the many challenges currently facing BiH include enforcing the rule of law, protecting human rights and providing basic public services. To encourage democratic development whilst contributing to ensuring political stability, Switzerland's governance strategy aims at facilitating gradual and consensual reforms necessary to support a self-reliant Bosnian State. SDC's assistance focuses on creating demand for change at the local level through interventions showing the benefits of co-operation between local communities. Specific interventions concentrate on improving public service delivery, ensuring local governments' accountability and promoting civic engagement in the public domain by reinforcing associative traditions. The Municipal Development Project, which provides capacity building to local authorities and supports the formulation of local development plans, is a successful example of this approach. Seco's contribution is mainly articulated around economic governance dimensions, particularly fighting corruption and administrative disincentives to private sector development through support to the OECD Investment compact and Southeast Europe Enterprise Development (SEED).

Figure 2. Switzerland's holistic approach to governance



Source : SDC.

The River Basin Development Programme provides another example of Switzerland's efforts to improve citizen-government relations. The project's ultimate objective is to improve water management through better relations between the different entities, and then to ensure that local level achievements have an impact on the decision-making process at higher levels. The project encourages public involvement through participatory water forums which require sustained co-operation across the two Bosnian entities. So far it is one of the few examples of successful inter-entity co-operation in BiH. Building on the achievements and the lessons learned from this and other initiatives, Switzerland

is launching “Platform BiH” to more openly address the need for and way to achieve constitutional reform. To do this it will build on the results achieved in upgrading the capacity of the local media and creating a public space as well as on its role as a facilitator in the dialogue amongst the different players. To consolidate its efforts during the second phase of the programme, SDC is encouraged to strike strategic alliances with other likeminded donors to achieve more impact through this endeavour.

According to local and international partners, governance is one area where Switzerland has a significant and distinct role to play. As in the area of private sector development, the Swiss value added derives from the comprehensiveness of its assistance package and its ability to work at sub-national level as well as its capacity for generating innovative, low cost initiatives that can be replicated. In both Vietnam and BiH Switzerland demonstrated its ability to gain the trust of local authorities through a pragmatic approach to public administration reform, whilst at the same time contributing to the debate on more controversial issues such as human rights and constitutional reform. Switzerland should capitalise on these experiences and seek greater synergies between its various initiatives in order to enhance their impact. This might be eased by a move away from project-based interventions towards a more programmatic or sectoral approach while maintaining the governance and private sector packages.

Future considerations

- Switzerland’s thematic dispersion affects the overall impact and effectiveness of Swiss development co-operation. In line with efforts initiated at county level Switzerland should seek opportunities for sectoral concentration and programme consolidation by focusing on comparative advantages and specific value added in the broader context for development co-operation.
- Switzerland should ensure that poverty reduction is mainstreamed throughout its development co-operation programme as well as supported by a clear identification of the expected short and long-term outcomes of Swiss interventions.
- To enhance the leverage of its activities whilst reducing operating costs and the burden on partner countries, Switzerland should move towards sector approaches and build more alliances with other donors. It should not hesitate to take a leadership role in areas in which Swiss knowledge and experience are clearly recognized.
- Switzerland should use the lessons learned from the recent gender review process to better integrate the gender dimension throughout its development co-operation. A more gender sensitive approach should focus on areas for which Switzerland has a comparative advantage, including the private sector, the environment and governance.
- Building on the expertise acquired in using ODA to attract private funds, Switzerland is encouraged to continue and increase efforts aimed at engaging local private sector actors to build more sustainable capacity through commercially viable initiatives.
- Switzerland’s approach to address the multifaceted dimensions of governance is noteworthy. In moving towards more programmatic approaches jointly with other donors, Switzerland is encouraged to contribute its understanding of the synergies possible through interventions targeting different stakeholders within government, civil society and the private sector.

Chapter 4

Policy coherence for development

The OECD and its members recognise that attaining the MDGs and reducing poverty in developing countries requires mutually supportive policies across economic, social and environmental fields. In adopting the “OECD Action for a Shared Development Agenda” in 2002, OECD countries acknowledged the importance of giving increased attention to the impact of their policies on partner countries. This built on earlier endeavours within the DAC (OECD/DAC, 1996; OECD, 2001; Foster, 1999) to make policy coherence for development (PCD) a general concern in OECD countries’ policies and to develop the necessary means for promoting it across government.

The relations that Switzerland entertains with several of its partner countries stretch beyond aid to include environmental, migration, security and business concerns. Switzerland was one of the first DAC members to formalise a whole of government approach to its development co-operation in its 1994 *North South Guidelines*. Ten years later, however, Switzerland recognises the unfinished agenda in strengthening policy coherence involving domestic interest groups and government agencies whose primary objectives and responsibilities do not always coincide with reducing global poverty.

Agricultural trade

Agriculture is key to job creation and economic growth in the developing world. Mostly because of the limited size of their domestic markets, developing countries rely on international trade in order to expand and benefit from their agricultural production. In most OECD countries, where agriculture typically only accounts for a limited share of Gross Domestic Product (GDP), agriculture is the least market oriented sector of the economy. The highest trade barriers (tariffs and quotas) are predominantly on imports of other countries’ agricultural products.

One of the most protected agricultural markets

Despite its fairly small population, Switzerland is the eleventh largest importer of agricultural and food products (WTO, 2003). It is also one of the most heavily protected markets for agricultural imports. Although the Swiss economy shows a remarkable degree of export orientation, the agricultural sector remains heavily protected and subsidised, and therefore less accessible to developing countries’ products. Developing countries’ access to the Swiss market for manufactured and industrial goods is regulated by a General System of Preferences (GSP). In agriculture, the application of preferences is more limited. Switzerland protects its agricultural markets mainly through production subsidies, although tariffs and quotas still play a role. In 2004, the producer support estimate for agriculture was 68%— the second highest ratio within OECD countries, down from 74% the year before (OECD, 2003). Besides tariffs and production subsidies, Swiss agricultural protection relies on a complex system of up to 28 different quotas, which combine to explain why the share of agricultural imports from developing countries has remained stagnant for several years (Campo, 2003).

Domestically, the strategic importance of agriculture is declining

The high level of Swiss agricultural protection is rooted in history, dating back to the need for food security in times of war. The country's Constitution incorporates both the principle of adequate self-sufficiency and the multifunctional approach which Switzerland takes to its agricultural policy, whereby the farm sector also serves public service functions such as looking after the countryside, ensuring biodiversity and preserving rural livelihoods (Cretegnny, 2001). This also helps explain the social importance of the agricultural sector and why farming interests are well represented in Parliament. Yet, the economic relevance of agriculture for the Swiss economy has declined in the last two decades. Overall, the agricultural sector represents only 1.1% of GDP and employs about 3.5% of the active population.

International commitments and domestic reforms still have to generate progress in reducing protection

Removing barriers to global trade in agriculture is a major focus of the Doha Round of trade negotiations at the WTO. In Cancún, particularly through its support for the cotton initiative, Switzerland reconfirmed its commitment to working towards the long-term objective of reaching a fair and market-oriented trading system in agriculture through a programme of fundamental reforms.

So far, some agriculture reforms have been undertaken. A gradual shift from price support to direct payments de-linked from production was introduced and substantial tariff reductions were applied to tropical fruit and vegetables, seafood and fish. However, imports remain limited by tariff rate quotas. Since 2002, under a scheme comparable to the EU "Everything but Arms" initiative, LDCs benefit from a 30% average reduction on all tariffs and another flat rate reduction of 50% since 2004. According to the "zero tariffs", zero quotas' goal, Switzerland aims to gradually abolish import tariffs and quotas on LDCs' agricultural products. Other recent policy decisions include: i) reductions in tariff escalation for the food industry; and ii) a progressive phasing out of milk quotas between 2006 and 2009.

Despite these efforts, progress made since the last peer review seems fairly limited. The total amount of public financial support to farming has changed little, remaining amongst the highest in OECD countries, and agricultural imports in direct competition to domestically-grown produce are still subject to high customs tariffs (OECD, 2003). The full implementation of the zero tariff, zero quota goal remains still subject to parliamentary approval.

The multi-functionality argument, according to which the provision of non commodity output, such as for instance the preservation of the rural landscape and biodiversity, is used to justify a degree of agricultural protection. However, geopolitics no longer explains Switzerland's need for food self-sufficiency. Yet 60% of its food consumption is still produced in-country and agricultural policies continue to impose costs on domestic taxpayers (the direct fiscal cost of domestic agricultural support - including only internal subsidies schemes - as percentage of GDP was nearly 0.90% in 2003, down from 0.92% in 2000) (Federal Customs Administration, 2005). As they are affected by agricultural protection, food prices remain significantly higher than abroad, not only for consumers but also for the Swiss food industry. Besides higher input prices, market protection in agriculture has longer term negative effects, preventing timely market signals to encourage technological innovation and competitiveness. This allows structural inefficiencies to remain.

Adopting a more liberal policy towards agricultural imports would not only benefit developing countries but also the Swiss consumer and food industry. Removing barriers to trade for developing countries, particularly in agriculture will benefit poor countries in terms of increasing economic

growth and reducing poverty. It could also free-up more government funds for ODA and other priority areas.

Export risk guarantees

More attention to the debt creating aspects of export risk guarantees is needed

In 2000, the peer review considered Swiss policy on export risk guarantees (ERGs) in light of potential conflicts of interests with the human rights and environmental objectives of Swiss foreign policy. Today, both *seco* and the Swiss export risk guarantee agency strive to make sure that requests for risk guarantees are considered in light of ethical considerations and a more coherent stance on these issues. This had generated lively debates within parliament, government, and between the latter and civil society organisations. From a development policy perspective, however, ERG schemes raise another set of issues.

The recognition of the debt creating aspects of ERGs is driving a reconsideration of their application to developing countries. In 2001, OECD members agreed to limit the provision of export risk for transactions that are not consistent with the poverty reduction and debt sustainability strategies of HIPC countries and do not contribute to their social and/or economic development (OECD, 2001). However, besides HIPCs, which can benefit from debt cancellation measures, official export credits contribute to the overall debt burden of other developing countries, with potentially equally negative consequences.

In line with the 1958 law on ERG, in Switzerland granting ERGs to developing countries requires consideration to be given to development objectives. Recently, this orientation has been translated into a strong attention given to the ERG's relevance for a country's development strategy and the sustainability of its debt, as in the case of Uganda. The new Law on Export Risk Insurance¹⁰ currently under parliamentary scrutiny could build on Switzerland's recent efforts by restating the need for attention to development objectives and raising the level of attention to the debt creating aspects of ERGs. The law in fact offers a higher degree of protection for Swiss exporters by extending coverage of private buyer risk to bring it line with that offered by other OECD countries, and endows the Swiss Export Risk Agency with a higher degree of governance and financial autonomy. It will be important to ensure that legislative changes do not put constraints on Swiss bilateral debt relief initiatives, which have been an important element of its aid programme in the past (see Chapter 2).

Export risk guarantees have the potential to facilitate developing countries' access to private sector financing. Given that large companies within OECD countries can generally assess risks and mitigate them,¹¹ ERGs should be targeted at exporters with projects that will generate direct benefits for the poor in developing countries. A better consideration of the role of export risk guarantees as a trade-promoting instrument and its debt creating aspects, would help achieve a higher degree of coherence between Switzerland's foreign policy objectives. In this context, a debt sustainability

10. The Federal Export Risk Guarantee Law ("*Bundesgesetz über die Exportrisikoversicherung*"), in force since 1958, has been replaced by a new federal law, the so-called Federal Swiss Export Risk Insurance Law ("*Bundesgesetz über die Schweizerische Exportrisikoversicherung, SERV*"). See *Message on Law on Export Risk Guarantees* of 24 September 2004.

11. Article 1(b) of the OECD's "Arrangement on Officially Supported Export Credits" (the so-called "OECD Arrangement") describes a level playing field as "competition among exporters based on quality and price of goods and services exported rather than on the most favourable officially supported financial terms and conditions."

analysis on a case by case basis fully taking into consideration developing countries' interests may be a useful tool.

Capital flight

Given its political stability, expertise in managing savings and favourable regulations on deposits, Switzerland constitutes one of the most important financial centres globally. The financial service industry is responsible for about 11% of GDP, rising to 16% if insurance and pension funds are included. It employs 5.3% of the total workforce (*The Economist*, 2004). Swiss banks look after about a third of all private financial assets invested across borders, generating large tax revenues and leading to current account surpluses. Together with other developed countries and a number of well-known offshore financial centres, Switzerland remains among the primary destinations of capital flight.

Addressing the developmental impact of capital flight

The 2000 peer review identified transfers of illegally acquired capital as a problematic issue. Since then Switzerland has taken positive actions, including measures to prevent its financial centre from being abused, to combat money laundering and corruption, adopting countermeasures against embezzled assets of politically exposed persons. Switzerland has implemented the measures drawn up by the Financial Action Task Force on Money Laundering and concrete steps have been taken to return funds to countries like Nigeria and Peru.

Less attention is being paid to the fact that the flight of legally acquired capital has equally negative effects on developing countries. Switzerland's political stability, highly developed financial services industry and the enforcement of banking secrecy are key factors in attracting developing countries' assets, particularly when set against underdeveloped financial systems, political instability, detrimental monetary and fiscal policies, high inflation and weak property rights. As for other OECD countries, there is potential for Switzerland to do more to address this issue in complementary ways and to bring it to the attention of the international community.

Firstly Switzerland could encourage the entry of Swiss private financial operators in developing countries' financial services. Many developing countries' financial markets have undergone recent liberalisation processes or are in the process of doing so. The success of such reforms will depend on the extent to which competition will facilitate financial deepening. In this respect, foreign financial institutions often bring not only an increase in the level of financial transactions, but more importantly a higher level of competitiveness, fresh expertise as well as pressures for increased transparency. Seco should continue supporting Swiss financial institutions in these processes, both at multilateral level (for instance through the Financial Sector Reform and Strengthening Initiative [FIRST]) and bilateral level. The Advisory Committee on International Development Co-operation, discussed in Chapter 5, might wish to explore this issue as well. As a second measure, Switzerland might also consider improving the exchange of information for tax purposes, including with developing countries (OECD, 2000).

Consideration could also be given to extending recent agreements to return tax revenues to developing countries similar to what is being done between Switzerland and the EU. In this case interest payments on deposits by foreigners are subject to a withholding tax, whose revenues are partially remitted to the tax authorities of the investor's home country. The EU sees this as a transitional and imperfect solution while information exchange is being improved. Despite the limits of this type of agreement, the pros and cons of extending their application to developing countries is worth considering. Although the share of foreign assets invested in Switzerland from developing

countries is not known, it is likely to be considerably less than assets coming from the EU. The revenues for developing countries could be substantial.

The amount of capital held outside the developing world represents an important investment source for developing countries. Civil society organisations have long questioned the Swiss financial sector and government in relation to bank secrecy and the penalisation of tax avoidance. Both SDC and seco have in recent years raised the profile of the debate on capital flight within the administration. Any step taken on returning flight capital to where it is so urgently needed, for instance through tax return schemes, could help raise additional sources of financing for developing countries, with relatively limited implications for the taxpayer.

Despite recent calls from the Swiss parliament for “Bilaterals II” type agreements to developing countries, the Federal Council has so far taken a negative stance on the subject, judging that the benefits for developing countries would be minimal while the root causes of capital flight would remain. Building on the recognition of the possible drawbacks and risks involved in any type of unilateral action in this field, and the need for broad international agreement if such measures are to be truly effective, Switzerland could consider advocating for broader international reform, as it has done in other fields such as money laundering and illegally acquired assets.

Migration

Exploiting synergies between migration and development co-operation

Migration flows are fundamental to growth and have been an important factor in the development of OECD countries. In 2003, migrants’ remittances amounted to USD 93 billion, the second largest financial flow to developing countries and almost double ODA amounts (World Bank, 2004). Lying at the crossroads of Northern and Southern Europe and providing a gateway to the Balkans, Switzerland today has one of the highest immigration rates in Europe, which helps explain why it ranks 5th as a source of remittances towards developing and transition countries. This puts the Swiss authorities in a position to understand the mutual benefits that migration can bring to both its economy and that of developing countries.

In recent years, in response to growing public concerns about the direct and indirect costs of immigration, the Swiss political debate has seen attempts to couple migration and development policy. There are risks involved in this approach, including shifting development priority away from LDCs to countries from which migration flows to Switzerland originate; and using ODA as a tool to expedite bilateral agreements with countries of origin on repatriation schemes.

Both SDC and seco deploy active efforts to integrate migration issues into Swiss relations with third countries and to exploit potential synergies between migration flows and development co-operation. The search for synergies is to be encouraged, but the former should not be treated as a short term solution for long term challenges raised by the latter. One approach may be in developing a comprehensive policy framework regulating migration, asylum and return issues, in line with the discussions held within the inter-ministerial group set in 2004. Challenges include (i) harmonizing Switzerland’s recent entry in a liberalized EU labour market; (ii) shifting the emphasis from immigration control to management and assessment of migration needs; and (iii) mainstreaming a development perspective in Swiss migration policy. This would not only help address Swiss developing country partners’ needs more strategically but also allow better use of migration to address Switzerland’s long-term demographic and economic needs.

Institutional mechanisms for policy coherence for development

Revamping and implementing the North South Guidelines

The Swiss Constitution frames poverty alleviation as one of the five goals of Swiss foreign policy and as a fundamental element towards the promotion of Swiss interests. The 2000 *Foreign Policy Report* also stresses the mutual benefits of achieving policy coherence by envisaging a foreign policy “aimed at safeguarding Switzerland’s interests while participating and co-operating in an increasingly globalised world”. At policy level, the 1994 *North South Guidelines* still provide the main framework for ensuring a degree of interconnectedness between policies affecting developing countries. Drafted at a time when policy coherence issues were still not on the international agenda, the Guidelines focused on the need for analysis of cases of incoherence and called for establishing mechanisms to table, rather than actively solve, those. The emphasis was placed on highlighting the drawbacks of incoherence rather than exploring the scope for win-win solutions and exploiting the mutual benefits of more developmentally coherent policies.

More than ten years later, the normative validity of the Guidelines remains, as do the doubts expressed in the 2000 Peer Review and by other observers concerning their practical impact on the outcome of policy making processes (Forster and Stokke, 1999). A more fundamental limit of the Guidelines concerns their nature and main goals. Furthermore, the Guidelines contain far reaching but not always concrete provisions which need to be operationalised through action plans. After the first action plan covering 1995-1998, no other statement on how to implement the Guidelines has been drafted. The recent revision of Switzerland’s foreign economic policy might provide an opportunity to reshape the policy framework towards the potential net benefits of more joint approaches to Switzerland’s multifaceted relation to developing countries, drawing on the example set by the joint SDC-seco Task Force related to the Doha Round (see Box 6).

Box 6. The joint seco-SDC-WTO/Development Task Force

Switzerland created a special task force to better take into account the interests of developing countries in the ongoing Doha Round. The task force consists of mainly SDC and seco staff, bringing in the two agencies’ complementary expertise. It is an example of an institutional mechanism which effectively increases analytical capacity, identifies and highlights coherence issues, and provides a platform for consultative and inclusive processes to sensitise stakeholders within government and beyond. Its main tasks involve:

- Analyzing the trade concerns of developing countries, through independent policy analysis, on for instance food aid, rural development, tariff reduction formulas, migration and service liberalization.
- Creating consensus on trade reform by helping better understand Swiss interests. This involves an incremental approach highlighting both conflict-prone and potentially complementary areas in trade policy where win-win outcomes can be achieved. On the issue of tariffs for instance, the task force advocates a change from fixed tariffs to value-based ones, with no cost on the importing country.
- Involving other sectors of government in the reform process. This allows the team to work on both sides of the fence and access the trade community whilst remaining development oriented.

Through the work of the task force the Federal Council can now examine its position in terms of the impact that its decisions related to agriculture, intellectual property, etc. have on developing countries. The task force has helped achieve an understanding of what coherence in trade means amongst various elements of the Swiss government. Despite its largely positive results it should pursue its efforts to actively engage non-developmental departments in setting the agenda for a coherent trade-development policy.

Addressing coherence issues in the long-term based on consensus building

Decision-making in Switzerland involves lengthy but generally effective consultative processes, both at federal and canton levels. Federal Councillors cannot act alone, as constitutionally the executive power is held by the Federal Council that acts only *collectively* on the basis of consensus. This system is replicated at lower levels of cantons, which elect their own parliaments and communities. Moreover, policy making processes often require an inclusive participatory environment where private sector and civil society play a role. The emphasis on consensus means that politics in Switzerland can afford to be less short term than in other countries. There is little scope for quick political fixes because all parties in government have to agree and controversial issues are likely to be put to a referendum. This decision making framework therefore helps develop policy mixes that require longer term consensus building, as is typically the case with a range of coherence issues.

Improving advocacy at different levels

At Federal level SDC and seco act as champions of development within their respective Departments (Foreign Affairs and Economic Affairs). Because of the strong need to take decisions in a consensual way or even to attract Federal attention to certain issues, the two agencies can table and lobby for development issues within the Federal Council. According to the 1977 Ordinance, SDC and seco have a special mission to inform public opinion about development co-operation. Enhanced opportunities for dialogue between business, government and NGOs would help make a better case for coherence within the federal office. As concerns seco, mechanisms such as the Advisory Council on Private Sector Development, which aims to consult representatives of the Swiss business sector on development related issues, should be further developed. Other instruments such as the Advisory Committee on International Development, described in Chapter 5, should be better exploited.

Swiss NGOs play a crucial role as an interface between government and the public. Today they are active both at the operational and advocacy levels. In the future, the advocacy role of Swiss NGOs may increase partly in response to NGOs' role within new aid modalities linked to harmonisation and alignment on national poverty reduction strategies and the perceived importance of coherence issues. Swiss NGOs should consider stepping up their lobbying capacities to promote a better understanding of the complex interrelationships between development in the North and the South through information and education campaigns.

Involving other Federal Department and agencies in setting the coherence agenda

Ministerial co-ordination is formalised in the Ordinance executing the 1976 Law on Development Co-operation. The Inter-ministerial Committee on Development Co-operation, (IKEZ, "*Interdepartamentales Komitee für Entwicklung und Zusammenarbeit*") provides a mechanism to discuss issues which straddle development and other areas of the Federal administration such as justice, defence, environment, etc. Despite having a certain weight due to the formalisation of its role in the 1977 Ordinance, IKEZ has no decision making power, its force lying in its capacity to initiate a debate within the administration. Besides serving as a co-ordinating platform for different agencies, IKEZ prepares the answers to parliamentary questions to the Federal Council.

Other informal mechanisms are in place, such as the interdepartmental working group created to discuss the foreign policy implications of migration and smaller groups addressing more specific issues. For assisted voluntary return programmes of considerable size, representatives from the Federal Office for Migration, SDC and Political Division IV, assisted by representatives of the International Organisation for Migration (IOM) in Bern, form project teams where the development impact of structural aid projects are discussed. In recent years, SDC has successfully introduced a developmental

perspective in the discussion on capital flight through increased legitimacy and acknowledgement of its role throughout the federal administration and the specific working groups that address the matter. Progress made in sensitising policy on export credit guarantees to human rights and environmental needs, which benefited from informal discussions between SDC, seco and Swiss NGOs, is another successful result coming from such initiatives.

The challenge for the Swiss authorities remains to ensure that the debate around policy coherence goes beyond development agencies like SDC and seco to include other Federal agencies. SDC and seco will have to adopt creative approaches to involve other parts of the Federal administration and to ensure that Swiss commitments to the developing world are placed more systematically on the agenda. A clear message from the Swiss authorities that other Departments are expected to participate fully, at a senior level, in discussions on policy coherence for development would be helpful.

Future considerations

- Although support to the Doha Round shows that progress can be achieved, Switzerland needs to continue its efforts and show results in implementing international commitments towards reducing agricultural protection.
- In the context of current legislative reform on export credit guarantees, Switzerland should ensure that the potential for future Swiss bilateral debt relief initiatives is preserved.
- Building on the progress achieved in the area of money laundering, Switzerland should explore ways to address the impact on developing countries of capital flight and encourage an international response to this issue and the cost this has for developing countries.
- Switzerland should explore ways to enhance the existing institutional arrangements for policy coherence for development, by involving different agencies and advocacy within the administration, key stakeholders and the general public.

Chapter 5

Organisation, staff, management systems and results

SDC and seco at a glance

SDC and seco develop the overall framework of the Swiss contribution to international co-operation in collaboration with other federal offices (see Figure 1 in Chapter 1). SDC is responsible for the overall co-ordination of development activities, for the co-operation with Eastern Europe and for Switzerland's humanitarian aid. It administers 86.5% of the total development co-operation budget. The agency undertakes direct actions, supports the programmes of multilateral organisations and finances programmes run by Swiss and international aid organisations (SDC-seco, 2004). As SDC's main partner within the Federal administration, seco is the competence centre for sustainable economic development and supporting the integration of developing and former communist countries of Central and Eastern Europe and the CIS into the global economy. In those countries both SDC and seco are engaged in overall strategic planning, the design of co-operation programmes and the elaboration of the Messages to Parliament described in previous chapters.

SDC's and seco's strategies reflect clear operational differences as well as complementarities. While SDC carries out technical co-operation covering a broad set of development related areas, seco focuses on economic development co-operation using its own distinct tools.

- SDC starts with the country context (*e.g.* national poverty reduction strategies) when defining areas of activities and its operations are highly decentralised in traditionally 'soft' domains: conflict prevention and democratic transformation, governance, environment. Policy dialogue, project aid, some sector work as well as technical assistance, including for capacity building are some of the agency's most commonly used forms of collaboration. The agency cultivates diversity in partnerships, *i.e.* supporting individuals, NGOs and public institutions at the local, national and global levels.
- Seco selects activities on the basis of its own economic and trade-related instruments, followed by a thorough analysis of the country context. Macroeconomic issues (*e.g.* budget support, debt and financial sector development), investment promotion, trade and basic infrastructure are core fields of competence under the purview of seco. The agency works closely with the private sector both in Switzerland and in partner countries.

The dual approach to development co-operation is regarded by the Federal Council as strength: Having two institutions rather than one creates "healthy" competition. The authorities believe that the differentiated strategies are complementary in terms of approaches, modalities and instruments. Notwithstanding the value of the argument and the political incentive for maintaining two separate structures, following the two field visits the DAC mission concluded that the potential for synergies and joint SDC-seco work could be more fully exploited.

Despite their strategic and operational differences SDC and seco share the common objective of working towards the achievement of the MDGs, harmonisation and alignment and policy coherence.

Both follow similar principles (*e.g.* good governance, policy dialogue, sustainable development ...), have a pragmatic and flexible approach to development and are willing to innovate. Each agency places a premium on autonomy and each has its own distinct organisational culture and procedures for managing its activities. Hence promoting uniform standards is a challenge, but one that nevertheless needs to be addressed at the policy, strategic and operational level if Switzerland wants to respond more effectively to the compelling demands of the international agenda.

Major structural and organisational changes since the last peer review

Because the size, breadth and content of their respective portfolios are very different, SDC and seco have distinct organisational structures and human resource base, as discussed below.

SDC (see Figure 3)

Compared to seco, as well as a number of less complex development aid structures, SDC's organisational structure is centralised and complex with over forty divisions and/or small entities aligned with its six departments, namely: development policy and multilateral co-operation; bilateral development co-operation; humanitarian aid; co-operation with Eastern Europe and the CIS; thematic and technical resources and corporate services. The current set up can slow consultation processes across departments and beyond, despite the establishment of cross-sectoral and geographic teams. If the trend in SDC is to decentralise further to the field, increase collaboration with seco and reduce the overall administrative burden as a result of budget constraints, the structure would need to be streamlined. By simplifying the linkages between the policy/strategic and operational (*i.e.* field) arms, SDC could improve aid effectiveness overall, including the sharing of knowledge across the organisation.

Since the last peer review, a number of structural changes have taken place to facilitate communication between SDC and seco as well as to strengthen some of SDC's fundamental functions. SDC's monitoring and evaluation has been strengthened with separate Evaluation and Control (E&C) units located in each of the agency's six departments as well as a central unit directly attached to the Director General since 2001. The WTO/UNCTAD Food Security Division of the Department of Development Policy and Multilateral Co-operation has gone while a Global Issues and Sustainable Development Division has been set up. Within that department, a new Division for UN Development has increased responsibility for the UN development institutions as well as development policy discussions in various fora (ECOSOC, General Assembly, thematic Commissions etc.). This should help ensure a coherent Swiss position in those areas.

The six divisions in the Bilateral Development Co-operation Department reflect SDC's geographic emphasis in the South. New co-operation offices were created in Colombo in South Asia; Pyongyang and Ulanbaatar in East Asia; Gaza and the Westbank in the Middle East (in replacement of a liaison office in Jerusalem); and Havana in Latin America. Offices in Addis Ababa, Antananarivo and Praia were closed. The Johannesburg office was moved to Pretoria.

The three geographic divisions of the Department of Co-operation with Eastern Europe and CIS have remained, with two new COOFs whose mandate has evolved from humanitarian aid to technical co-operation: in Belgrade under the Special and Regional Programmes Division and Tbilisi under the CIS Division.

The Department of Corporate Services (previously the Central Service Department) has a new Special Tasks and Anti-Corruption Unit.

The management of Swiss humanitarian aid is centralised in SDC's Humanitarian Aid Department which is responsible for planning, co-ordinating, implementing and evaluating Swiss Confederation's humanitarian aid. It also has authority over a rapid response mechanism. With a staff of 94, the Department is divided into nine units covering technical, geographic and thematic responsibilities. Since the last peer review, capacities in relation to policy development, monitoring and evaluation have been strengthened. Responsibilities on allocation of humanitarian funds are not delegated to Swiss Embassies or co-ordination offices, while staff from Swiss Humanitarian Aid Unit (SHA) may be deployed to strengthen field posts and facilitate the provision of humanitarian assistance in crisis situations. In 2003, SDC's Humanitarian Aid Department was represented in 16 COOFs. (See Annex C for further information on SDC's humanitarian aid management.)

Co-ordination and consultations with units responsible for other political areas such as migration, human rights, the environment and economic policy are well developed. But the risk of overlap and conflicting positions in the area of complex emergencies remains, as conflict prevention is a recognised component of humanitarian aid but also a separate policy theme within SDC. Furthermore, the Political Division IV is responsible for peace promotion and interventions for the protection of human rights and democracy. Increased consultations and co-ordination, including with the Federal Department of Defence, Civil Protection and Sports are needed to ensure operational coherence. Multilateral approaches could also benefit from increased co-ordination.

SECO (see Figure 4)

Within seco, the Economic Development Co-operation Department, attached to the Foreign Economic Affairs Directorate, is responsible for development assistance. There are no new divisions or units since the last peer review, only name changes that may reflect a shift in emphasis on budget support with the Macroeconomic Assistance Division and on infrastructure with the Infrastructure Financing Division. Capacities in Swiss Embassies in Accra, Cairo, Beijing, New Delhi and Hanoi have been strengthened to allow closer follow-up of seco's funded activities. Since 2003/04, ten delegation arrangements between seco and the COOFs/Embassies have been set up, mostly in Eastern Europe and the CIS, to clarify respective roles and responsibilities. The target is to cover all 27 countries.

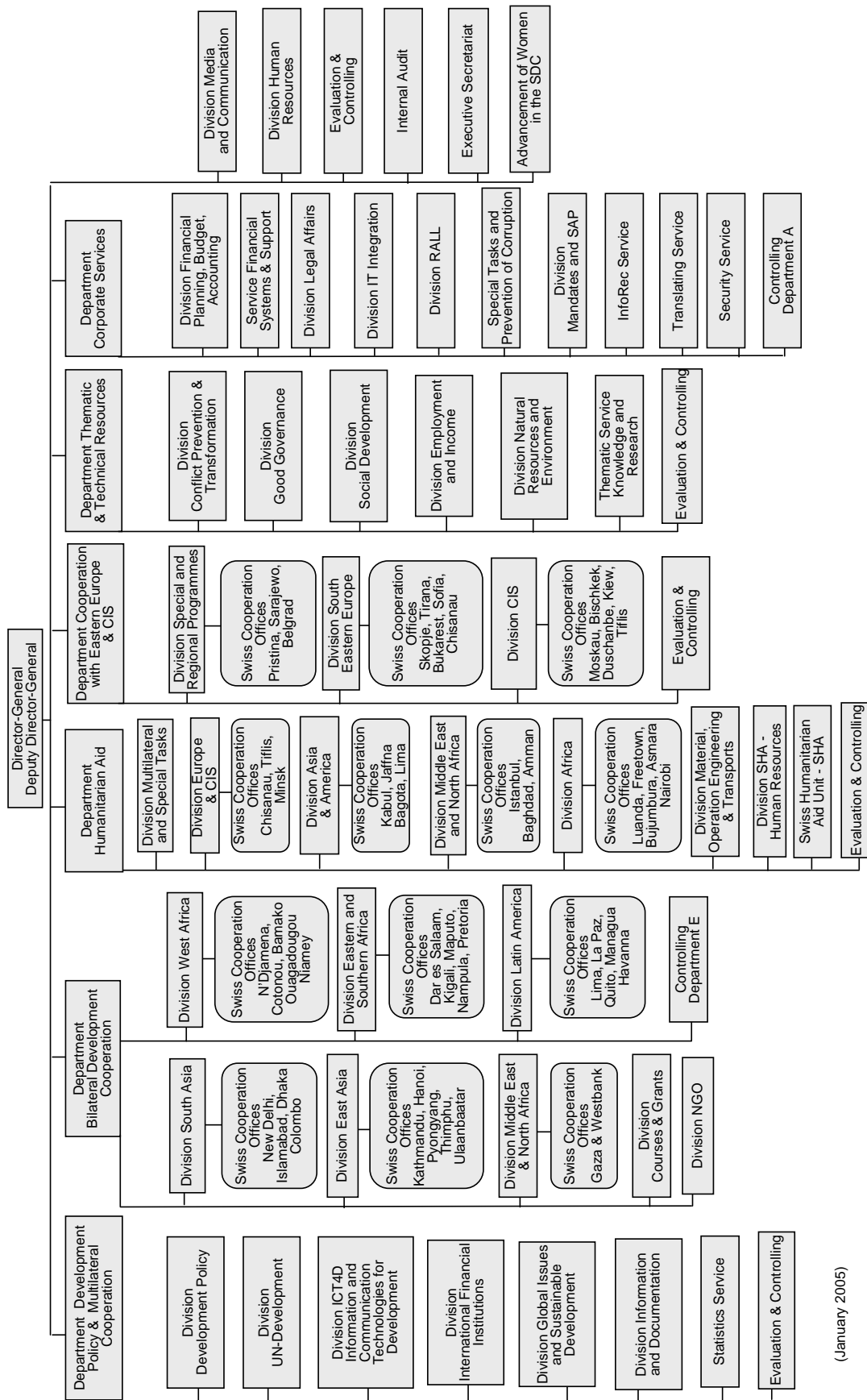
The Co-operation Offices

In partner countries the rule is that there is only one Swiss representation on development co-operation issues, and, when applicable, humanitarian aid: the COOFs, which are responsible for the follow-up on both SDC and seco's programmes. However, when there is no COOF the embassy plays this role and when the embassy has been doing this for an extended period of time seco and SDC may agree to maintain the development co-operation function in the embassy.

The COOFs depend officially on SDC and report directly to their respective geographic divisions in Bern. They are co-financed by seco in transition countries (East) where SDC and seco share the same framework credit. A written agreement between SDC and seco covers issues such as the nomination of country directors, their terms of reference, qualification procedures, and co-ordination and representation with respect to the COOFs in Eastern countries.

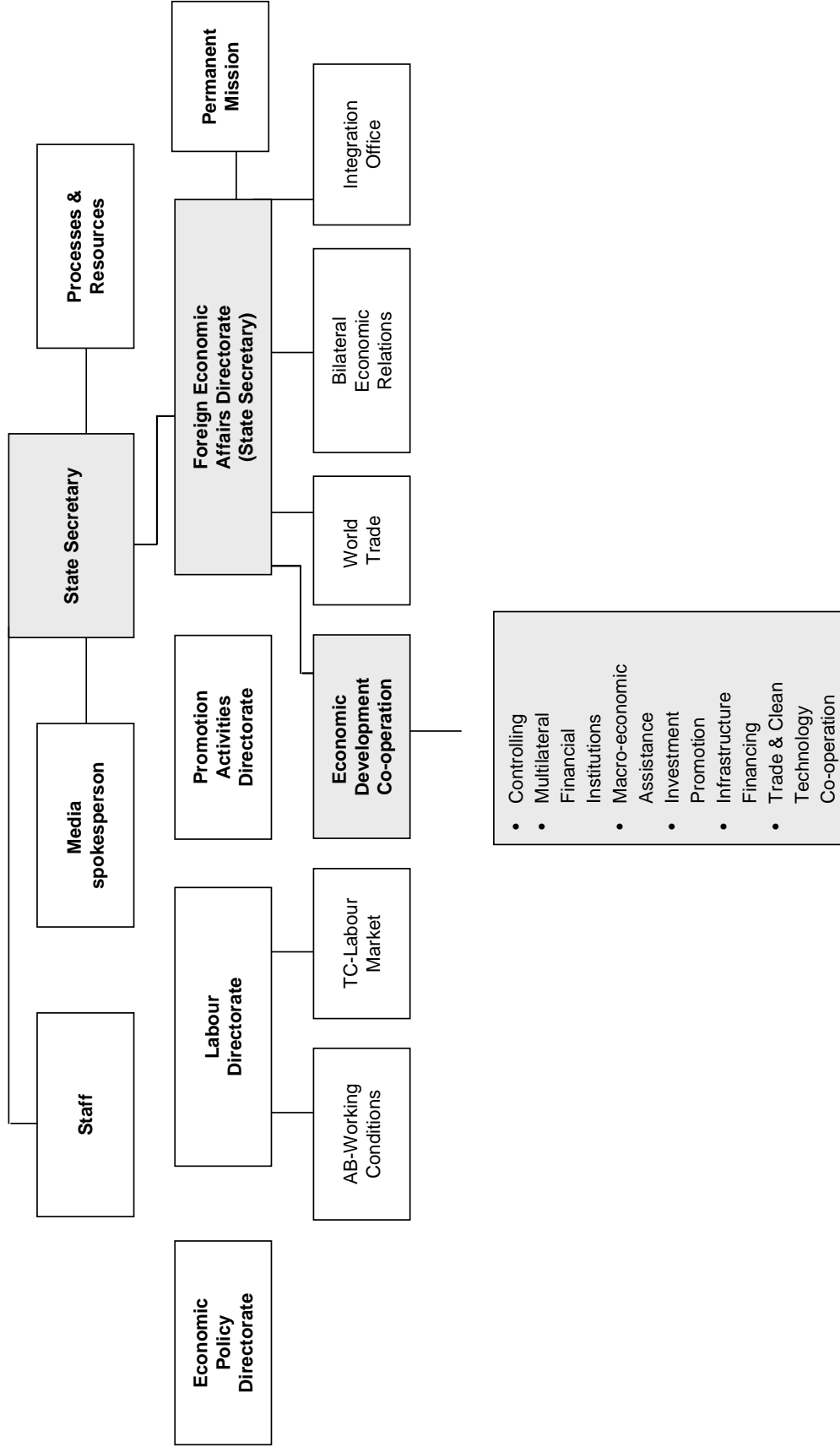
The COOFs represent seco in 21 of the agency's 27 priority countries. In the other priority countries, arrangements (including posting of seco staff), are made with the embassies. In Vietnam and India seco staff are located within the Swiss embassies, working closely with them on economic issues. In the joint COOFs of Eastern Europe, seco contributes to 50% of the fixed costs but depends on SDC's headquarters for programmatic/strategic matters, administration and personnel management. In all cases Swiss ambassadors remain in charge of political matters.

Figure 3. SDC Organisational Chart



(January 2005)

Figure 4. SECO Organisational Chart



Since the last peer review five new Swiss co-operation offices have been set up in partner countries. New COOFs are created when new programmes are launched. In countries where SDC and seco are both active the country programme is developed jointly. In total 15 joint country or regional programmes have been elaborated.

In 2004, there were 49 COOFs worldwide, including 22 located throughout Africa, Asia and Latin America, 12 located in Eastern countries and the CIS and 15 for humanitarian aid. In 2000, three SDC special programmes (but no joint offices with seco) were launched in Cuba, Mongolia and North Korea. In 2005 a COOF was opened in Chisinau (Moldova), the cost of which is shared with SDC's Humanitarian Aid Department which had been present there to support humanitarian projects. The programme in Macedonia is steered by the Swiss Ambassador who also acts as country director for development co-operation. The Madagascar programme has been reoriented since 2001 and reduced. It is managed and co-ordinated by a Swiss NGO while the embassy assumes the other COOF functions.

The number of COOFs is an important indication of the extent of the geographic spread of Switzerland's development co-operation. What matters overall is the coherence of the programme in any one country where both SDC and seco are represented, and the image that Switzerland projects to partner governments in particular as one Swiss harmonised development co-operation entity. In Vietnam, despite a shared regional programme, there were divided views regarding the split SDC/seco arrangement, with some calls for one Swiss development co-operation presence. When the COOF represents both agencies, as in BiH, a coherent Swiss approach is more likely to emerge, although SDC's and seco's different operational procedures there create administrative and other costs (see Box 9 in Chapter 6).

Human resource policy is flexible but staff mobility is still limited

SDC

SDC is now a 44 year-old institution, with a substantial and mature staff (43 years old on average) human resource base. The total number of staff members (2004) is 643, with 467 based at headquarters, 176 in the COOFs. There is approximately 1150 locally recruited staff (770 in the COOFs and 380 in projects under SDC contracts). The ratio of staff employed at SDC's headquarters and in the field has slightly increased. Staff remains in SDC for seven years on average and about 203 work part-time.

Of the total female workforce (49%), 30% are in management positions. A Gender Unit (2 staff) is located in the Governance Division, with one staff working 80% of her time on gender exclusively, the other staff sharing her time between gender and as deputy head of that division. The unit has a budget for gender mainstreaming activities. It conducts gender training for SDC staff as well as partners, does evaluation and monitoring on request and provides expertise as needed. Gender focal points are also located in the geographic and multilateral divisions.

Local recruits benefit from good salary, pension schemes and insurance comparable to other donors. Contracts with locally recruited staff are based on local law, with some compensation when local standards are too low.

The last peer review noted that staff mobility within the DFA was rather limited, with few exchanges between SDC and other directorates. This contributed to the impression that SDC was operating in a vacuum. An agreement was signed between the DFA and the DEA in 2001, with 40 persons registering for exchange in the DFA since. This, however, does not concern SDC. Since

2002, SDC's human resources strategy called 'Vamos' encourages staff mobility within as well as outside the organisation (see Box 7).

Box 7. SDC's human resource policy "Vamos"

Vamos puts staff development at the centre of SDC's human resources strategy. Innovative aspects of the strategy include part-time work, teleworking and staff training (10 days/year per staff).

SDC's strategy is to have an intensive presence abroad. SDC staff are encouraged to rotate between headquarters and field offices. However field positions are filled on a voluntary basis and staff cannot stay more than seven years in a single country desk. The exchange of staff between SDC's different departments and field assignments, and the placement of staff in international organisations, NGOs and other departments or in the private sector are also encouraged. As a result of this policy limited staff movement between seco and SDC as well as with the UN, the World Bank and between SDC and the foreign office, has taken place. Although the function of ambassador and country director has been combined in four countries, the Federal Council prefers to separate the foreign policy function from the development policy function.

Source: SDC

SDC has a Policy on the Advancement of Women since 1996, with a person working on a part time basis under the Director's Office. Though the policy is part of SDC's personnel development process it is not explicitly integrated into Vamos. Specific targets aiming at equal representation of men and women from the position of programme officer upwards have been elaborated, at least until 2010. Concerns such as creating vertical and horizontal development potential for both women and men; combining career and family life and improving the corporate culture to practice gender equality, are also addressed in the policy. A 2004 midterm review highlighted that good potential had been developed for the promotion of junior staff, but more needed to be done regarding equal gender representation within management. Concerning the compatibility of work and family life, alternative working models and flexitime have been implemented, and a nursery has been built in Bern. Job-sharing and part-time in leading positions remain a challenge to organise concretely.

Finally, SDC has a unique commitment to its linguistic minorities and to cultural diversity. A number of quantitative quotas for the three official Swiss languages have been set (maximum of 75% German, minimum of 20% French and 5% Italian). The new quadrennial Programme for the Promotion of Multi-linguism foresees a reference value of 30% for the French and Italian speakers at the different management levels and in the major organisational units. It includes further measures to ensure the equitable participation of linguistic communities in all SDC's activities. For the time being 80% of upper management has German as mother tongue, 10% has French and 10% has Italian. The proportion is slightly higher at middle and lower management levels for the French speakers, while it decreases considerably for Italian speakers. Efforts to ensure a better linguistic and cultural balance within the organisation are being made.

SECO

There are currently 57 staff in seco's Economic Development Co-operation Department and 4 vacant positions. Thirty five per cent of the staff work part-time. The average employment duration is four years, which is some improvement compared to the last peer review although it remains unsatisfactory from the point of view of building an institutional memory. Women constitute 51% of the staff. One seco staff acts as a gender focal point on a part-time basis (30 to 40% of her time). This is clearly insufficient to address the range of activities that fall within seco's portfolio.

The last peer review raised the issue of staff mobility within seco. Concrete steps to provide staff with medium-term career perspectives have been taken. Five persons have benefited from secondment, mostly to financial institutions, with two of them having returned as head of divisions within seco (2004). Currently one secondee works at the EBRD, one at the IFC and one at in the World Bank. Steps were also taken in dialogue with SDC and DFA to support seco staff to be positioned abroad. Eight former seco staff work under DFA contracts in COOFs and three are in the business hub attached to the Embassies. One staff member is in the Swiss mission in Geneva. Finally, thanks to the 2001 agreement between the DFA and the DEA five staff from the DFA (excluding SDC) occupy positions in seco and twelve staff from seco occupy positions in the DFA. These positions are not directly linked with development co-operation.

Thus it seems that staff exchanges between SDC and seco have materialised mostly in the COOFs. The new international agenda opens up opportunities for collaboration which would benefit from increased voluntary secondments/transfers between the two agencies.

Monitoring and evaluation have been strengthened

SDC

The last peer review pointed to a number of shortcomings arising from the SDC's evaluation system: a general lack of independence of the evaluation function; a focus on project effectiveness rather than accountability; and poor feedback beyond the geographical division concerned. More recently, an assessment of the Swiss Federal Administration pointed to a need for clearer functional differentiation between different forms of evaluations and a better vertical and horizontal co-ordination among the administrative units.¹² It recommended establishing priorities as a means for improving the evaluation measures used in and by the Swiss federal administration. SDC revamped its monitoring and evaluation system in 2001 to address those weaknesses, bringing the system more in line with OECD/DAC standards.

The E&C units attached to each department were set up to ensure a greater degree of independence from direct line management and more ownership by the departments. The central E&C unit reports to the office of the Director General. The change brought the number of staff to eleven people as compared to eight previously. All E&C staff are now linked in a "community of practice" network to encourage lessons learning, to which they devote 20% of their time. The E&C function now involves: i) controlling, *i.e.* selecting relevant data to provide information for decision-making; ii) independent evaluation for organisational learning and accountability; and iii) project or programme cycle management (PCM) for joint planning, implementation, monitoring and self evaluation of projects. Those functions are interlinked to improve the system for allocating resources and learning from experience. Three types of evaluations are conducted: independent evaluations, external evaluations and external reviews.

Independent evaluations (2-5 annually) deal with policy and strategic issues of interest across departments as well as selected country programmes. SDC's Steering Committee chooses the topic, drafts the management response to the evaluators and decides whether or not the results should be made public. The content of the evaluation is discussed by a "Core Learning Partnership Group" and the terms of reference for the contractual arrangements are shared with the stakeholders to ensure that their concerns are being addressed. Both documents are prepared outside line management by the central E&C unit. To ensure independence, evaluators with a critical distance from SDC are selected. Only when a topic requires more intimate knowledge of SDC, for example in the case of the

12 Article sent informally to the DAC Working Party on Evaluation on 22 November 2003.

evaluation of the division of tasks between headquarters and COOFs, preferably one member of the consultants' team should be acquainted with SDC. All independent evaluations are routinely presented to senior management for a discussion of findings and recommendations as well as for decision making on the follow-up. **External evaluations** (5-10 annually) assess approaches and possible alternatives to programmes to generate knowledge within the departments. They are triggered by the desk managers and conducted by external consultants. **External reviews** concern ongoing operations in the context of PCM and are managed on a needs basis by operational staff from either headquarters or the COOFs.

To ensure the successful utilisation of evaluations, SDC not only advocates the use of credible, independent and competent evaluators but also draws in stakeholders who have a direct or indirect stake in the project design, implementation and benefits. Improving awareness-raising among decision-makers and politicians is also encouraged by involving management more. The E&C units are responsible for training staff from both headquarters and the field in the evaluation function. Those initiatives are likely to modify SDC's evaluation culture even more, reducing the gap between policy making and actual planning and implementation.

The system should now evolve towards a greater focus on outcomes and impact. Some efforts are being made, *e.g.* to monitor SDC's *Strategy 2010*, including through a rapid self-assessment method to track the agency's contributions (gross disbursements) to the MDGs. Though informative, this method is limited to tracking inputs. More could be done to link the system to quality improvements in terms of outputs produced. Other challenges include closer scrutiny of cross sectoral issues, raising the quality of evaluation reports for all divisions and making all reports public. SDC management is informed of evaluation results mostly through annual overviews and abstracts while results of extensive evaluations are promoted through special presentations involving management.

Recent efforts to conduct joint SDC-seco thematic assessments as well as portfolio reviews are also encouraging. The lessons of experience in the Eastern countries and CIS show that the risk of "isolated solutions" linked to separate SDC/seco projects diminishes when projects are co-ordinated locally (SDC-seco, 2003). The crucial factor in implementation is whether a project can be anchored amidst the reforms taking place in the partner country and hence be sustainable in the long term. Following their visit to both BiH and Vietnam, the DAC examiners are able to confirm that this is an issue for Switzerland (see Chapters 3 and 6).

An assessment of SDC's evaluation and control system done by the agency shows that during the 2002-03 period, 7 independent evaluations, 42 external ones and 117 external reviews were planned. To avoid a proliferation of external evaluations and reviews consideration should be given to careful planning and to seizing opportunities for combining different assessments. This could save resources without necessarily impacting negatively on the quality of the programmes. More attention could also be given to the process of determining themes and topics for independent evaluations.

Internal audits are also conducted looking at management performance and at cost efficiency in priority countries every three years. The audit team is independent and provides an external view. Audit reports are discussed between the director and the concerned unit and are not published.

SECO

Controlling is a separate division within seco. The division conducts ex-ante quality assurance of every credit proposal submitted and end of project evaluations in the form of self-evaluations, external evaluations or independent evaluations. There are approximately 25 annual evaluations, of which an

increasing number are joint evaluations. The agency also monitors ongoing operations through internal progress reports and external mid-term reviews.

A quality assurance management system (Certification ISO 9001) was established in 2000 to upgrade seco's work on an ongoing basis and ensure the integration of "lessons learnt" into the decision-making process. A comprehensive monitoring tool for seco's *Strategy 2006*, the Strategic Assessment and Review (STAR) system was also designed. STAR applies twelve success criteria focusing on seco's strategic orientation, operational principles and resource management, translating them into specific measures and performance indicators. Yearly STAR reports are used to formulate and continuously improve programming. Seco also has a financial management system for planning and controlling, mandatory external audits, procurements guidelines and transparent tendering. Finally, an anti-corruption clause is included in contracts, procedures and referral processes and some guidelines have been drafted to help staff address corruption in procurement processes. Special leaflets are also handed out to Swiss entrepreneurs.

Thanks to those efforts seco was able to document some success in reaching the objective of *Strategy 2006* of having at least 80% of country specific expenditure in seco's priority countries in 2002/03. Challenges remain, however, such as i) designing performance indicators and defining minimum requirements for project-based performance agreements with the COOFs; ii) strengthening results-based management, in particular to link projects objectives to the MDGs as well as poverty reduction strategies; iii) identifying and collecting poverty related data so that knowledge is updated and results systematically taken into account; and iv) integrating partners in assessing performance.

Seco has adapted the STAR system to the implementation of *Agenda 2010 for poverty reduction*, to help measure progress along the way (see Box 8). Although the indicators can be qualified as rather broad and more qualitative than quantitative, the initiative is encouraging and should be adapted to include all Swiss interventions.

Box 8. Seco's key objectives for contributing to poverty reduction and the MDGs by 2010

- Develop a matrix of poverty-related indicators for operational divisions.
- Align 80% of seco's activities on national poverty reduction strategies and using those strategies as the central analytical and reference framework.
- Illustrate pro-poor measures taken for each operational division.
- Reinforce seco's contextual analysis on poverty.
- Establish poverty related criteria for country eligibility.
- Concentrate on fewer countries (26 in 2006 and 20 by 2010) with a pro-active approach towards Africa.
- Report periodically on Swiss efforts and commitments towards ODA and the MDGs.
- Make progress on policy coherence issues, including 'access to market'
- Promote country programme evaluations including poverty-related data.
- Conduct a full-fledged evaluation of this agenda by 2010.

Source: Seco

Occasionally SDC and seco conduct cross-sectional analyses on overarching topics such as poverty, health care and job training and try to raise the public interest through annual conferences. The DAC team encourages the two agencies to pursue this line jointly and to engage the Swiss public and policy makers in understanding better Switzerland's responsibility in sharing the burden of the international agenda on poverty reduction.

Meeting the challenges of the international agenda

Agreeing on a joint SDC-seco approach to harmonisation and alignment

A number of mechanisms have been set-up to ensure that SDC and seco exchange and collaborate on a regular basis, *i.e.* through a joint strategic committee including the Directors of the two agencies as well as four joint steering committees - for developing countries, for transition countries, for multilateral co-operation and for information policy. The steering committees meet quarterly to discuss key strategic and operational issues. The joint high level statement on poverty reduction is but one illustration of these efforts. Others are the joint SDC-seco statement and implementation plan on the Paris Declaration (see below). The staff and general management cost of harmonising SDC and seco should not be underestimated, however.

Following the individual action plans which each agency has developed to foster harmonisation within their respective institution (SDC-seco, 2004), the two agencies are elaborating a common approach based on the Paris Declaration. In the joint working group on harmonisation all SDC departments and seco are represented. A 'joint platform' for poverty reduction strategies should facilitate exchanges and co-ordination on conceptual and operational PRS-related issues as well as a clearer division of labour concerning how to contribute to the implementation of those strategies. Each agency should also review its internal mechanisms for dealing with the context of poverty strategies in each country and designate focal points to enhance the coherence of their response. To encourage a culture of harmonisation different training options and seminars could be envisaged, including with other DAC members facing similar challenges. Those efforts may lead naturally to the exchange of staff between the two agencies to meet specific needs or for more extended periods.

A common SDC-seco strategy at headquarters level for implementing poverty reduction at headquarters level would make it easier for the COOFs to take a strategic view of what Swiss co-operation can achieve in specific contexts. It would unleash the positive energy that already exists among field staff to move together with other donors in the direction of harmonised procedures, rules and regulations (see Chapter 6). Staff from the field should be brought together more regularly with colleagues from headquarters to exchange experiences and lessons learned. SDC's Thematic and Technical Resources Department would have a special role to play together with the Department for Development Policy and Multilateral co-operation.

Reinforcing the role of SDC's Department of Thematic and Technical Resources

The Department of Thematic and Technical Resources (*F- Department*) is SDC's centre of excellence and networking for the agency's five priority areas. Its Knowledge and Research Unit reinforces the five substantive divisions and has prime responsibility for the knowledge management function of the organisation. The thematic approach acknowledges the interdisciplinary nature of development and transition issues and is largely reflected in the country programmes.

The *F- Department's* main responsibility is to make available or accessible competencies, capacities and knowledge both internally and through external centres of competence, thus contributing to strengthening knowledge networks at the international level and in partner countries

from both the South and the East. The Department also participates in decision making processes within SDC and policy dialogue at the international level and contributes to the coherence and quality assurance of the agency's programmes. The staff (over 60 including 30 advisors) works "on demand", negotiating annual collaboration agreements with other units from the geographic, humanitarian and multilateral departments, outsourcing if and when necessary. Multidisciplinary teams work on cross-cutting issues. A yearly "client satisfaction" survey provides valuable information on the effectiveness and relevance of the department's work. Overall, the Department has played an important role in bringing a closer focus on MDGs within SDC and filling technical gaps at field level. It should be closely associated with efforts within the organisation to generate ideas and solutions for dealing effectively with harmonisation and alignment with national poverty reduction strategies.

The challenge for the Department, and for SDC as a whole, is to ensure that the policies, strategies and management instruments that are produced are timely and relevant for the COOFs as well as binding for the organisation as a whole. Since a large component of the Department's knowledge management responsibilities involves capitalising on lessons learned at field level, increased exchanges of staff might be encouraged between it and the COOFs. The Department's contribution and effectiveness as a knowledge management unit will ultimately depend on the extent to which its services are solicited.

Other important actors

A more visible role for the Advisory Committee on International Development and Co-operation

The Advisory Committee on International Development and Co-operation (AC), created in 1976, consists of 20 members representing the diversity of Switzerland's political culture: politicians, NGOs, the private sector, trade unions, the media and academia. The AC does some advocacy and acts as a sounding board for the Federal Council on both development co-operation and humanitarian aid, delivering strategic inputs as well as specific messages through unpublished letters. Consensus is not a priority among the group. In general the Federal Council responds well to inputs that the committee provides. The AC has potential for increasing awareness of development issues both in Parliament and the Swiss public opinion, although this is difficult to assess precisely.

Since the last peer review, one person in SDC has been appointed to work half time as AC's Secretariat. The committee meets four times a year, occasionally conducts field visits (9 members went to Burkina Faso in 2005) and is represented in international meetings, *e.g.* Rome and Marrakech. Since 2000 membership has changed with the appointment of a new chair from the private sector and new members named by the Federal Council.

The AC's agenda is broad and diverse, covering topics such as global public goods, humanitarian aid, framework credits, the MDGs, the Swiss position in trade negotiations and the European Union. Members adopt a strong view with respect to improving democratic conditions in developing partner countries, *e.g.* seeing a role for Switzerland with respect to strengthening the justice system and building local authorities' capacities. They also take a keen interest in harmonisation issues and improving Switzerland's mobilisation for poverty reduction, and agree that support from the Swiss private sector could be stronger. The AC can also advise the government on policy coherence issues. Overall, the Committee feels that ODA is not only about charity but also in the Swiss national interest, *e.g.* to slow migration flows and enhance sustainable development.

The Committee's role and visibility could be enhanced and a more strategic approach to communicating with the Federal Council could be adopted on a number of important topics. For example, the AC could encourage the Federal Council to set a path for a more ambitious target than

the 0.4% already reached, emphasizing the benefits of ODA to foster peace and stability in the world. The Committee could also contribute to more transparency in debates on policy coherence. As already recognised in the North South Guidelines (see Chapter 4), potential policy conflicts arising from divergent perspectives on specific issues need to be tabled and negotiated between the relevant actors, within the political arena and the administration. As a consultative mechanism the AC could help raise public awareness about the link between international welfare and security and Swiss long-term national interests.¹³ A second step to enhance the committee's influence within the Federal administration could be to further involve other Federal offices in the organisation of the Committee's meetings according to their specific areas of expertise.

Towards a new partnership with non-governmental organisations

Swiss NGOs are traditionally very present and influential in Switzerland, playing a crucial role in promoting awareness of development issues in both parliament and society at large. The decentralised nature of Swiss political culture enables them to mobilise public opinion on a broad variety of topics. NGO representatives sit in selected bodies such as the Advisory Committee or extra parliamentary commissions and are integrated within Swiss delegations to international conferences. For the Federal Council, Swiss NGOs are invaluable partners for a constructive and meaningful dialogue on development policy as well as for implementing Swiss projects and programmes.

SDC is the major contact point for NGOs within the Swiss federal administration. A separate division within the Bilateral Department manages the bigger part of that relationship, although other departments can also shape their co-operation with NGOs depending on needs, including from COOFs. In addition, several federal offices (*e.g.* PD IV, DDPS) have regular contacts with the Swiss NGOs they finance. A recent survey reveals the limits of this system from the point of view of co-ordination (IUED, 2004).

A dialogue between SDC and Swiss NGOs has started around their roles and mutual perceptions in the evolving international context, in part prompted by a recent evaluation on the interaction between them and SDC (E. Bähr and M. Nell, 2004). The evaluation pointed to the lack of a unified strategic orientation for development co-operation which could serve as a platform for clarifying the roles of all stakeholders, and to the confusion and transaction costs generated by the parallel processes involved in dealing with NGOs. Among other things the evaluators recommended strengthening the NGO section within SDC to maintain the dialogue, in particular on policy and emerging trends and to apply the same funding modalities for NGOs uniformly across the organisation.

SDC is addressing those concerns as well as others emphasised in the evaluation report. In an internal document handed to the DAC examiners the agency justifies its strategic orientations on the grounds that it has to take into account the international agenda, *i.e.* good humanitarian donorship, harmonisation and alignment with poverty reduction strategies and the MDGs. Its approach is to form alliances with a wide variety of actors in international co-operation, implying that NGOs cannot be the sole contractors and implementors of SDC's projects and programmes. This may mean more direct funding to Southern NGOs and a move away from Swiss NGOs as direct service providers. SDC has appointed a task force to help develop a policy focusing on Swiss NGOs and other stakeholders in Switzerland (*e.g.* labour unions, churches, universities, research centres, cantons and communities as well as international NGOs). Meanwhile, the most appropriate structure within SDC to deal with NGOs is being discussed. Finally, SDC has decided to continue co-operating with different funding

13. On the need for transparency of decision-making processes to sensitise public opinion to coherence issues, see *Policy Coherence for Development: Promoting Institutional Good Practice*, OECD, 2005, forthcoming.

modalities: programme contributions, project contributions and mandates (see Chapter 2). The task force will define application criteria and procedures to harmonise within the same funding modality, and will propose a target for SDC's contributions to individual NGOs.

The DAC mission was impressed by the genuine character and mutually constructive nature of the SDC-NGO dialogue. Swiss NGOs contacted for this review generally see SDC as an ally and appreciate the agency's flexibility and efforts to bring civil society's voice within the federal government. SDC's pressure on NGOs to show results is perceived as healthy and useful, and both sides welcome opportunities for mutual learning. Swiss NGOs agree that they have responsibility to adapt to the new agenda for development co-operation. They could reclaim their advocacy role, find innovative ways of engaging their traditional constituencies as well as new constituencies, strike new partnerships in the South and put greater emphasis on effectiveness and impact. While the issue of poverty reduction is well established in their thinking, the realisation that there are expectations for them to perform within the MDG frameworks has yet to be internalised uniformly.

Future considerations

- In the current climate in Switzerland there may be scope for rethinking the overall structure and organisation of the development co-operation system, in particular to face the challenges of poverty reduction and harmonisation and alignment at field level. In this context Switzerland should consider the advantage of consolidating SDC and seco's services dealing with multilateral institutions, including the IFIs, and ensure that all co-operation offices represent both SDC and seco.
- A combined SDC-seco operational approach for dealing with national poverty reduction strategies would help the Swiss co-operation offices conduct activities where they can complement other donors' interventions and take leadership in areas where local knowledge and staff experiences can be best exploited. Staff mobility between SDC and seco should be encouraged in this context.
- Switzerland should consider the possibility of transferring human and budgetary resources to the Co-operation offices and determine an appropriate balance of competences at that level in support of its international engagements.
- Switzerland's evaluation culture should be scaled up to focus on the impact of Swiss interventions as they relate to poverty reduction. This implies greater efforts to link the monitoring and evaluation system to quality improvements in terms of outcomes.

Chapter 6

Country operations

The DAC Peer Review visited Vietnam and Bosnia and Herzegovina in February and March 2005 respectively to review Swiss development co-operation in those two countries. Both Vietnam and BiH are undergoing transition processes. For Vietnam the transition is currently from a centrally-planned to a market-oriented economy, and Swiss economic interests are an important aspect of its foreign policy there. In BiH, which is regarded as a post conflict country as well as a fragile state, the transition process is more complex because it is at the same time political, economic and social. Swiss foreign policy there is multifaceted and driven by security considerations and migration issues within the region.

Swiss support to countries in transition: the case of Vietnam and Bosnia and Herzegovina

Swiss presence in the Mekong region

Switzerland's programme in Vietnam is part of a broader regional effort covering the Mekong States. Swiss ODA in the Mekong Region started in the 1970s with limited support to regional institutions. In 1990, SDC opened a co-ordination office in Bangkok and shortly after exploratory activities began in Vietnam with seco's contributions to the payment of arrears towards the Bretton Woods Institutions, mixed credits and balance of payment support. This was followed by technical assistance to the banking sector and activities in the private sector. SDC's co-ordination office for the region was transferred to Hanoi in 1995 while a small liaison office was maintained within the embassy in Bangkok until 2000. Soon after, seco seconded one staff to the Swiss Embassy in Hanoi to monitor its own projects (SDC-seco, 2002).

The first Swiss Programme to the Mekong Region (MRP 1) was designed to support the political and economic reform processes undergoing in the region, with a focus on human resources and institutional capacity. The regional approach was warranted on the grounds that countries shared a common historical background and similar development challenges. SDC identified Vietnam as the priority country and Laos as the second priority country. The second programme 2002-06 (MRP2) covers five Mekong Riparian States - Cambodia, Laos, Myanmar, Thailand (as the base for regional institutions) and Vietnam. Although not a priority country, Cambodia was included mostly because of the contributions to the programme of Swiss NGOs. There is no regular development activity in Myanmar, which however is a SDC priority country for humanitarian aid.

Since the adoption in 1986 of reform policies and structural changes in Vietnam, growth prospects and trade have been important considerations for foreign - including Swiss - engagement in the region. By the end of 2004, cumulated Swiss foreign investments in Vietnam alone reached USD 650 million, ranking Switzerland in 4th position among European investors and in 15th position overall. Poverty, however, still remains an issue despite steady economic growth (7% per year for the past several years), particularly in the rural areas (deltas and highlands) where Swiss co-operation is active with small projects.

With respect to development co-operation, the Vietnamese government has received significant assistance in the last 10 years, although aid accounts for only 4% of GDP. The government has a

strong element of ‘ownership’ in its relations with the donor community which is evidenced in a decree setting out the basis on which aid is managed and utilised.¹⁴ While the government is keen on leading development efforts, centralised planning, lack of transparency, limited capacities in some areas and a heavy bureaucracy are constraining factors for the economy as well as development co-operation. There is a strong belief among Vietnamese officials that growth is a condition for reducing poverty and that there is room for differentiated approaches for addressing it. Switzerland believes it has a role to play as long as it remains innovative and relevant to the Government’s own development efforts. This view is shared by the government’s authorities and to some extent by other donors.

The Swiss budget for the region as a whole is rather small (see Table 4) compared to that of other major donors.

Table 4. Swiss budget for the Mekong region (in Mio CHF)

REGION	Year						
	2000	2001	2002	2003	2004	2005 (est.)	2006 (est.)
SDC (Bi & Multi)							
- Vietnam	12 680	12 010	11 770	11 561	12 614	12 606	13 751
- Laos	2 338	2 372	2 873	3 832	2 088	3 301	3 659
- Cambodia	1 300	2 700	3 143	2 516	2 977	2 820	2 800
- Thailand	5 871	5 673	3 372	2 765	4 251	2 351	2 374
Humanitarian Aid			2 416	3 220	2 863	4 500	3 000
Total SDC	22 189	22 755	23 574	23 894	24 793	25 578	25 384
Seco	2 422	3 900	5 526	4 740	5 000	5 000	5 000
Total Swiss Contribution	24 611	26 655	29 100	28 634	29 793	30 578	30 384

Source: SDC

Swiss presence in Bosnia and Herzegovina

Ten years after the Dayton peace agreement BiH still remains heavily affected by the war and the reintegration of refugees and internally displaced persons. As mentioned in Chapter 3, the country is caught in a complex transition process from a socialist state to a democratic one on the one hand, and from a centrally planned to a market economy on the other hand. The development agenda is overshadowed by the debate on the country’s association with and eventual accession to the European Union and the roles played by the Office of the High Representative, the World Bank and the European Commission. There is no consensus on the Nation State among the national and international players although there is agreement on the continuation of the implementation of the Dayton Agreements. As bilateral and multilateral donors are using different government institutions for channelling development aid, prospects for harmonization look rather dim for the time being. To complete the picture, ODA levels, which were massive since 1995, have decreased considerably in the last two to three years.

As a medium-sized but important actor, Switzerland believes that it has a special role in the transition leading BiH to development. Swiss co-operation reflects broader policy concerns, *i.e.* to ensure peace and security in the Balkans, including enabling refugees to return to their country of origin. Switzerland contributed CHF 145 million during the war (1991-1995) for emergency assistance

14. Decree 17 came into effect in May 2001 to i) clarify concepts, procedures and responsibilities, increase decentralisation of project approval and ii) define compulsory requirements for monitoring and evaluation. It is currently being revised.

and humanitarian in Croatia and BiH. From 1996 to 1999, a special programme for BiH (CHF 220 million, the single biggest commitment of Swiss co-operation) was implemented, with a focus on humanitarian aid, debt relief and reconstruction. Although planned to end in 2000, the programme is still under implementation due to the need to find a durable solution to collective centre residents. Swiss engagement has gradually moved to a more development-oriented approach.

The 2000-03 country programme focused on co-operation and reconciliation, economic and social development. The 2004-08 medium-term programme reflects broader aspirations, such as assistance to reconstruct the devastated economy and establish a modern state; resolve the domestic political challenge posed by the economic and social integration of 45,000 persons who had sought temporary asylum in Switzerland; and integrate BiH more into the region.¹⁵ The budget for the whole period is represented in Table 5 below.

Table 5. Budget figures for medium-term programme 2004-08 (in Mio CHF)

Donors	2004-08 budget	In % of Total
SDC	55.0	58%
seco	20.0	21%
Office of Migration	9.5	10%
Political Directorate IV	10.4	11%
Total	94.9	100%

Source: SDC-seco

How Switzerland implements development assistance

Swiss co-operation offices enjoy a relative autonomy

As mentioned in Chapter 5, the COOFs are part of Swiss embassies but are fairly autonomous. Delegation arrangements between the Ambassadors and Country Directors are regulated by a specific instruction.¹⁶ Ambassadors are responsible for political matters and participate in the elaboration of country strategies and annual programmes. Although they are not directly involved in funding decisions they sign relevant agreements with the local authorities in partner countries. In countries without Swiss diplomatic representation the COOFs may take over the consular tasks. Combined COOFs and diplomatic representation are for the time being limited to Bangladesh, Macedonia and Mozambique.

While the allocation of funds is not delegated to Swiss embassies, staff from SHA may be temporarily affected to Embassies. Alternatively, existing Swiss COOFs may be strengthened with humanitarian specialists, as in Nicaragua or Peru. In 2003, SDC's Humanitarian Aid Department was represented in 16 of SDC's field missions (see Annex C for a more thorough assessment of Switzerland's humanitarian aid).

15. Information provided by the Co-operation Office in Sarajevo.

16. Instruction 642-1-F: *Tâches et coopération entre le Chef de mission et le coordinateur dans le domaine de la coopération internationale au développement, de la coopération avec les États d'Europe de l'Est et de l'aide humanitaire ; collaboration entre le Chef de mission et les conseillers en matière de gestion civile des conflits et de promotion des droits de l'homme.*

The COOFs enjoy an important degree of decision-making authority, reporting directly to their headquarters in Bern. They conduct the policy dialogue with partner governments and bilateral and multilateral agencies represented at country level; assess local conditions; contribute to the formulation, implementation, monitoring and evaluation of the country or regional programme; administer the budget; manage local staff and serve as knowledge centres and operational focal points beyond SDC and seco. Their relatively high degree of programming independence contrasts with a relatively low level of financial autonomy, however, as their delegated authority is only CHF 20,000 per activity. Although they may obtain additional funds reasonably rapidly from headquarters when needed, this extra administrative step could be avoided if they were provided with larger budgetary envelopes within the framework of an approved biennial plan, as is the case for other decentralised bilateral agencies.

Country directors enjoy some flexibility to allocate the funds according to priorities decided jointly with partner countries on an annual basis. From a COOF's perspective, however, the planning could take place every two years and they could enjoy full financial responsibility to limit administrative costs. The programming and budgetary process should in the long run be synchronized with partner countries' own cycles when sound national monitoring and budget systems are fully in place.

Differences between COOFs reflect Switzerland's approaches to partner countries

In many countries the COOF represents both SDC and seco. In Vietnam, where both agencies are active, SDC and seco are separate even though they share a common regional programme. The SDC part of the programme is managed by the COOF, with 22 staff including the Country Director, the Deputy Director, a finance officer as well as five national professional officers (NPOs). Seco's activities focusing on economic development are managed by the Trade and Economic Section of the Swiss Embassy, with one staff sharing her time between seco's projects and the embassy. A full time Swiss advisor and a number of long and short-term consultants from various Swiss or international professional institutions, contribute to the management of seco's projects. Co-ordination/consultation mechanisms were set up in Bern and Hanoi to facilitate contacts with SDC's and seco's desks.

The DAC mission found that this arrangement was not very cost-effective from an administrative and management point of view, leaving some questions regarding the COOF's role in the management of seco's activities and the degree of collaboration between the two agencies on substance as well as operationally. Although exchanges, including with the Ambassador, do take place on a regular basis, the potential for creating synergies is also limited as each agency tends to its interests and activities separately. A joint COOF with adequate staff capacity and expertise to cover activities from both sides should be seriously envisaged, with the authority to manage the whole programme involving programme staff.

The DAC mission observed that at field level Switzerland operated with different organisational arrangements for its development co-operation, including to a certain degree Swiss Embassies. In order to maximise the scope for coherence between the political and development dimensions of Swiss relations with its priority countries, the DAC mission concluded that those aspects could be integrated within the same office. This would simplify relations with partner countries and other donors on the one hand and be cost effective on the other hand. In BiH, as in the other 11 countries in Eastern Europe and the CIS where Swiss co-operation is engaged, the COOF represents both seco and SDC. This arrangement reduces the administrative burden to some extent, although the split management system still appears cumbersome (see Box 9). The embassy remains responsible for the political dialogue.

Box 9. A joint SDC-seco co-operation office: the case of Bosnia and Herzegovina

In BiH the political aspects of Switzerland's foreign policy are the embassy's responsibility, which also represents Switzerland in areas with links to development programming, e.g. human rights. The COOF located in Sarajevo represents both SDC and seco, with seco sharing 50% of overhead costs. The COOF ensures the interface between the strategic and operational levels and between the implementing agencies in both Switzerland and BiH. Core tasks include project cycle management, programme development, policy dialogue and the promotion of important issues and topics as well as communication.

SDC and seco headquarters are responsible for strategic choices, making funds available and backstopping the COOF. Together they ensure the co-ordination of the programme at the strategic level and identify yearly goals. They also co-ordinate closely with the Federal Office for Migration and Political Division IV of the Department of Foreign Affairs. For operational aspects SDC has to refer back to seco headquarters. In the future general programme management tasks will be delegated more comprehensively to the COOF, with some impact on the staff composition in the field office.

There are 14 staff in the field office, including five National Programme Officers (NPO), a local Liaison Officer in Banja Luka and seven finance and administrative staff. NPOs have general, rather than technical, skills and receive training in-country as well as in Bern as needed. One NPO is completing a Master's degree in economics, with Swiss financial support and all NPOs were promoted in-house. This is a rather unique situation within the donor community, as is the increasingly important representation role given to NPOs, who also benefit from health and pension schemes comparable to other local staff from the donor community.

NPOs monitor the Swiss programme through quarterly visits to projects, drawing on a diversified pool of national staff from civil society, the private sector and other professional institutions which implement Swiss projects directly. Both SDC and seco do the backstopping, including through technical assistants from the region and/or regional experts, a number of which are from other donor agencies (e.g. GTZ).

The staff from the Swiss co-operation in BiH form a small but strong and cohesive team with a common sense of purpose, able to generate durable and trusting ties with targeted groups at grassroots level. Good field representation in Sarajevo leads to the widely-shared perception that Switzerland is a reliable partner with in-depth country knowledge and experience as well as capacity at sub-national level.

Steps for country programming

SDC and seco headquarters collaborate to the elaboration of country or regional programmes, which are fine-tuned among Swiss partners through a series of consultations. Other bilateral and multilateral donors may be included in the process. Country or regional programmes constitute the binding reference framework for the entire Swiss development co-operation. Joint SDC/seco programmes exist in Bolivia, Burkina Faso, Mozambique, Nicaragua (for Central America), Peru, Tanzania and Vietnam (for the Mekong Region) and in all countries in Eastern Europe.

The country programmes consulted for this review are good quality documents. They include an assessment of the country situation for Swiss co-operation, the strategic and sectoral/thematic orientations, management arrangements and actors/partners as well as an overview of planned resources allocation. Pertinent information is included in the form of lessons learned from past programmes and a graphic indication of potential synergies between Swiss activities and that of other donors'. The 2002-06 Mekong Region Programme is somewhat more complex because of its broader coverage. It could include an organisational chart and a budget for each country to help distinguish SDC from seco within the programme.

Poverty reduction strategies are becoming the frame of reference for country programming

The High Level Statement approved by SDC and seco in February 2004 states that Switzerland views national poverty reduction strategies and budgetary processes integrated therein as the central analytical and political framework for Swiss development co-operation. Poverty strategies are the predominant framework for programme or project planning, for monitoring and evaluation. As result of this engagement most COOFs are now involved in PRSP processes. Switzerland's participation is driven by the commitment to the MDGs and the fact that it does not want to be marginalised as a donor (see Box 10).

Box 10. Swiss Co-operation programmes in Vietnam and Bosnia and Herzegovina

Vietnam

In countries of the Mekong PRSPs or their equivalent have influenced country programme planning quite significantly, including the choice of geographical areas and sectors and the pooling of funds under the umbrella of selected government ministries. Based on lessons learned from the previous programme, the 2002-06 country programme for the Mekong Region was designed to "improve linkages and complementarities between SDC and seco and build synergies within the region".¹⁷

The Government's development vision and goals, defined in the *Socio and Economic Development Strategy 2001-10*, also called the Master Plan, and the comprehensive poverty reduction and growth strategy (CPRGS) are the frameworks for all development co-operation. Together with other donors the COOF in Hanoi is committed to helping the Vietnamese government integrate the MDGs into the Master Plan. In addition to the CPRGS, of particular relevance to SDC co-operation are currently the Public Administration Reform, the National Environment and Forest Strategies and the Plan of Action for the Advancement of Women. Switzerland's work on urban issues has also led to the full integration of urban poverty into the final draft of the CPRGS (2001). Swiss engagement there has strengthened Vietnamese government processes and has helped mobilise additional resources from other larger donors by promoting the concept of urban poverty reduction, along with the provision of management tools, approaches and pilot projects. Rural poverty, with special attention to where some ethnic minorities live, is also addressed since 2000 in Swiss pilot schemes in three provinces located in the Central highlands and the Northern Western uplands.

The objectives of the Mekong Region Programme fit well within the Vietnamese frameworks but should be consolidated, with stronger emphasis on poverty reduction generally. An exit strategy for all projects, based on an assessment of their relevance for poverty reduction, should also be elaborated to avoid the perpetuation of activities that are either too small and/or with limited potential for replication. A separate programme could eventually be drawn for Vietnam on the basis of that country's poverty reduction strategy.

Bosnia and Herzegovina

The Swiss programme in BiH emphasizes economic reforms, establishing a modern State based on the rule of law and reforming the public administration. It addresses social areas (rights and services); private sector and the promotion of small and medium enterprises; and governance and basic social services (including infrastructure financing) as well as two crosscutting themes - change processes and youth. Gender has been dropped as a horizontal theme since it is said to be mainstreamed in all aspects of the programme. The programme is in line with the country's *Medium Term Development Strategy - PRSP 2004-07* but stresses dimensions such as inequality, social integration, empowerment, rights and security which are not addressed in the strategy as compared to macroeconomic stabilisation and structural policies. The objectives of the Swiss strategy relate to the values and principles of Swiss foreign policy and development co-operation with respect to fragile states. As a result of the COOF's effort to integrate projects from the past humanitarian assistance programme, those objectives translate into many activities, some of which could be consolidated further while others should be dropped over time. The DAC examiners were however made aware of the efforts conducted by the field office to achieve economies of scale and concentrate on fewer sectors.

17. Ibid, Annex 3.

Until recently, Switzerland's activities related to poverty reduction strategies have focused on process rather than content. In a few cases the focus has been on content (*e.g.* in Lesotho in rural water, Tanzania in health and Vietnam in urban issues [DEZA, 2003]). In both Vietnam and BiH Swiss involvement has gone further, with the COOFs acting as prime movers in strengthening local ownership of poverty strategies at provincial and municipal levels. Although this initiative has not resulted in major shifts in the Swiss approach which is essentially project-based, the experience illustrates that Switzerland is well placed to develop effective ways to institutionalise those strategies at sub-national level.

As more Swiss COOFs are becoming engaged with PRSP implementation, a full section in the country programmes should explain how the Swiss portfolio is linked to or matches the context and objectives of national PRSPs. More information on detailed co-ordination arrangements in the context of those strategies should also be provided. Ultimately issues related to harmonisation should be addressed as well, with specific steps on how Swiss co-operation contributes to ongoing efforts in each country and how the achievements of the programme will be measured.

A reliance on a broad spectrum of actor and instruments

1. Technical assistance and specialised implementing agencies

As indicated in Chapter 5, Switzerland uses a broad range of instruments at the macro, meso and micro levels to implement its country programmes, and strikes up partnerships with many national and international players. Features of Swiss development co-operation include policy dialogue, capacity building and organisational development, using technical assistance as a major instrument. In countries with fragile and unstable conditions, humanitarian aid and development co-operation instruments are used.

Technical assistance comes in the form of policy development or technical advice. It is used for capacity development, training, networking, concept and strategic development as well as for managing projects. Depending on locally-expressed needs as well as project requirements technical assistants (TA) manage activities directly, through consultancy firms or specialised executing agencies. When the project is self-running TAs can enjoy a high degree of autonomy. Swiss-based institutions and international/regional organisations are also specifically mandated to implement Swiss projects. In Vietnam and BiH major implementing and co-financing partners include the UN agencies, Swiss and international NGOs, the EBRD, the World Bank, the Asian Institute of Technology, the IMF, the IFC, KfW and GTZ. Management and technical training, including in soft skills, can be provided through training centres such as the one set up by the IFC in both BiH and Vietnam.

Advice provided through independent consultants and/or specialized institutions seems to be much appreciated by recipient partners. A good case in point is the Swiss-financed high level policy advice provided to the Vietnamese government to facilitate Vietnam's accession to the WTO. Another worthy intervention with spin-off effects at the local level relates to Switzerland's assistance to improve access to and quality control of "family medicine" in BiH, combined with policy development and reform of the health care system. During their visit to those two countries the DAC reviewers were able to observe other illustrations of Switzerland's assistance with good potential for replicability.

National partners such as government organisations and agencies at national, provincial and municipal levels and to a lesser extent, local NGOs, are also used to implement SDC's projects in particular. The strengthening of elected bodies as part of decentralisation processes is very valued in this respect. Whenever possible, SDC entrusts the lowest level with implementation responsibilities,

e.g. in the governance and social areas. Local entrepreneurs are also likely partners of seco as regards SMEs and private sector development.

2. The dilemma of local ownership versus control and visibility

The DAC reviewers were able to identify a number of challenges related to the Swiss approach to project implementation. The first one has to do with the process leading to the recruitment, monitoring and evaluation of TAs and/or experts, some of whom come to the field with little knowledge of the local context and/or no local language skills. In other cases long term TAs in particular are very much valued for their technical competencies and skills in dealing with the complexity of the social and political environment. To improve both local ownership and the transparency of the process, however, local authorities should have more of a say in the selection of experts generally and be involved in assessing their performance.

The second challenge has to do with the large role played by a relatively small number of executing agencies responsible for the practical implementation of Swiss projects. As pointed out in the previous peer review, those agencies control funds, handle contracts and disbursements and usually supply sizeable portions of project services, including technical assistance. In seco's view, the choice of agencies with broad international experience available in Switzerland is rather small and helps explain why the same agencies tend to be used. Seco should try and enlarge its spectrum by relying more on locally and regionally available expertise. Ultimately project management should be delegated more to the COOFs and the full transfer of project execution given to local partners. This would strengthen local ownership and ensure the sustainability of the projects.

On the basis of the two field visits the DAC examiners were able to observe the proliferation of donor-financed activities related to training. Though generally of high quality, most training programmes are foreign-led and repeat themselves from one donor to the next. A number of such programmes could be conducted by local/regional institutions and/or private consulting firms, many of which are trying to carve a niche for themselves on the national market but are penalised as a result of donors' massive support to or through foreign-led institutions. In Vietnam and BiH Switzerland should scale up its efforts to build training capacities locally and make better use of expertise available at both regional and national levels. More generally, donors intervening with separate training programmes in the same sector should pool funds and ask the authorities to proceed with tendering. This would save transaction costs but would require a genuine commitment from all concerned to "lower the flag".

3. Implementing projects through NGOs

Before Switzerland makes the decision to co-operate with an NGO, the individual organisation is examined closely to determine whether it shares the country's values and development approach. In Eastern Europe and the CIS, where 40% of SDC's projects have a partner from Swiss civil society, NGOs must evidence some potential for initiating and supporting change. In countries in the South SDC looks for partners that are committed to poverty reduction and to improving people's access to resources and decision making for the poor (Swiss Federal Council, 2004). As noted in Chapter 5, Switzerland's approach with respect to NGOs is increasingly driven by the international agenda, leaving some questions regarding whether or not Switzerland has a clear strategy. Switzerland's policy should be more specific once SDC's appointed task force has revealed its conclusions in this respect.

In the Mekong region financing going to or through NGOs amounted to 20% of total ODA in 2004, with 11% going to Vietnam and 9% to Laos, a rather limited proportion due to the slow emergence of civil societies in those countries. In BiH, where SDC supports a total of approximately

60 NGOs, the amount was 17%.¹⁸ SDC addresses the role of local NGOs and community participation through targeted interventions (see Chapter 3 for some examples). While Swiss NGOs may be prepared to act as intermediaries for building the capacity of local NGOs, a number of them have indicated that in their view, the Swiss Government should raise the awareness of the national authorities on sensitive issues, *e.g.* on human rights. In countries like Vietnam and BiH, SDC considers itself at the frontier working through local NGOs that target ethnic minorities and address the prevention of domestic violence and basic human rights (see Box 11).

Box 11. How Swiss co-operation mobilises communities

Swiss co-operation is particularly concerned with domestic violence in Vietnam. SDC as well as the Embassy of Switzerland and the Embassy of New Zealand are providing support to a project implemented by the Centre for Reproductive and Family Health in Hanoi. The project focuses on improving awareness of the local authorities and populations on gender equality and women's rights as well as building the capacity of the local NGO that implements the project. It comes as a complement to a larger initiative implemented by the UN Fund for Population Activities (UNFPA) on reproductive health.

The approach is based on the mobilisation of the community, consolidating the experience started during a pilot phase. An intervention network has been established, involving a wide range of local government officials and organisations. Systematic information-education-communication is carried out to improve awareness of local authorities and people and change their behaviour. As a result of this initiative the effort to reduce domestic violence has been institutionalised by the formal establishment of the Boards for Prevention in the Ninh Binh Province of Vietnam. However, measures by which to assess the success of the project in reducing the number of cases of domestic violence reported have yet to be elaborated.

Source: SDC-seco

One important and recent entry point for the dialogue with NGOs at field level is the monitoring of poverty reduction strategies. In this respect, Switzerland could more fully explore the potential for positive synergies between Swiss NGOs and local NGOs and poverty reduction strategies at programme level, and foster a better-informed debate on poverty and priorities for poverty reduction in the priority countries.

Moving towards a strengthened SDC – seco collaboration

Swiss development co-operation in all its diversity is widely respected and considered to be technically sound. Switzerland values the local context above all else, using concrete, bottom-up approaches to conceptualize activities within a given country programme. The COOFs have satisfactory relations with government agencies and representatives at sub-national level based on trust and mutual respect. Partners are consulted regularly and the relations with international, Swiss and local NGOs are very good. In both Vietnam and BiH, the COOFs play an active part in co-ordinating actors at field level, projects are well monitored and Swiss co-operation is considered to be performing well.

From the limited perspective of the two field visits, however, it would appear that there is room for SDC and seco to create more synergies at operational level, collaborating better in the context of poverty reduction strategies. A shared SDC-seco approach on conceptual and operational issues would make working relations between them more effective at field level. The COOFs should explicitly address alignment with poverty reduction strategies not only in planning but also in budgeting processes and aid modalities. Standardized reporting on progress made could be part of routine planning, budgeting and reporting cycles. The composition of COOF staff should also reflect the skills mix necessary to adequately address the content of those strategies. Finally, more effort should be

18. Percentages provided by the field offices.

made to strengthen capacities for collecting information on poverty, including female poverty, and documenting good practice in lifting the poor out of poverty ideally in collaboration with the local authorities. In all cases Switzerland's interventions should be co-ordinated with those of other donors to avoid overlap and build complementarities.

More generally, joint SDC-seco offices in priority countries increase opportunities for developing joint approaches, sharing lessons and responding to local demands in a co-ordinated way. The eventuality of one Swiss institution representing both the political and development aspects of Switzerland's foreign policy could be envisaged as well.

Moving beyond harmonization towards alignment

Aid effectiveness and the donor community in Vietnam

Box 12. Aid effectiveness in Vietnam: A case for increased donor harmonisation

In Vietnam the mission was struck by the donor dynamics (or the 'donor paradox') for harmonisation and alignment. There are four 'official' co-ordination mechanisms: (i) The Partnership Group on Aid Effectiveness (PGAE) focusing on the post-Rome Government-led harmonisation agenda. The group includes all the main donors; (ii) the Like Minded Donor Group (LMDG), limited to ten donors¹, including Switzerland; (iii) the European Union, which is also engaged through various working groups targeting EU members; and (iv) an informal group comprised of five banks including the Japanese Bank for International Co-operation, the IBRD, the Agence française de développement and the ADB. The banks are mostly concerned with their own project planning and procurement standards. To an outsider, the proliferation of consultative mechanisms creates confusion and increases the risks of overlapping and heavy transaction costs.

The Swiss COOF was instrumental in the work conducted by the LMDG. The group contributed to joint position statements for Consultative Groups and other fora; aligned the Vietnamese PRSP with the government's socio economic development strategy; and did general advocacy and exchange between donors. Shared conceptual analyses within the LMDG currently provide a foundation for planning and building government capacity to manage budgetary support in joint programmes. However the LMDG represents 12% of total annual ODA commitments only.¹⁹ Hence its impact is rather modest. Switzerland's membership in this group as well as other similar groups should be encouraged not only because it extends opportunities for positive influence through joint work with other donors, but also because it allows Swiss co-operation to be confronted with other forms of collaboration and to strike strategic alliances.

The LMDG acknowledges that little has been done to date with respect to aligning donors' systems and procedures with the government's own. Independent of whether or not those are completely in place and whether all donors are on board²⁰, there are avenues for all donors, including the Swiss, to explore. As a start, donors should let go of approaches that are slowing if not undermining the harmonization process, such as Project Management Units (PMU). Different PMUs have sometimes been established by different donors covering the same sector in the same locality. PMUs are required by government decree but are considered to be costly and unsustainable in the long term. They are criticized for meeting personal interest through the provision of cars and equipment, rather than the general interest linked to poverty reduction. They create wage distortions through topping ups and encourage local power interests. Although the Swiss and other donors rely on PMUs to implement their projects, donors should focus on strengthening the government's institutions directly.

Most donors consulted agree that the principle of PMU should be discouraged in the medium term. Another option, which may be feasible in Vietnam in the longer term, consists in supporting civil service reform.

1. Australia, Canada, Denmark, Finland, Germany, Norway, Sweden, Switzerland, the Netherlands, the United Kingdom.

Like other donors, the Swiss authorities believe that PRSPs offer a framework within which donors can pursue harmonisation, co-ordination and alignment and contribute to reducing transaction

19. This information was given to the reviewers in the form of a document from the Nordic countries.

20. The DAC team was informed, by a well respected source, that 85% of the government's budget is transparent in Vietnam.

costs on developing countries. They also share the view that projects can be useful for attracting other sorts of funding, pursuing larger schemes as well as increasing the visibility of Swiss co-operation. Authentic engagement in poverty reduction strategies implies an efficient division of labour between donors and the willingness to subsume their individual identity in joint approaches and adopt budget and sector support. Following its missions to both Vietnam and BiH, the DAC team concluded that while Swiss projects can demonstrate their specificity and value added, there is scope for striking stronger strategic and operational alliances with other donors to save costs, increase aid effectiveness and generate large scale impact (see Box 12).

From project to sector to budget support

Many bilateral donors are exploring the potential of sectoral programmes as well as general budget support (GBS), where conditions permit, in conjunction with PRSPs. The shift reflects the perception that a move from a project-based to a more programmatic approach founded on national ownership is more likely to result in the sustained reduction of poverty. Because of the dominance of the project mode for all donors in both Vietnam and BiH, the DAC team was unable to form an opinion with respect to Swiss engagement in other aid modalities. In Vietnam Switzerland has taken a lead role with respect to the Social Forestry Sector Support Programme while functioning in part through its own administrative project functions. A number of Sector-wide approaches (SWAPs) are in a pilot phase, *e.g.* in education, rural development, transport and health, but Switzerland is unlikely to join in because they are not priority areas for its co-operation. SDC is nevertheless involved in SWAPs with seco in both Mozambique and Tanzania.

Whereas SWAPs are mostly an SDC competence, the agency has a very cautious attitude towards general budget support which it has only rarely practiced. By contrast, GBS is practiced by seco which spent CHF 19 million on this aid modality in 2000 and CHF 40.5 million in 2003 (Federal Council, 2004). Budget support represents 25% of the agency's resources for developing countries. For Africa, this share amounts to 55% allocated to four countries: Burkina Faso, Ghana, Mozambique and Tanzania. Two additional countries - the Kyrgyz Republic and Nicaragua, also receive budget support. As seco completes the phasing out of mixed credits it could make more funds available for this aid modality.

Where government capacity to effectively manage public resources exists, Switzerland should as a matter of policy consider providing budget and/or sector support in the context of PRSP implementation. There is room in Vietnam in particular for introducing sector approaches in areas in which Swiss co-operation is more heavily involved, *e.g.* in governance, forest development where a SWAP is in progress and urban management. Opportunities for joint approaches also exist in banking, trade and private sector development for which donors provide substantial training.

More generally, the Swiss could engage with other donors in joint country assessments and diagnostics, monitoring reviews, evaluations and capacity building, pooling funds as much as possible, including for technical assistance. There are interesting lessons learned in delegated and silent partnerships in Zambia, Tanzania and Mozambique which could be appropriately applied to Vietnam. As well, more efforts should be made to find durable solutions, for example to provide ODA resources through strengthened government systems, without neglecting local levels of government. Block grants to relevant government ministries and local authorities (with the agreement of the national authorities) could also be envisaged.

The need to document results

In both in Vietnam and BiH the COOFs agreed that Swiss co-operation still had a long way to go to measure and document results and link those to poverty reduction. The challenge for all stakeholders comes in part from the difficulty of formulating process indicators in the absence of a baseline against which to measure poverty reduction and coming to grips with linking outcomes to inputs and outputs. SDC and seco should think of ways in which to assist field staff in those tasks, possibly through additional resources and technical advice. Another difficulty is linked to the nature of Swiss interventions. In both Vietnam and BiH for example, Swiss co-operation addresses capacity building in local democracy, empowerment and private sector development through activities which are not easily measurable.

Although the COOFs have some responsibility for documenting good and bad practice, within SDC knowledge management is mostly the responsibility of the Thematic and Technical Department (see Chapter 5). The possibility for integrating the field experiences and using those where the operations actually take place are thus limited. As for other DAC donors, cases of lessons learned tend to be isolated and knowledge exchange does not translate easily into institutional learning. Some mechanisms, as well as incentives to staff, should be elaborated to help the COOFs provide useful data as part of routine planning, budgeting and reporting to lead to a more systematized accounting for results. Other challenges include systematizing monitoring processes for all COOFs (as some focus on activities and others on performance); addressing the gender dimension in terms of reference and performance assessments to help keep project staff and technical experts accountable; and generally encouraging initiatives (*e.g.* poverty impact assessments) that allow both SDC and seco to appreciate outcomes in terms of aid effectiveness and in comparison with other donor agencies. Finally, Switzerland could consider stepping-up efforts to exchange knowledge through regional institutions and brainstorming with other donors who are also struggling with similar challenges.

Aid untying, mixed credits and procurement

Switzerland is following the 2001 DAC recommendation with respect to untying aid to LDCs (with 98% fulfilment). As regards other developing countries, mixed credits are not completely phased out and approximately 1% of total ODA remains tied under those schemes. The remaining active mixed financing lines are mostly in health, water and environment in China, Egypt, Jordan, Tunisia and Vietnam. Tied Swiss aid in addition to mixed credits also applies to limited resources allocated to food aid and infrastructure financing in Eastern Europe and the CIS. For the latter, the minimal share of Swiss goods and services has declined from 50% to 30% over time.

Seco applies procurement procedures in line with the terms and thresholds of the WTO Agreement. The process for identifying and selecting implementation agencies is defined in the quality management system and is in line with the Swiss Ordinance on thresholds for public procurement (see Table 6).

Table 6. Thresholds for public procurement

Procedures	Goods and services (in CHF)	Construction (in CHF)
Open tendering	Threshold: < 248 950	Threshold: < 9575 000
Invitation tendering	Threshold: > 248 950	Threshold :> 9575 000
Single tendering	Threshold: > 50 000	Threshold: >100 000

Seco and SDC follow tender procedures as required by the Swiss Ordinance on Public Procurement. Single tendering is permissible under certain circumstances, *i.e.* when the operation in question is a direct complement to an existing mandate and strongly linked to and based on services already provided; if there exists only one specialised agency capable of doing the job that requires specific technical know-how; and in case of a strategic partnership (*e.g.* private, non-governmental, multilateral, international, research institutions or independent Swiss and international experts) when such partnership has been established on the basis of an open tender. Audits are mandatory for mandates above CHF 500 000 and always requested if a consultant is entrusted with managing a sizeable project budget that includes sub-contracting part of the mandate.

Since the last peer review, thanks to the quality system as well as new guidelines, seco has made progress towards a more open and transparent procurement process. Nevertheless, for both SDC and seco the system tends to favour the same implementing agencies and consultants still (see point 2 above). Both should try and enlarge their spectrum of implementing agencies and, more importantly, give more ownership to the partner country by encouraging self-managed projects. As a first step, a joint SDC-seco databank on consultants is being enlarged to include consultants from Switzerland's neighbouring countries. This should contribute to the process of untying technical assistance entirely in the long term.

Future considerations

- Switzerland should consider integrating the political and developmental aspects of its foreign policy in its priority countries to increase coherence and save transaction costs.
- To comply with the demands of harmonisation and alignment, SDC and seco should actively pursue their efforts at elaborating common operational approaches, moving away from aid modalities that increase high transaction costs for partner countries and adopting joint donor approaches, including delegated or silent partnerships and sector and budget support where these apply. Co-operation offices should be granted the appropriate authority over financial and human resources to manage the Swiss programme effectively in the context of national poverty reduction strategies.
- SDC's Thematic and Technical Department should assist the co-operation offices in providing useful data as part of routine planning, budgeting and reporting for a more systematized accounting for results in reducing poverty.
- Switzerland should encourage local ownership by providing more opportunities for national partners to manage development activities directly. It should scale up capacity building and use of local and regional technical expertise, involving the authorities in the selection and performance evaluation of long and short-term technical assistants.

Annex A

Switzerland's achievements since the 2000 Peer Review

2000 Recommendations	Progress achieved by 2004
<p>Aid volume</p> <p>Rapidly increase the total volume of aid to at least 0.40% of GNP without losing sight of the United Nations target of 0.70%.</p>	<p>Between 1999 and 2003, Swiss ODA increased between 15 to 20% in real terms. In 2004, Switzerland's ODA/GNI increased to 0.41% due to a policy decision effective in 2004 to make full use of DAC rules to include the full cost of asylum-seekers during their first year of residence in the host country. There is hence no increase in real transfers to partner countries via development co-operation programmes. In May 2005, the Federal Council also decided to increase the ODA volume by 8% cumulatively between 2006 and 2008.</p>
<p>Strategic framework</p> <p>Reaffirm that poverty alleviation is a fundamental objective around which all other objectives should be organised; gradually review country strategies in the light of this objective, which presupposes that a larger portion of aid should go to basic social sectors.</p> <p>Continue to reduce any inconsistencies that may remain between the SDC's approach and that of the seco, while at the same time pursuing efforts to develop a common operational strategic approach.</p>	<p>Switzerland has made poverty reduction a main objective of its foreign policy. Poverty reduction is a central objective of SDC's <i>Strategy 2010</i> and seco's <i>Strategy 2006</i> and <i>Agenda 2010 – poverty reduction</i>. A joint SDC-seco High Level Statement, dated February 2004, makes national poverty reduction strategies the policy and operational framework for Swiss development co-operation and the vehicle for reaching the Millennium Development Goals. The share of Switzerland's bilateral ODA disbursed on basic social services is in the low range but comparable to the DAC average in those sectors in 2002-03. In its approach to poverty reduction, Switzerland places emphasis on investment, trade and private sector development as well as governance and institutional development.</p> <p>SDC's <i>Strategy 2010</i> and seco's <i>Strategy 2006</i> were drafted independently from each other but in consultation. Joint guidelines for international co-operation and a common multilateral strategy are in the making. At field level SDC and seco are engaged in joint country programming in the countries in which both operate.</p> <p>Switzerland is moving ahead on the aid effectiveness agenda with action plans to bring Swiss procedures closer in line with those of other donors and to match Swiss aid delivery with partner countries' priorities and systems. A joint SDC-seco implementation plan on the Paris Declaration will be publicised shortly.</p>
<p>Aid concentration</p> <p>Increase the concentration of aid, by reviewing the list and number of priority countries more regularly.</p> <p>Review all the projects that have been going on for a long time and that tend to be self-perpetuating.</p>	<p>The list of priority countries for Swiss development co-operation as a whole (45 including 9 special programmes in 2004) continues to be long in relation to the size of Switzerland's bilateral aid programme. SDC co-operates closely with 28 countries and has nine special programmes compared to 33 overall in 1998. Seco co-operates with 27 countries compared to 36. SDC will conduct a portfolio analysis in 2005 looking at effectiveness, comparative advantage and potential for scaling-up. Seco has indicated that it will further concentrate its co-operation programme to fewer intervention countries (from 26 in 2006 to 20 by 2010). In some countries (e.g. Bosnia and Herzegovina), the COOFs are making real efforts at rationalizing country programming around fewer sectors and themes to limit self-perpetuating projects.</p>

<p>Decentralisation</p> <p>Continue the decentralisation process that is already under way with a view to more frequent involvement - in the form of budgetary support - in the design of sectoral programmes, in which the SDC and the seco are starting to participate.</p>	<p>Field offices (COOFs) enjoy a significant degree of decision-making autonomy in, programming and implementation, which contrasts with a relatively low level of financial autonomy. Seco's delegation arrangements with COOFs in priority countries are on the rise (from none in 2001 to 7 in 2004).</p> <p>Switzerland is involved in SWAPs in Tanzania and Mozambique and taking a lead role in a number of sector programmes (e.g. in Vietnam in the Social Forestry Sector Support Programme) while still functioning through its administrative project functions for the most part. General budget support represents 25% of seco's resources for developing countries</p>
<p>Coherence for development</p> <p>Continue to seek more coherence between co-operation policy and other policies that can have a negative impact on developing countries.</p>	<p>Switzerland supports the Doha Round of trade negotiations at the WTO, including through an SDC-seco-WTO Task Force on trade and development. In agricultural trade, however, the total amount of public financial support to farming remains amongst the highest in OECD countries and agricultural imports in direct competition to domestically-grown produce are still subject to high customs tariffs.</p> <p>In line with the 1958 law on Export Risk Guarantees (ERG), strong attention has been given to ERGs' relevance for a country's development strategy and the sustainability of its debt (e.g. in Uganda). The new law on ERG under parliamentary scrutiny endows the Swiss ERG Agency with a higher degree of governance and financial autonomy, raising concerns regarding the future of Swiss bilateral debt relief initiatives.</p> <p>With respect to capital flight, Switzerland has implemented the measures drawn up by the Financial Action Task Force on Money Laundering and concrete steps have been taken to return funds to countries like Nigeria or Peru.</p>
<p>Aid management</p> <p>Overhaul the aid evaluation system so as to make it independent and to improve feedback from evaluations.</p> <p>Address the difficulties encountered with staffing, and especially the need for more stability in seco's staff.</p>	<p>In 2001 SDC brought its aid evaluation and controlling (E&C) system more in line with OECD/DAC standards. More staff has been assigned to newly created E&C units and a community of practice network to encourage lesson learning has been created. Two to five independent evaluations dealing with policy and strategic issues of interest across departments as well as selected country programmes are being conducted yearly. They are complemented with external evaluations triggered by desk managers and external reviews managed by operational staff.</p> <p>Seco's controlling division conducts ex-ante quality assurance of every credit proposal submitted and end of project evaluations in the form of self-evaluations, external evaluations or independent evaluations. A quality assurance system established in 2000 upgrades seco's work on an ongoing basis and ensures the integration of lessons learned into the decision-making process.</p> <p>In Seco, the average employee stays four years. This is some improvement since the last peer review but still unsatisfactory from the point of view of building institutional memory. Five staff have benefited from a secondment programme targeting mostly financial institutions. The FDFA and the FDEA have signed an agreement in 2001 on the exchange of collaboration (which does not concern SDC) for vacancies in Bern and Geneva. In 2005, six seco staff were on unpaid leave working under SDC/DFA contracts and there are ten exchanges of staff with the COOFs and embassies, in positions that are not directly linked to development co-operation.</p>

<p>Local ownership</p> <p>Take measures to give local partners responsibility for carrying out projects, and implement more effectively the provisions of the 1996 Act which require that project executing agencies be selected by tender.</p>	<p>Switzerland relies on NGOs, technical assistants (TA) and specialized executing agencies to implement its development and humanitarian programmes. The process leading to the recruitment, monitoring and evaluation of TA needs to be more transparent, with local authorities having more of a say in the selection of experts and in assessing their performance. The spectrum of implementing agencies should include more regional and national institutions. The process for recruiting implementing agencies, which is defined in the quality management system, is in line with the Swiss Ordinance on thresholds for public procurement authorizing single tendering under certain circumstances.</p> <p>A joint SDC-seco databank for consultants is being enlarged to include experts from neighboring countries.</p>
<p>Gender equality</p> <p>Ensure a more systematic gender mainstreaming in the aid system.</p>	<p>SDC has a policy to address the gender dimension of poverty with a toolkit to assist practitioners in implementing the policy. A review of SDC's experiences in gender mainstreaming (2005) has also been published with concrete recommendations. Seco is moving towards more integration of the gender dimension and should actively pursue this in budget support programmes, processes of economic change and infrastructure. Gender is integrated in DFA's Political Division IV, with special attention to women's rights. Mainstreaming gender equality in practice is slowed, however, because of, <i>inter alia</i>, lack of sex disaggregated data to guarantee a baseline, specific indicators and concrete tools for measuring the impact of Swiss interventions in this area.</p>
<p>Advisory Committee on International Development and Co-operation</p> <p>Strengthen the role of the consultative commission for international development and co-operation.</p>	<p>Since 2000, a new chair from the private sector has been named and several appointments were made by the Federal Council. One person in SDC works half time as the Advisory Committee's Secretariat. The AC meets four times a year, occasionally conducts field visits and is represented in international meetings.</p>

Annex B
OECD/DAC standard suite of tables

Table B.1. Total financial flows
USD million at current prices and exchanges rates

Switzerland	<i>Net disbursements</i>						
	1987-88	1992-93	1999	2000	2001	2002	2003
Total official flows	603	1 116	1 075	956	978	1 010	1 378
Official development assistance	582	966	984	890	908	939	1 299
Bilateral	417	656	732	627	644	765	945
Multilateral	165	310	252	263	263	174	355
Official aid	30	90	70	58	63	66	77
Bilateral	19	69	63	58	55	57	66
Multilateral	11	21	6	-	7	9	11
Other official flows	- 9	60	22	8	7	5	2
Bilateral	- 9	60	22	8	7	5	2
Multilateral	-	-	-	-	-	-	-
Grants by NGOs	91	156	-	168	187	212	292
Private flows at market terms	- 722	2 197	9 135	7 457	4 413	2 391	3 251
Bilateral: <i>of which</i>	- 124	1 931	9 135	8 095	4 414	2 391	3 252
Direct investment	634	1 728	8 728	7 440	4 554	2 541	3 211
Export credits	- 721	203	408	655	- 140	- 150	40
Multilateral	- 599	267	-	- 638	- 1	- 0	- 1
Total flows	- 28	3 469	10 210	8 581	5 578	3 613	4 921
<i>for reference:</i>							
ODA (at constant 2002 \$ million)	717	965	977	982	990	939	1 124
ODA (as a % of GNI)	0.31	0.39	0.35	0.34	0.34	0.32	0.39
Total flows (as a % of GNI) (a)	-0.03	1.36	1.17	0.80	-0.06	0.75	1.09

a. To countries eligible for ODA.

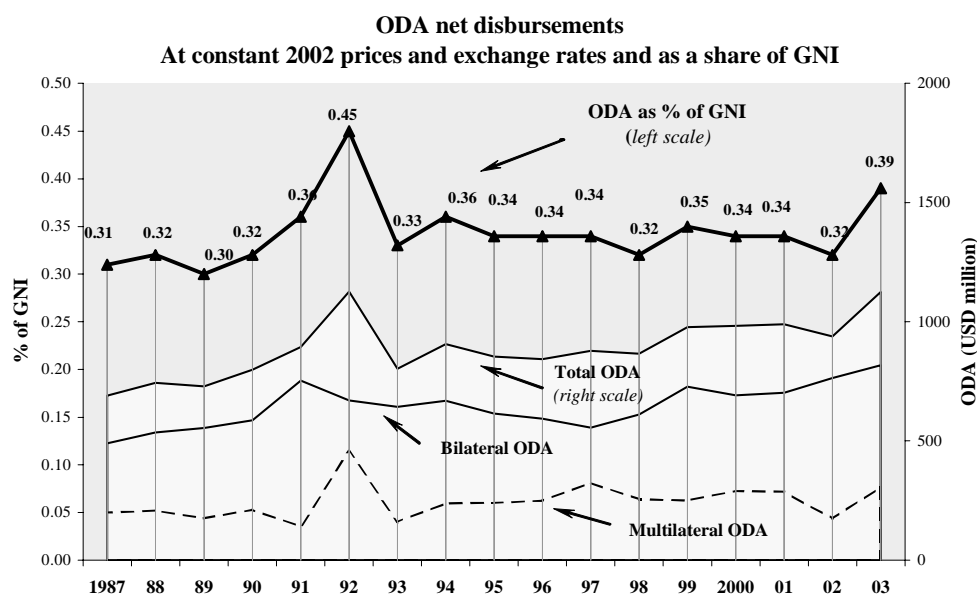


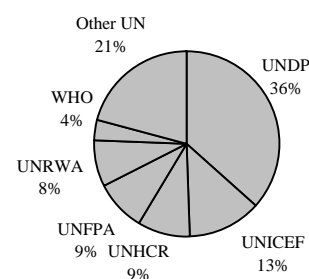
Table B.2. ODA by main categories

Switzerland	Constant 2002 USD million					Per cent share of gross disbursements					Total DAC 2003%
	1999	2000	2001	2002	2003	1999	2000	2001	2002	2003	
	Gross Bilateral ODA	727	695	708	769	822	74	71	71	82	
<i>Grants</i>	<i>723</i>	<i>670</i>	<i>701</i>	<i>750</i>	<i>804</i>	<i>74</i>	<i>68</i>	<i>70</i>	<i>79</i>	<i>71</i>	<i>64</i>
Project and programme aid	266	292	319	330	354	27	30	32	35	31	13
Technical co-operation	109	110	123	154	153	11	11	12	16	14	24
Developmental food aid	-	-	-	-	-	-	-	-	-	-	2
Emergency and distress relief	249	161	147	146	137	25	16	15	15	12	7
Action relating to debt	19	6	-	0	32	2	1	-	0	3	11
Administrative costs	20	6	20	19	25	2	1	2	2	2	4
Other grants	61	95	92	100	104	6	10	9	11	9	4
<i>Non-grant bilateral ODA</i>	<i>5</i>	<i>25</i>	<i>8</i>	<i>19</i>	<i>18</i>	<i>0</i>	<i>3</i>	<i>1</i>	<i>2</i>	<i>2</i>	<i>12</i>
New development lending	4	-	-	13	-	0	-	-	1	-	9
Debt rescheduling	-	-	-	-	-	-	-	-	-	-	2
Acquisition of equity and other	0	25	8	6	18	0	3	1	1	2	1
Gross Multilateral ODA	250	290	287	174	307	26	29	29	18	27	24
UN agencies	85	86	90	93	90	9	9	9	10	8	6
EC	-	-	-	-	-	-	-	-	-	-	8
World Bank group	92	110	110	6	117	9	11	11	1	10	4
Regional development banks (a)	46	69	41	41	57	5	7	4	4	5	2
Other multilateral	26	25	46	35	43	3	3	5	4	4	3
Total gross ODA	977	985	995	943	1 129	100	100	100	100	100	100
Repayments and debt cancellation	-	-3	-5	-4	-5						
Total net ODA	977	982	990	939	1 124						
<i>For reference:</i>											
<i>ODA to and channelled through NGOs</i>	<i>78</i>	<i>135</i>	<i>137</i>	<i>133</i>	<i>153</i>						
<i>Associated financing (b)</i>	<i>18</i>	<i>12</i>	<i>8</i>	<i>7</i>	<i>11</i>						

a. Excluding EBRD.

b. ODA grants and loans in associated financing packages.

Contributions to UN Agencies
(2002-03 Average)



Contributions to Regional Development
Banks (2002-03 Average)

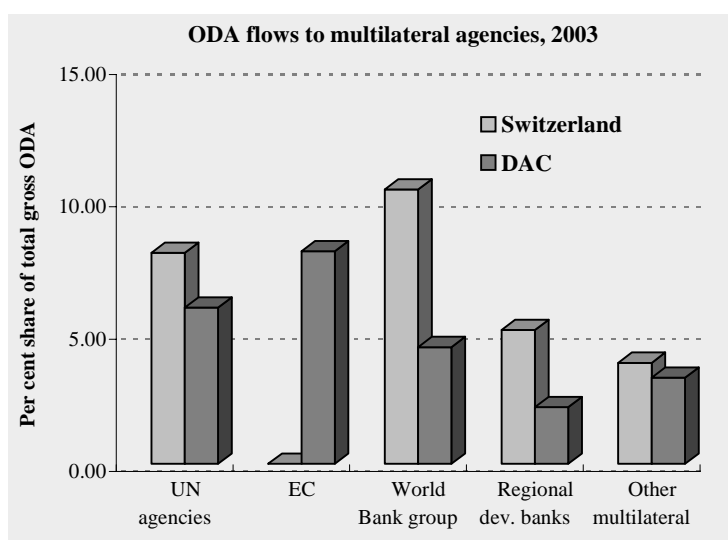
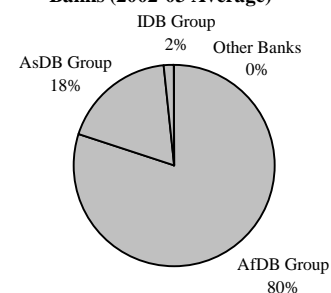


Table B.3. Bilateral ODA allocable by region and income group

Switzerland	Constant 2002 USD million					Gross disbursements					Total DAC 2003%
						Per cent share					
	1999	2000	2001	2002	2003	1999	2000	2001	2002	2003	
Africa	157	160	150	166	199	34	35	33	34	37	40
Sub-Saharan Africa	144	149	144	158	190	31	32	32	33	36	35
North Africa	13	11	6	8	8	3	2	1	2	2	5
Asia	112	127	133	163	153	24	28	29	34	29	34
South and Central Asia	84	89	95	118	114	18	19	21	24	21	17
Far East	28	37	38	44	40	6	8	8	9	7	17
America	64	58	56	64	76	14	13	12	13	14	11
North and Central America	31	24	17	20	26	7	5	4	4	5	4
South America	33	34	39	44	51	7	7	9	9	10	7
Middle East	13	16	14	14	21	3	4	3	3	4	9
Oceania	-0	0	0	0	0	-0	0	0	0	0	1
Europe	122	98	97	78	82	26	21	22	16	16	5
Total bilateral allocable by country	467	460	451	485	532	100	100	100	100	100	100
Least developed	176	183	178	190	221	38	40	39	39	42	36
Other low-income	74	82	88	116	113	16	18	20	24	21	23
Lower middle-income	210	187	175	170	190	45	41	39	35	36	37
Upper middle-income	7	8	9	8	8	1	2	2	2	1	4
High-income	-	-	-	-	-	-	-	-	-	-	0
More advanced developing countries	0	0	0	0	-	0	0	0	0	-	-
<i>For reference:</i>											
<i>Total bilateral</i>	715	695	708	769	822	100	100	100	100	100	100
<i>of which: Unallocated</i>	247	235	258	284	290	35	34	36	37	35	21

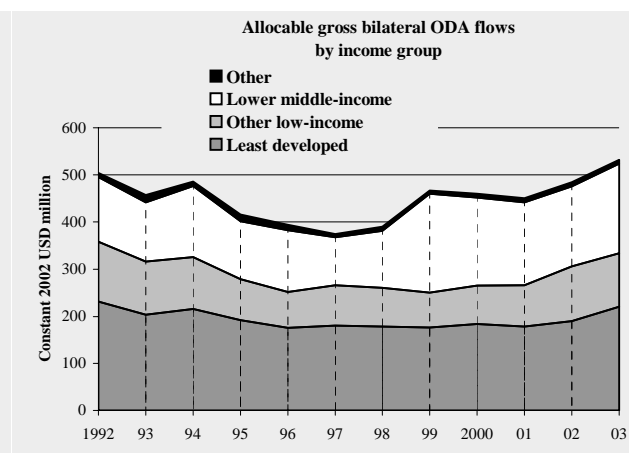
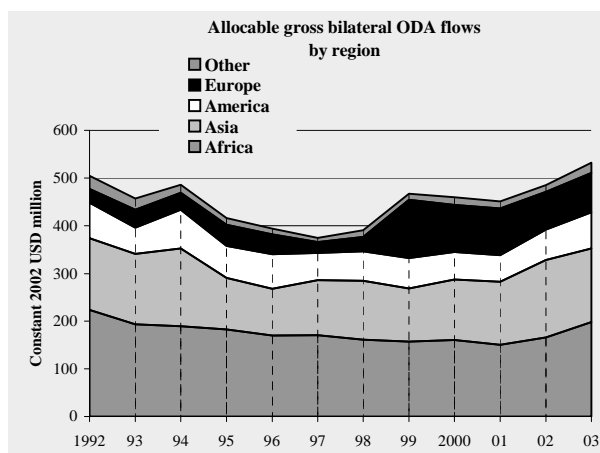


Table B.4. Main recipients of bilateral ODA

Switzerland	1992-93			1997-98			2002-03		
	Current USD million	Constant 2002 USD mn.	Per cent share	Current USD million	Constant 2002 USD mn.	Per cent share	Current USD million	Constant 2002 USD mn.	Per cent share
India	33	33	7	23	22	6	41	37	7
Indonesia	28	28	6	20	19	5	24	22	4
Sis Ex-Yugoslavia unsp.	23	23	5	19	19	5	22	21	4
Tanzania	21	20	4	17	17	4	21	20	4
Mozambique	19	19	4	16	15	4	20	17	4
Top 5 recipients	124	124	26	95	92	24	128	117	23
Madagascar	18	18	4	12	12	3	18	17	3
Jordan	18	18	4	11	11	3	15	14	3
Bangladesh	17	17	4	11	10	3	14	13	3
Rwanda	17	17	4	10	10	3	14	13	3
Pakistan	15	15	3	10	10	3	14	13	3
Top 10 recipients	209	209	43	150	145	38	204	188	37
Nepal	13	13	3	10	10	3	14	13	3
Bolivia	13	13	3	10	10	3	13	12	2
Peru	12	12	2	10	9	2	12	12	2
Niger	10	10	2	10	9	2	12	11	2
Benin	9	9	2	8	8	2	12	11	2
Top 15 recipients	265	265	55	197	191	50	267	246	49
China	9	9	2	8	8	2	11	11	2
Viet Nam	9	9	2	7	7	2	11	10	2
Uganda	8	8	2	7	7	2	11	10	2
Chad	8	8	2	7	7	2	11	10	2
Turkey	8	8	2	7	7	2	10	9	2
Top 20 recipients	307	307	64	233	225	59	321	296	58
Total (108 recipients)	481	481	100	397	383	100	550	508	100
Unallocated	180	180		215	208		310	287	
Total bilateral gross	661	661		612	591		859	795	

Gross disbursements, two-year averages

Table B.5. Bilateral ODA by major purposes

at current prices and exchange rates

Gross disbursements - Two-year averages

Switzerland	1992-93		1998		2002-03		2002-03 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	
Social infrastructure & services	119	24	99	24	169	20	33
Education	45	9	24	6	37	4	8
of which: basic education	1	0	10	3	13	2	2
Health	16	3	15	4	31	4	4
of which: basic health	0	0	10	3	24	3	3
Population programmes	1	0	-	-	2	0	3
Water supply & sanitation	18	4	25	6	28	3	3
Government & civil society	4	1	28	7	63	7	8
Other social infrastructure & services	36	7	7	2	9	1	6
Economic infrastructure & services	27	5	39	10	81	9	11
Transport & storage	20	4	12	3	16	2	4
Communications	1	0	19	5	0	0	0
Energy	1	0	1	0	8	1	4
Banking & financial services	-	-	5	1	39	5	1
Business & other services	4	1	2	0	18	2	1
Production sectors	72	15	70	17	80	9	6
Agriculture, forestry & fishing	65	13	49	12	46	5	4
Industry, mining & construction	7	1	9	2	18	2	2
Trade & tourism	-	-	11	3	16	2	1
Other	-	-	0	0	0	0	-
Multisector	102	21	81	20	192	23	8
Commodity and programme aid	48	10	14	4	44	5	5
Action relating to debt	10	2	6	2	19	2	19
Emergency assistance	84	17	97	24	152	18	8
Administrative costs of donors	10	2	-	-	24	3	5
Core support to NGOs	19	4	-	-	91	11	4
Total bilateral allocable	491	100	407	100	851	100	100
<i>For reference:</i>							
Total bilateral	528	63	454	63	859	76	76
of which: Unallocated	37	4	47	7	8	1	2
Total multilateral	310	37	265	37	265	24	24
Total ODA	838	100	719	100	1 124	100	100

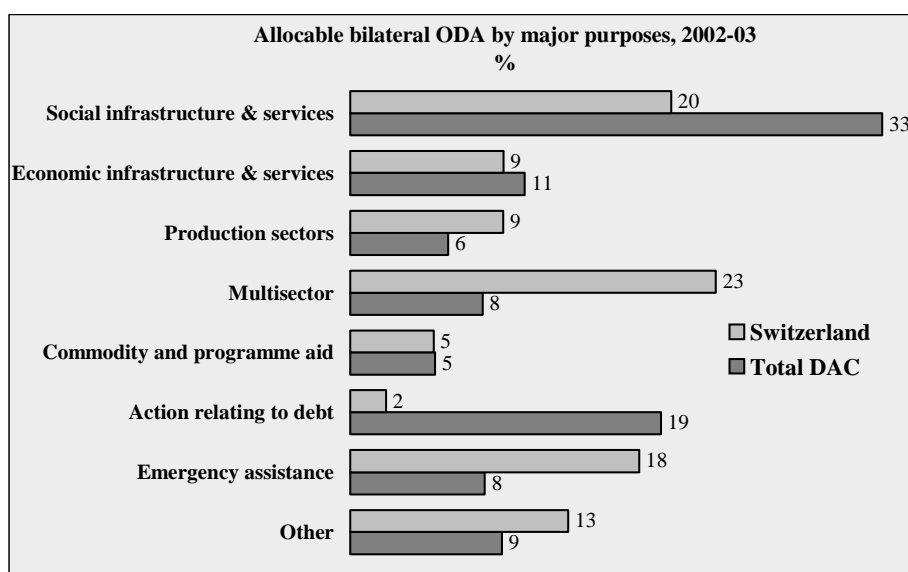


Table B.6. Comparative aid performance

	Official development assistance		97-98 to 02-03 Ave. annual % change in real terms	Grant element of ODA (commitments) 2003	Share of multilateral aid			ODA to LDCs Bilateral and through multilateral agencies 2003		Official aid	
	2003				2003			2003		2003	
	USD million	% of GNI			% of ODA (b)	% of ODA (c)	% of GNI (b)	% of GNI (c)	% of ODA	% of GNI	USD million
Australia	1 219	0.25	2.0	100.0	20.0	0.05	21.3	0.05	9	0.00	
Austria	505	0.20	1.9	100.0	54.7	21.3	0.11	0.04	245	0.10	
Belgium	1 853	0.60	11.7	99.5	20.8	5.5	0.13	0.03	163	0.05	
Canada	2 031	0.24	0.4	100.0	33.6	0.08	31.2	0.07	102	0.01	
Denmark	1 748	0.84	0.1	100.0	41.0	32.6	0.34	0.27	202	0.10	
Finland	558	0.35	5.6	100.0	44.7	25.4	0.16	0.09	82	0.05	
France	7 253	0.41	1.4	95.6	28.1	10.0	0.12	0.04	2 027	0.11	
Germany	6 784	0.28	1.8	97.5	40.2	16.5	0.11	0.05	1 181	0.05	
Greece	362	0.21	11.8	..	37.0	5.1	0.08	0.01	81	0.05	
Ireland	504	0.39	15.8	100.0	30.1	15.6	0.12	0.06	1	0.00	
Italy	2 433	0.17	5.6	99.4	56.4	17.6	0.09	0.03	497	0.03	
Japan	8 880	0.20	-1.2	87.5	28.7	0.06	21.6	0.04	-219	-0.01	
Luxembourg	194	0.81	9.8	100.0	22.8	12.9	0.18	0.10	6	0.03	
Netherlands	3 981	0.80	2.4	100.0	25.9	19.6	0.21	0.16	248	0.05	
New Zealand	165	0.23	1.2	100.0	21.9	0.05	27.3	0.06	1	0.00	
Norway	2 042	0.92	3.1	100.0	28.4	0.26	39.2	0.36	50	0.02	
Portugal	320	0.22	2.8	100.0	42.9	15.3	0.09	0.03	51	0.04	
Spain	1 961	0.23	5.2	92.0	41.3	14.5	0.10	0.03	5	0.00	
Sweden	2 400	0.79	7.2	99.9	25.9	20.7	0.21	0.16	127	0.04	
Switzerland	1 299	0.39	3.4	100.0	27.3	0.11	31.1	0.12	77	0.02	
United Kingdom	6 282	0.34	7.4	100.0	38.5	21.4	0.13	0.07	698	0.04	
United States	16 254	0.15	11.6	99.9	10.2	0.02	27.5	0.04	1 471	0.01	
Total DAC	69 029	0.25	4.4	97.2	27.8	17.9	0.07	0.04	7 106	0.03	
Memo: Average country effort		0.41									

Notes:

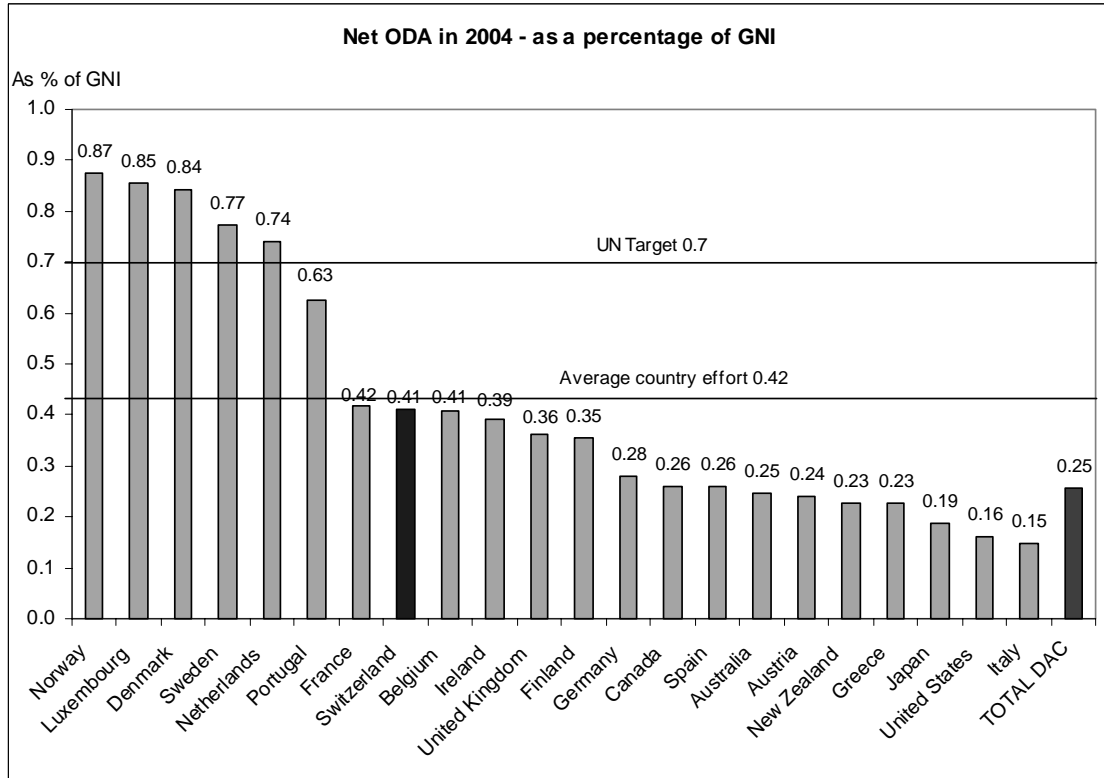
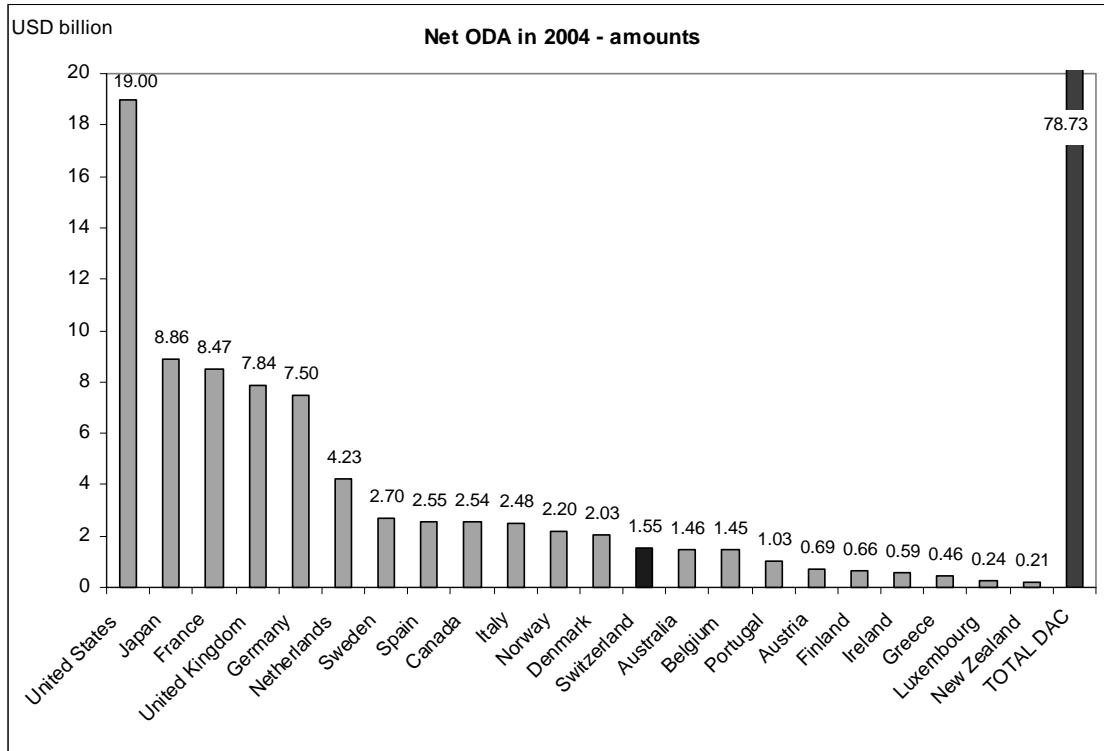
a. Excluding debt reorganisation.

b. Including EC.

c. Excluding EC.

.. Data not available.

Figure B.1. Net ODA from DAC countries in 2004



Annex C

Assessment of Switzerland's Humanitarian Aid

This annex assesses Switzerland's humanitarian aid according to the *Assessment Framework for Coverage of Humanitarian Action in DAC Peer Reviews* based on the Principles and Good Practice of Humanitarian Donorship (GHD). The annex covers six areas; i) humanitarian policies and principles; ii) volume and distribution; iii) cross-cutting and emerging issues; iv) policy coherence; v) management; and vi) recommendations.

Humanitarian policies and principles

The Swiss federal law - a robust legal framework for humanitarian aid

Humanitarian action holds a distinct and important position in Swiss foreign policy. Switzerland's commitment to humanitarian aid is outlined by the federal law on international development co-operation and humanitarian aid which firmly anchors this dimension of ODA in IHL and the humanitarian principles. Switzerland's policy structure is exceptional as it is one of the few countries to have its humanitarian aid regulated by national legislation. According to the federal law the objective is to “ preserve the lives of human beings who are in danger and to alleviate suffering through preventive and emergency aid; such aid is intended for victims of natural disasters and armed conflict”. The Humanitarian Aid of the Swiss Confederation can be provided worldwide. The advantages of having a legal mandate are two-fold: it provides a clear distinction between the objectives of humanitarian aid and development co-operation and it offers a framework for Switzerland's budget structure.

Switzerland is committed to the “Principles and Good Practice of Humanitarian Donorship” (GHD).²¹ Although few of the GHD principles are new to Switzerland they are perceived as a useful vehicle for donor harmonisation. Nonetheless, Switzerland recognizes some constraints in their application, for instance GHD is perceived as a narrow forum based on weak consensus and some issues such as predictability of multi-year funding could be counter-productive in terms of flexibility of funds. Switzerland also believes that there is room for improving and expanding GHD and would like to see the DAC take a more active role in this area, especially in terms of promoting linkages and better understanding between the two dimensions of ODA that development co-operation and humanitarian action constitute. With its experience in this field Switzerland is well placed to promote such improvements among donors.

The humanitarian aid policy framework

SDC's Humanitarian Aid Department has developed a strategy whereby its working principles, main tasks and its operational activities have been defined, translating the federal law's provision of humanitarian aid into a strategic approach (SDC, 2001). This sector strategy complies with SDC's guidelines and its implementation is to be reviewed in 2006. The Humanitarian Aid Strategy 2005 distinguishes four different situations where humanitarian aid may be provided: i) armed conflicts (including inter- or intra state conflicts); ii) crises (breakdown of state structures and the collapse of law and order); iii) natural disasters (earthquakes, floodings and droughts); and iv) technological disasters (nuclear, biological chemical and infrastructure incidents endangering people's lives). As

21. Switzerland endorsed the *Principles and Good Practices of Humanitarian Donorship* in 2003.

humanitarian action is based on its own conceptual framework (needs-based approach), it should be situated outside the frameworks regulating development co-operation, (for instance with regard to conditionality clause), but SDC's Humanitarian Aid Department should try to work as much as possible in dialogue with other Swiss foreign policy dimensions.

Switzerland's humanitarian aid can be provided, before, during and after an emergency along the following priority tasks:

i) Prevention: Including early recognition and reduction of risks, anticipating and reducing the effects of disasters and limiting damage. Activities include support for prevention or preparedness for natural disasters, establishing early warning systems and support to civil risk management capacities, conflict mediation and strengthening of international co-ordination efforts.

ii) Emergency relief: Actions directly aimed at rescue, saving lives and covering basic needs of victims. Support includes needs assessment, water, food and sanitation, shelters, emergency medical care, support to refugees and internally displaced persons and efforts to strengthen international coordination.

iii) Reconstruction: Support that initiates measures for a safer future for victims through basic social and economic structures. Activities include: rebuilding basic infrastructure, housing, education. This item may also include structural assistance to persons returning from Switzerland to their country of origin.

iv) Advocacy: A cross-cutting task aiming at strengthening responsibility for and commitments to the victims' cause in the three other priority tasks. Support may include passive protection through presence or testimony and support the commitment to humanitarian principles. Specific guidelines provide clear guidance to staff in this field, including an operational framework and the base for a code of conduct.

Although Switzerland's overall policy on humanitarian action is clear, there seems to be a disparity when referring to humanitarian aid in the overall SDC strategies. Humanitarian aid is considered as a separate department within SDC, but it is also sometimes referred to as a component of crisis prevention and management.

Humanitarian aid in the multilateral strategic framework

Switzerland strengthened its commitment to multilateral humanitarian aid following its accession to the UN in 2002. A multilateral strategy clarifying SDC's approach towards multilateral development co-operation and humanitarian aid was adopted in 2002. The humanitarian partner organisations have been included in this framework, but multilateral strategies in the field of humanitarian aid could still be more clearly spelled out by SDC. Regarding SDC's *Strategy 2010*, two of its thematic priorities directly or indirectly relate to humanitarian aid: "crisis prevention/crisis management" on the one hand, and "natural resources and environment" on the other. SDC sees a growing need for addressing global and regional humanitarian issues in relation to the armed conflicts with its humanitarian partners (UN, International Red Cross and Red Crescent Movement and NGOs) and in multilateral institutions and fora. It attaches great importance to improving the coordination of humanitarian action at headquarters and at field levels. The role of the UN Office for the Coordination of Humanitarian Affairs (OCHA) is key in this regard. For that reason, Switzerland's plans are to advocate, within UN relevant fora, for progressively increasing the proportion of the UN regular budget allocated to OCHA.

Volume and distribution

A potential to grow

Switzerland is consistent in international burden-sharing to finance humanitarian action. However, at present it is underperforming in terms of ODA in relation to its national capacity and consequently, its potential role in financing humanitarian action is not maximised. As a new member of the UN, Switzerland should consider adopting the 0.7 ODA/GNI target and increase its ODA from existing 0.39%, while maintaining its percentage allocated to humanitarian aid. Switzerland's potential to increase its role in supporting humanitarian action should also be seen in light of its limited contributions to UN peace keeping operations.

Switzerland's humanitarian aid totalled USD 158 million in 2003, representing 12% of ODA. When reporting on ODA, Switzerland includes expenditures for assistance to refugees in their first 12 month's stay in a developed country in accordance with DAC reporting directives. In 2003, this item amounted to 14% of Switzerland's emergency and distress relief.

Based on tradition and according to Swiss authorities approximately 20% of the federal budget for ODA should consistently be allocated towards humanitarian aid. Nonetheless since 2000 the share of humanitarian aid, including expenditure on refugees in donor countries, has not exceeded 15% of ODA. Overall, there has been a decrease of ODA going to HA in both USD and as a percentage of ODA (see Table B.2, Annex B).

In 2003, approximately 70% of SDC's humanitarian aid was allocated through international organisations, including the International Committee of the Red Cross which is by far its largest recipient with more than CHF 90 million. Direct actions implemented by the Swiss Humanitarian Aid Unit (SHA) accounted for 10%, and support to Swiss NGOs 10%. The remaining 10% is unspecified. Of the total SDC budget of CHF 272.2 million, more than 32 millions (*i.e.* 12%) was food aid, of which CHF 19 million was tied under the form of Swiss dairy products.

Data provided by UN-OCHA Financial Tracking System shows that Switzerland has increased its support to the UN Consolidated Inter-Agency Appeal (UN-CAP) from USD 26 million in 2002 to USD 37 million in 2004, positioning Switzerland as the 12th largest CAP donor in 2004 (OCHA, 2005a, b), According to the same source Switzerland contributed 3.1 % (USD 142 million) of global humanitarian funding in 2004. (OCHA, 2005c).

As in most DAC countries, the enormity of the destruction of the 2004 Indian Ocean Tsunami prompted an unprecedented response from both the general public and the private sector in Switzerland, which raised over CHF 200 million. The Federal Council allocated an additional amount of CHF 25 million for emergency relief in response to this large-scale disaster. The previous record for general public campaigns was CHF 74 million. SDC should, in collaboration with humanitarian NGOs and the private sector, reflect on what can be learned from this positive response and how this potential may be further utilised and monitored. The public generally places a high level of trust in humanitarian action, especially when delivered by Swiss NGOs. As Switzerland's humanitarian aid takes a lead position in opinion polls followed by bilateral aid and multilateral co-operation, SDC could make better use of the effectiveness and efficiency of its humanitarian aid, while advocating for increased ODA volumes as well as in its information to the general public.

Principles, distribution and channels

Principles and distribution of funds – the bill and the four year global budget

Switzerland's humanitarian aid is allocated based on needs for which detailed principles cannot be formalised *ex ante*. It can be provided worldwide: in 2003, 55 countries received humanitarian aid from Switzerland and 10 countries and regions were selected for specific attention. The humanitarian aid has proportionally been divided into three more or less equal parts: Approximately one third is allocated for direct actions implemented by SHA, programmes managed by Swiss NGOs and to various smaller activities. About one third is also committed to the International Red Cross and Red Crescent Movement (mainly for the ICRC) and the last one is divided between UN humanitarian agencies (WFP, UNHCR, UNRWA and OCHA mainly). In 2002, the Swiss Parliament approved a bill for the provision of humanitarian aid including a multi-year "global budget" of CHF 1.5 billion for financing international humanitarian action over a minimum of four years. This global budget is divided into six separate budget lines:

Table C.1. Switzerland's Humanitarian Aid budget structure

Credit Framework International Humanitarian Aid 2002 – 2006/2007		CHF Million Total 1.500	%
1	Direct missions by SHA members (Including rapid response teams and specific tasks if required)	180	12
2	Contribution to the ICRC. Headquarters support (280 million CHF) and field operations, (140 million CHF)	420	28
3	Financial contributions for humanitarian operations (support to Swiss and international humanitarian partners organisations)	550	37
4	Food aid in form of Swiss dairy products	140	9
5	Food Aid in form of cereals (local purchases and/or triangular transactions)	100	7
6	Mandatory reserve for disasters and emergencies not covered by the annual budget	110	7

This bill is implemented by the Swiss Confederation and does not include the contributions by Cantons and Municipalities. The global multi-year framework credit budget is indicative and not binding. Annual budgets are being approved on a yearly basis by parliament, as with other development co-operation framework credits. Ideally the five-year credit framework could provide measures for multi-year funding arrangements, as in practice, however, annual budgets are subject to parliamentary approval. This rather complicated system works well, but could be simplified and budget lines merged. The budget should indicate allocations to multilateral support in relation to national rapid response mechanisms and support to Swiss NGOs. Furthermore, the present division of budget lines indicates limitations in terms of the untied status of food aid items (see Policy Coherence below).

Switzerland recognises and supports both UN coordination efforts and the unique mandate conferred upon the ICRC by the Geneva Conventions of 1949. Existing policies encourage timely, flexible funding in relation to humanitarian needs. However, Switzerland could consider developing directives for timely disbursements of funds for CAPs.

Channels – Swiss Partnerships for Humanitarian Action

Swiss humanitarian aid is dependent on active partnerships with ICRC (and with the IFRC to a lesser extent), with UN-OCHA and with its main UN humanitarian partners as well as with international and national NGOs. Depending on the context, Switzerland may form ad hoc operational alliances with other countries and organizations to increase the effectiveness and the coordination of its actions. Co-operation with public and private institutions is also an important component. Switzerland recognizes the subsidiary role of the military in the provision of international humanitarian assistance under the existing international civil-military co-operation guidelines.

Swiss NGOs hold a strong position in implementing Swiss humanitarian aid. In 2003 Switzerland provided funding to 11 large NGOs. The five main partners were Caritas (24%); Terre des Hommes (13%); Swiss Red Cross (10%); Médecins sans Frontières (8%) and Medair (6%). It should be noted that 39% of the remaining funds were allocated to other NGOs, signalling a wide dispersion. SDC should make efforts to further concentrate its support to Swiss NGOs to prevent the proliferation of NGOs implementing humanitarian aid.

Cross-cutting and emerging issues

Cross-cutting issues

Promoting standards and enhancing implementation: As the depositary of the Geneva Conventions of 1949 and its Additional Protocols, Switzerland has traditionally made significant contributions to the implementation and development of International Humanitarian Law (IHL). Switzerland identifies the promotion of IHL as a core area of its humanitarian foreign policy (Federal Council, 2000). On an operational basis, Switzerland has also contributed in developing practical tools to promote accountability, efficiency and effectiveness of humanitarian institutions and by promoting the dissemination of standards and principles through NGOs.

Involvement of beneficiaries: The extent to which and how Switzerland ensures adequate involvement of beneficiaries in the design, implementation, monitoring and evaluation of its humanitarian activities is unclear. Furthermore, environmental and social (including gender-related) aspects of humanitarian aid could be more explicitly addressed by SDC's Humanitarian Aid Department.

Innovative humanitarian approaches - cash projects and disaster risk reduction

SDC's Humanitarian Aid Department has designed and implemented "cash projects" as a complementary method to traditional humanitarian assistance in emergency situations. Beneficiaries are offered unconditional financial contributions linked to their specific situations *e.g.* giving temporary shelters to victims of natural disasters or conflicts. A recent joint external review comparing in-kind and financial contributions in response to an emergency appeal in Mongolia (2003) concluded that cash projects offered significant advantages over in-kind contributions. The possibilities to plan and implement cash-based as well as vouchers approaches have therefore become a standard component of SDC's Humanitarian Aid Department programming tools. Between 1999 and 2004 approximately USD 17 million was spent on various cash projects assisting some 87,500 beneficiaries

in various contexts. SDC has also tested micro-finance approaches in its response to natural disasters, but this approach should rather be managed through development co-operation programmes when addressing longer term reconstruction and recovery.

Disaster risk reduction is a priority task that SDC's Humanitarian Aid Department has further developed (see Box 13).

Box 13. Switzerland's approach to disaster risk reduction

Natural disasters worldwide have claimed more than 600 000 lives, affected the lives of over 2 billion people and caused economic losses estimated at USD 700 billion during the last decade. The 2004 Indian Ocean Tsunami tragically demonstrated the impact of natural disasters on development and poverty alleviation. In 2005 the World Conference on Disaster Reduction (WCDR) addressed challenges relating to natural disasters identified in five areas i) governance, ii) risk assessments iii) advocacy and education iv) risk reduction and v) preparedness, response and recovery mechanisms. The output of the WCDR, "*The Hyogo Framework for Action 2005-2015*", established recommendations for disaster risk reduction which pose a growing challenge to both development and humanitarian action. Switzerland contributed financially and substantially to the preparation and implementation of the WCDR. It is committed to support the implementation of the Hyogo Framework for Action, at all relevant levels (sub-national, national, regional and global).

SDC recognises the complementary role of development co-operation and humanitarian aid in addressing the risks and impact of natural disasters. The Humanitarian Aid Department of SDC has developed an advanced approach of integrating prevention and preparedness in sustainable development programming. This approach focuses on disaster risk reduction and recognises how social vulnerability, identified in physical and social as well as economic terms, is a major reason for the massive increase in victims and economic loss caused by natural disasters. This approach also focuses on changed environmental conditions, brought about by climate change and large scale deforestation. SDC's Humanitarian Aid Department will take an active role in integrating risk reduction in sustainable development planning and it will continue to promote the mainstreaming of a culture of disaster risk reduction within SDC.

Policy coherence

Civil military relations: Switzerland supports the primary position of civilian organisations in implementing humanitarian action. In the past years, it has actively promoted the clarification of the respective roles of civilian and military actors in emergencies and it has advocated for further clarifications in the relevant international forums. Switzerland has advocated the respect for the humanitarian principles in international discussions on humanitarian action at the General Assembly, the ECOSOC and the Security Council. Similarly, it has supported efforts aiming at improved access for humanitarian organisations to civilian populations in need, to give greater protection to the latter during armed conflicts. Switzerland respects and further disseminates the 1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief and the 2003 *Guidelines on the Use of Military and Civil Defence Assets to Support UN Humanitarian Activities in Complex Emergencies*. Switzerland may ask for military support in a subsidiary role. Civil-military co-operation should be predefined and mutually planned with civilians retaining overall responsibility. Given its longstanding involvement, Switzerland could consider taking a lead role on the better respect for the existing Guidelines covering the provision of civil-military co-operation in natural disasters and in complex emergencies.

Untying Food Aid: While, the bill relating to the continued provision of international humanitarian aid offers clear guidance for supplying food aid, recognizing in particular the importance of cash contributions and the risk of destabilising local markets, it also provides a separate budget lines for food aid in the form of Swiss dairy products. Allocations of food aid are defined in accordance with the Federal Office for Agriculture of the Department of Economic Affairs. The

criteria determining the distribution and the monitoring of dairy products are identified in separate operational guidelines. In view of the current trends in the trade negotiations and within the development co-operation debate, Switzerland should consider, without reducing the level of its commitment to fighting hunger and food insecurity around the world, to progressively provide its food aid in a fully untied form.

Migration: Voluntary return programs, including return support and structural assistance, have been financed and managed by the Federal Office for Migration (FOM) in co-operation with the SDC's Humanitarian Aid Department and other stakeholders. These programmes offer a range of services aimed at encouraging persons granted temporary asylum or those persons whose claims for refugee status have not been recognized by Switzerland to return to their country of origin on a voluntary basis. Switzerland should ensure that narrower national interests related to migration issues do not influence allocations and decision-making. Switzerland could consider evaluating its voluntary return programs from both cost efficiency and observance of humanitarian principles perspectives.

Organisation and Management

Humanitarian aid architecture – a centralised system in SDC

The Humanitarian Aid of the Swiss Confederation is highly centralised and located in the SDC within the Federal Department of Foreign Affairs (see Figure 3). The Humanitarian Aid Department has a staff of 94 and is responsible for managing, co-ordinating, implementing and evaluating humanitarian aid. It has also authority over the Swiss Rescue response mechanism (see below). The Department has specialised divisions covering technical support, geographic and thematic responsibilities as follows:

- The *Division for Multilateral Affairs and Special Assignments* represents SDC in major humanitarian organisations, at the institutional and policy levels, in particular within multilateral humanitarian bodies and foras.
- The four *Geographical Divisions* (Africa, Asia and America, Middle East and North Africa, Europe and Commonwealth of Independent States) have the operational responsibility for bilateral (such as direct actions implemented by SHA experts) and multi-bilateral programmes in their respective regions. They are also responsible for the humanitarian aid programmes managed by staff in Swiss co-operation offices and Embassies.
- Two Divisions are involved in direct support to humanitarian activities; One manages the pool of humanitarian experts, *Swiss Humanitarian Aid Unit* (SHA) and is responsible for recruitment, training and operational support; the second one is responsible for logistics, equipment support and transport.
- One unit is responsible for *evaluation and control*.

Co-ordination and consultation with other units of the Federal Administration responsible for areas such as migration, human rights, the environment and economic policy are well developed and are key to continuing to improve the effectiveness of humanitarian action. There is, however, a potential risk of overlapping policies and conflicting positions within the DFA in the area of complex emergencies. Conflict prevention is a recognised component of humanitarian aid but it also remains a separate policy area within SDC. As well, the Political Division for Human Security (PD IV) within the Political Directorate, is responsible for peace promotion and interventions for the protection of Human Rights and Democracy. Increased consultations and coordination, including with the Federal Department of Defence, Civil Protection and Sports are needed to ensure coherence. Multilateral approaches could also benefit from better co-ordination.

Since 2003, the Humanitarian Aid Department has been physically located outside SDC headquarters, thereby creating a distance for accessing SDC's bilateral and multilateral development co-operation units. This could hamper SDC's efforts to improve the efficiency and the effectiveness of its support to transition countries as well as to integrate disaster risk reduction in sustainable development planning. In any case, SDC should promote a more proactive system for managing the transition from humanitarian aid to development co-operation.

Operational structures - an advanced national rapid response capacity

The Swiss Humanitarian Aid Unit (SHA) is a reserve unit with a pool of more than 700 humanitarian experts divided into nine specialised groups ready for short-term deployment or long-term missions. Experts are deployed to the field for direct actions or they are seconded for temporary support to multilateral humanitarian organisations (mainly UNHCR, WFP, UN-OCHA and the ICRC). SDC's Humanitarian Aid Department also manages a logistics base with emergency supplies to cover needs of more than 10 000 people for a three month period. In 2003 SHA experts completed 362 missions (of which 65 were secondments) at the cost of CHF 30 million. Of these 40 % were conducted in Africa.

Swiss Rescue is another mechanism under the management of SDC's Humanitarian Aid Department specialised in urban search and rescue activities. When it is deployed, for instance after a major earthquake, Swiss Rescue may be composed of about 100 persons (generalists and additional specialists, dog handlers, rescuers and emergency doctors), search dogs and humanitarian supplies from eight partner organisations (private and public, civilian and military). Swiss Rescue can be deployed within eight to twelve hours and can operate autonomously for up to seven days. In crisis situations or in a case-by-case basis, SDC's Humanitarian Aid Department may deploy smaller Rapid Response Teams (4-6 persons) for short-term assessment missions and for initiating relief efforts. All missions are financed through the SDC's Humanitarian Aid budget.

As demonstrated by the response to the earthquake in Bam (2003) the uncoordinated and excessive deployment of international Search and Rescue Teams often bypasses local capacities. Through its activities in the International Search and Rescue Advisory Group (INSARAG), Switzerland advocates for supporting national response capacity mechanisms in conformity with its Humanitarian Aid Strategy 2005, to ensure that support to humanitarian action does not become a platform for advocating a self image or an area where each country pursues national interests. The cost of using international response teams should be weighed against using, building and empowering local capacities. SDC's Humanitarian Aid Department should continue to further develop local response capacity mechanisms in its programmes.

Country operations

SDC provided humanitarian aid to 55 countries in 2003. Humanitarian aid is a significant part of Switzerland's bilateral expenditure. Africa is the largest recipient (CHF 61 million) followed by Asia (CHF 49.3 million) and Europe (CHF 49.3 million), CHF 97 million is unclassified. Responsibilities for allocating humanitarian funds are not delegated to Swiss embassies or co-ordination offices but staff from Swiss Humanitarian Aid Unit (SHA) may be deployed to strengthen field posts and facilitate the provision of humanitarian assistance in crisis situations. In 2003, SDC's Humanitarian Aid Department was represented in 16 Swiss co-operation offices.

Switzerland could develop further its use of humanitarian strategies, strengthen the needs-based approach and promote harmonisation and alignment in complex emergencies Switzerland could

consider developing humanitarian country or regional programs based on the UN Common Humanitarian Action Plans (CHAP).

Promoting learning and accountability

Increased attention should be paid to lessons learnt from evaluations. Switzerland is a member of the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP)²² and could initiate a joint donor evaluation in the field of prevention and preparedness in relation to natural disasters given its advanced approach in this area. Regarding accountability and transparency, Switzerland should produce a more comprehensive statement in its annual report on the expenditure of humanitarian aid.

Future considerations

- **Policy:** Switzerland is well placed to promote GHD among other DAC and non DAC donors and should actively engage in this work, including exploring ways of broadening the funding base for humanitarian aid. Although Swiss humanitarian policy is clear, SDC should ensure that humanitarian aid remains a separate discipline, albeit interlinked, in relation to the policy area of “Crisis Prevention and Management”. SDC could further define its strategies in the field of multilateral humanitarian aid as well as making them operational. The methodology for involving beneficiaries in humanitarian response and addressing environmental and social (including gender-related) aspects of humanitarian aid should be further addressed in strategies for implementation.
- **Funding:** When increasing its ODA Switzerland should maintain the percentage allocated to humanitarian aid. SDC could also use its strong humanitarian aid while advocating for increased ODA volumes. The use of the credit framework for multi-year funding arrangements should be explored further. The budget structure could be simplified and structured to better reflect allocations to multilateral support in relation to rapid response mechanism and support to Swiss, international and local NGOs. Switzerland should ensure that the food aid component of its humanitarian aid be progressively fully untied. SDC should make efforts to develop directives for timely disbursements of funds for CAP’s and to further concentrate its support to Swiss NGOs to prevent proliferation of NGOs implementing humanitarian aid.
- **Management:** The potential risk of overlapping policies and conflicting positions between DFA Directorates in the area of complex emergencies should be addressed. Increased consultation and coordination between SDC, the Political Division IV and the relevant units of the Federal Department of Defence, Civil Protection and Sports is needed to ensure improved coherence. Multilateral approaches could also benefit from increased coordination. SDC should promote a proactive management of the transition from humanitarian to development co-operation by ensuring that SDC's Humanitarian Aid Department gets appropriate access to SDC development co-operation bilateral and multilateral planning. SDC could also develop the management of its humanitarian country and regional strategies and their alignment to the UN Common Humanitarian Action Plans (CHAP). The use of humanitarian specialists (SHA) in embassies and co-operation offices could be evaluated to further strengthen this function in field operations. The cost of using rapid response mechanisms, such as Swiss Rescue and Rapid Response Teams, should be weighed against

22. ALNAP is an international inter-agency forum working to improve learning accountability and quality across the humanitarian sector.

using local strengthened capacities and Switzerland should consider further support this approach while implementing its disaster risk reduction programmes.

- **Learning and accountability:** As Switzerland's humanitarian aid is involved in the voluntary return programs, it should consider evaluating such programmes from a cost efficiency perspective and observance of humanitarian principles. Switzerland should, in collaboration with humanitarian NGOs and the private sector, reflect on what can be learned from the response to the 2004 Indian Ocean Tsunami and how the use of the additional funds raised thereafter could be monitored. Switzerland could consider taking a lead role safeguarding the respect for the existing guidelines covering the provision of civil-military co-operation in natural disasters and in complex emergencies.

Annex D

SDC and Seco's thematic and sectoral portfolios

Table D.1. SDC Sectoral portfolios

SDC Main intervention topics	Priority Areas	Supplementary or specific areas
Crisis Prevention and Management	<ul style="list-style-type: none"> – Conflict focused co-operation; – Emergency aid; – Rehabilitation and reconstruction 	<ol style="list-style-type: none"> 1. Natural disaster prevention; 2. Migration and reintegration of victims of conflict; 3. Food aid; 4. Management of manmade environmental catastrophes
Good Governance	<ul style="list-style-type: none"> – Division of labour between state, civil society and private sector; – Human rights, rule of law; – Local government and decentralization; – Gender equality 	<ol style="list-style-type: none"> 1. Democratisation 2. Fight against corruption 3. Access to justice and alternate dispute resolution systems. Public spending, including fiscal policy and state institutions 4. Global governance 5. Access to information 6. Governance and cross-cutting issues
Income Generation and Employment	<ul style="list-style-type: none"> – Economic growth and its social aspects; – Private sector promotion; – Economic development in rural areas – Financial sector development 	<ol style="list-style-type: none"> 1. Skills development and vocational training 2. Microfinance 3. SME promotion 4. Knowledge and technology
Social justice and development	<ul style="list-style-type: none"> – Poverty and distribution (livelihood) – Empowerment 	<ol style="list-style-type: none"> 1. Education for the disadvantaged 2. Health systems and HIV/AIDs 3. Water and sanitation 4. Mobility 5. Culture
Sustainable use of natural resources	<ul style="list-style-type: none"> – Biodiversity – Soil and water 	<ol style="list-style-type: none"> 1. AgroBiodiversity, ecosystems diversity 2. Sustainable use of soil, water and bio-resources 3. Climate change, air pollution, alternative energies, chemical waste

Source: SDC Strategy 2010

Table D.2. Seco's sectoral portfolio

Seco's spheres of activities	Main programmes and activities
Strengthening co-operation with the multilateral development banks	<p>Dialogue with institutions</p> <p>Co-financing</p> <p>Trustee funds</p> <p>Personnel secondment</p>
Strengthening the framework conditions	<p>Help with balance of payment support</p> <p>Budgetary assistance</p> <p>Support to the financial sector</p> <p>Debt reduction & management measures</p>
Developing the basic infrastructure: Improving the economic and social infrastructure	<p>Financial grants</p> <p>Mixed credit</p> <p>Public-private partnership</p>
Promoting investments: Mobilising capital, know-how and technologies from the private sector	<p>Creation of favourable framework conditions</p> <p>Support and advice for companies</p> <p>Corporate financing</p> <p>Loan guarantee</p>
Trade co-operation: Promoting integration of developing countries into the global economy	<p>Trade policy</p> <p>Market access</p> <p>Efficient trading</p> <p>Trade, environment and employment standards</p> <p>Commodities</p>

Press release of the DAC Peer Review of Switzerland

Good results strengthen the case for more aid

The OECD Development Assistance Committee (DAC) urges Switzerland to increase its aid budget. Switzerland's net official development assistance (ODA) was USD 1.55 billion, or 0.41 % of Switzerland's Gross National Income (GNI) in 2004, making it the world's 13th largest donor and ranking it in 8th position in terms of ODA/GNI.

The DAC review of Switzerland's aid programmes and policies encourages Switzerland to establish a path to reach the United Nations target of 0.7% of GNI. This would build on the internationally recognized professionalism of Swiss development co-operation and its humanitarian values, and would increase the impact of Switzerland's contribution to fighting poverty worldwide.

The DAC praised Switzerland for giving priority to some of the poorest countries in the world, with Sub-Saharan Africa receiving the largest share. However, it noted that the full list of partner countries is long in relation to the size of Switzerland's bilateral aid programme and asked Switzerland to further concentrate its co-operation in order to maximise the impact of its aid.

Switzerland has moved ahead on the aid effectiveness agenda, committing to using developing countries' own national poverty reduction strategies (PRSs) as the framework for Swiss development co-operation. This is a significant step towards country ownership, harmonisation and alignment. Headquarters should now reinforce the guidelines and support it provides to operational staff so they can work more effectively with other aid donors. The DAC also recommended that Switzerland give partners more opportunities to manage activities directly and encouraged further innovative approaches to mobilising the private sector for development.

The DAC welcomed moves to decentralise Swiss aid and encouraged simpler administrative procedures and greater financial autonomy for field offices. Integrated management of Swiss development operations has been strengthened and could be further reinforced to maximize the collective impact of development co-operation actors at country level.

Many Federal Departments are involved in the debate on policy coherence for development, but there is scope for reinforcing the interdepartmental system of working groups and for development objectives to be more fully debated and reflected in government policy.

Switzerland supports a fair international trading system. The DAC stressed that it should continue to contribute actively to a development-oriented outcome of the Doha Development Round, addressing in particular issues of agricultural subsidies and tariff escalation.

Switzerland has a strong humanitarian tradition and contributes to the development of international good practice. Nevertheless, it is important that synergies available from having humanitarian aid as an integrated part of the aid system be more fully exploited.

The DAC Peer Review of Switzerland's development co-operation and policies took place on 30 June 2005. The discussion was led by the DAC Chair Richard Manning. The Swiss delegation was headed by Mr. Walter Fust. The examiners for the Peer Review were New Zealand and Norway.

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.

ASSOCIATED FINANCING: The combination of official development assistance, whether grants or loans, with other official or private funding 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 this volume.

DAC LIST OF AID RECIPIENTS: The DAC uses a two-part List of Aid Recipients which it revises from time to time. Part I of the List comprises developing countries (eligible to receive official development assistance). It 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 GNP less than USD 760 in 1998 (World Bank Atlas basis).

LMICs: Lower Middle-Income Countries, *i.e.* with GNP per capita (Atlas basis) between USD 761 and USD 3 030 in 1998. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

UMICs: Upper Middle-Income Countries, *i.e.* with GNP per capita (Atlas basis) between USD 3 031 and USD 9 360 in 1998.

HICs: High-Income Countries, *i.e.* with GNP per capita (Atlas basis) more than USD 9 360 in 1998.

Part II of the List comprises "Countries in Transition"; assistance to these countries is counted separately as "official aid". These comprise (i) more advanced Central and Eastern European Countries and New Independent States of the former Soviet Union; and (ii) more advanced developing countries.

DEBT REORGANISATION (OR RESTRUCTURING): Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, 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 Aid 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** (less any repayments of loan principal or recoveries of grants received during the same period).

EXPORT CREDITS: Loans for the purpose of trade and which are not represented by a negotiable financial 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). The grant element is calculated against a fixed interest rate of 10%. 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 AID (OA): Flows which meet the conditions of eligibility for inclusion in official development assistance, except that the recipients are on Part II of the DAC List of Aid Recipients.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): Grants or loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) provided by the official sector with the promotion of economic development and welfare as the main objective and which are 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): Developmentally relevant transactions by the official sector with countries on the DAC List of Aid Recipients which do not meet the conditions for eligibility as official development assistance or official aid.

TECHNICAL CO-OPERATION: Includes both (i) grants to nationals of aid recipient countries receiving education or training at home or abroad, and (ii) 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): Unless otherwise stated, data are expressed in current United States dollars. Data in national currencies are converted into dollars using annual average exchange rates. 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. These data show the value of aid in terms of the domestic purchasing power of a US dollar in the year specified.

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