

Unclassified

DCD/DAC/AR(2000)2/19



Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

OLIS : 11-Oct-2000
Dist. : 13-Oct-2000

Or. Fr.

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

PARIS

DCD/DAC/AR(2000)2/19
Unclassified

Peer Review

DRAFT REVIEW OF THE DEVELOPMENT CO-OPERATION POLICIES AND PROGRAMMES OF SWITZERLAND

(Note by the Secretariat)

The attached report has been prepared by the Secretariat for the review of SWITZERLAND, scheduled for 17 October 2000. The examining countries are FRANCE and the NETHERLANDS. The Main Issues for discussion at the Review will be distributed separately as DCD/DAC/AR(2000)2/19/ADD1.

Contacts : Mr. Christian Flamant, tel. (33-1) 45 24 1724; fax (33-1) 44 30 61 44; Ms Marjolaine Nicod, tel. (33-1) 45 24 90 12; fax (33-1) 44 30 61 44

96542

Ta. 4852 - 27.09.2000 - 06.10.2000

Document complet disponible sur OLIS dans son format d'origine

Complete document available on OLIS in its original format

Or. Fr.

LIST OF ACRONYMS

ABB*	Asea Brown Boweri
AIF	Agence internationale de la francophonie
ASC*	Swiss Disaster Relief Unit
AsDB	Asian Development Bank
Buco	Co-ordination office
CEECs	Central and East European Countries
CIS	Commonwealth of Independent States
CGIAR*	Consultative Group for International Agricultural Research
DAC	Development Assistance Committee
DC	Developing country
EBRD	European Bank for Reconstruction and Development
ERG	Export risk guarantee
FATF	Financial Action Task Force
FDE	Federal Department of Economic Affairs
FDFA	Federal Department of Foreign Affairs
FOFEA	Federal Office for Foreign Economic Affairs
FOR	Federal Office for Refugees
GEF	Global Environment Facility
GNP	Gross National Product
GSP	Generalised System of Preferences
HIPCs	Heavily indebted poor countries
IDA	International Development Association
IDB	Inter-American Development Bank
IFI	International financial institutions
IMF	International Monetary Fund
ITTO	International Tropical Timber Organisation
IUCN	International Union for Conservation of Nature and Natural Resources
IUED	Institut universitaire d'étude du développement
JPO*	Young professionals programme
LICs	Low-income countries
LLDCs	Least developed countries

NGO	Non-governmental organisation
NIS	New Independent States of the former Soviet Union
ODA	Official Development Assistance
OFEFP*	Federal Office for Environment, Forests and Landscape
PSE	Producer Support Estimate
PSER	Planning-Monitoring-(Self) Evaluation-Completion
seco	Secretariat of State for the Economy
SDFC	Swiss Development Finance Corporation
SFI	Société financière internationale
SOFI	Swiss organisation for facilitating investments
UNDP	United Nations Development Programme
UNCDF	United Nations Capital Development Fund
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNFPA	United Nations Fund for Population
UNICEF	United Nations Children's Fund
WFP	World Food Programme
WHO	World Health Organisation
WTO	World Trade Organisation
*	Denotes acronym in the original language

Exchange rate (SF/US\$)

1995	1996	1997	1998	1999
1.1823	1.2361	1.4500	1.4497	1.5027

Signs used :

SF	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.

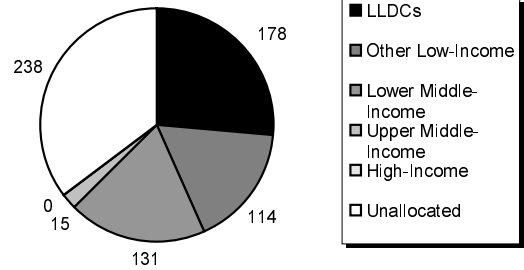
Aid at a glance

SWITZERLAND

Gross Bilateral ODA, 1998-99 average, unless otherwise shown

Net ODA	1998	1999	Change 1998/99
Current (US \$m)	898	969	7.9%
Constant (1998 US \$m)	898	997	11.1%
In Swiss Francs (million)	1 301	1 456	11.9%
ODA/GNP	0.32%	0.35%	
Bilateral share	70%	74%	
Net Official Aid (OA)			
Current (US \$m)	76	70	-8.8%

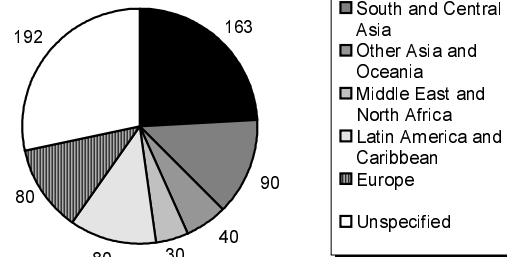
By Income Group (US \$m)



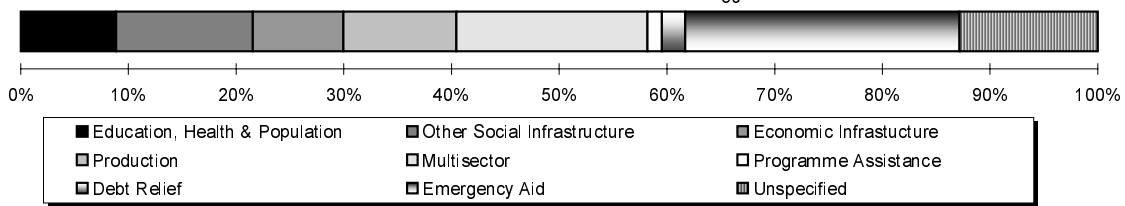
Top Ten Recipients (US \$m)

1 Yugoslavia (incl. Kosovo)	41
2 Bangladesh	20
3 Mozambique	20
4 India	20
5 Tanzania	18
6 Bosnia and Herzegovina	15
7 Nepal	13
8 Bolivia	13
9 Russia (OA)	11
10 Egypt	11

By Region (US \$m)



By Sector



Source: OECD

TABLE OF CONTENTS

MAIN CONCLUSIONS AND RECOMMENDATIONS OF THE DEVELOPMENT ASSISTANCE COMMITTEE (DAC)	8
CHAPTER 1 FOUNDATIONS OF SWISS DEVELOPMENT ASSISTANCE POLICY	14
1. Policy framework.....	14
2. Basic objectives and strategic thrusts	15
2.1 A dual approach.....	15
2.2 Poverty alleviation	16
2.3. Selectivity	18
2.4. Political conditionality.....	19
3. Involvement of civil society.....	20
3.1 Parliament	20
3.2 Consultative Commission.....	20
3.3. Swiss NGOs.....	21
3.4 Information policy and raising public awareness of development issues.....	21
CHAPTER 2 VOLUME AND BREAKDOWN OF AID	23
1. ODA volume.....	23
2. Bilateral aid and the principles of resource allocation	23
2.1 Geographical breakdown	24
2.2 Breakdown by level of income	25
2.3 Basic social sectors	25
3. Multilateral aid.....	26
4. Non-governmental organisations (NGOs)	27
5. Humanitarian aid.....	27
CHAPTER 3 AID INSTRUMENTS: POLICIES AND APPROACHES	29
1. Cross-cutting issues	29
1.1. Good governance	29
1.2 Gender equality.....	31
1.3 The environment and natural resource management	31
2. Financial policies	32
2.1 Swiss debt reduction policies.....	32
2.2. Untying of aid and associated financing.....	34
3. Support for the private sector.....	34
4. Humanitarian aid.....	36

CHAPTER 4 POLICY COHERENCE.....	38
1. North-South Guidelines	38
2. The SDC's 1995-98 action plan.....	39
3. Areas in which inconsistencies persist.....	40
3.1 Export risk guarantees	40
3.2 Capital flight	40
3.3 Policy towards refugees	42
3.4 Trade with developing countries.....	42
4. Conclusions concerning the coherence of Swiss development assistance policy	43
CHAPTER 5 IMPLEMENTATION OF ASSISTANCE: ORGANISATION, STAFF, MANAGEMENT SYSTEMS AND RESULTS	45
1. Organisation of the aid system.....	45
1.1. Division of labour between the main players	45
1.2 Internal organisation of the SDC and the seco	46
1.3 The co-ordination offices (BuCos) and the division of labour with headquarters.....	46
2. Staff: level, qualifications and assignment	49
2.1 SDC staff: numbers and structure	49
2.2 Seco staff	51
2.3 BuCo staff.....	51
3. Management procedures	51
3.1 Setting aims	51
3.2 Budgeting.....	51
3.3 Decisions on the allocation of funding	52
3.4 Treatment of particular objectives	53
3.5 Monitoring and evaluation of aid.....	53
4. Outcome and performance	56
4.1 Analysis of activities.....	56
4.2 Reports on aid monitoring	56
4.3 The cross-cutting study on poverty.....	57
CHAPTER 6 IMPLEMENTATION OF ASSISTANCE: OPERATIONS IN THE FIELD	59
1. Country strategies and the programming of assistance.....	59
1.1 The country strategies.....	59
1.2 The annual programmes	60
2. Relations with partners in the field	61
2.1 Relations with local partners	61
2.2 Relations with other donors	61
3. Development of the sector-wide approach.....	62
3.1 The basic element: sectoral concentration	62
3.2 The situation in the field	62
3.3 The development of sectoral programmes.....	63
4. Methods of project execution.....	63
4.1 Limited role of partner institutions in managing aid	63
4.2 Significant role of Swiss executing agencies	64
4.3 Desirable changes in modes of execution.....	64
ANNEX I STATISTICS OF AID AND OTHER FLOWS	66
ANNEX II SWITZERLAND'S FOREIGN TRADE ORIGIN, DESTINATION AND BREAKDOWN ..	74

Tables

Table 1. List of main framework credits currently in force	15
Table 2. List of priority countries (1999-2002).....	18
Table 3. Multilateral contributions (gross disbursements 1999).....	27
Table 4. SDC contributions to the main Swiss NGOs (1998)	27
Table 5. Breakdown of humanitarian aid 1998-99 :	28
Table 6. Swiss co-operation staff (SDC)	49
Table I-1. Total financial flows.....	67
Table I-2. ODA by main categories	68
Table I-3. Bilateral ODA allocable by region and income group	69
Table I-4. Main recipients of bilateral ODA.....	70
Table I-5. Bilateral ODA by major purposes	71
Table I-6. Comparative aid performance	72
Table II-1. Imports	75
Table II-2. Exports	76
Table II-3. Composition of Swiss trade by main commodity groupings, 1992 and 1998.....	77

Boxes

Box 1. The SDC's social development policy	17
Box 2. The Education and Development Foundation	22
Box 3. Conference on Statistics, Development and Human Rights.....	30
Box 4. Swiss rescue chain.....	37

MAIN CONCLUSIONS AND RECOMMENDATIONS OF THE DEVELOPMENT ASSISTANCE COMMITTEE (DAC)

ODA volume

0.1 In percentage of GNP, Swiss ODA was slightly up in 1999 - 0.35%, compared with 0.32% in 1998, due to an increase in humanitarian aid and the fact that part of the cost of taking in refugees from Kosovo was included in ODA. However, it was still below the target of 0.4% of GNP set since 1994, and which figures in the government's legislative programme. Furthermore, the constitutional obligation to reduce and then stabilise the federal budget deficit leaves little hope that the percentage will rise by 2015 (Switzerland is not a member of the United Nations and has never signed up to the objective of 0.7% of GNP set by that organisation). In 1999, it ranked seventh among the DAC Members in terms of the ODA/GNP ratio, up three places since the previous aid review, but was still in fourteenth place in terms of net ODA disbursements.

Support from civil society

0.2 An opinion poll carried out in 1999 showed that 76% of the population supported development assistance (56% were in favour of maintaining it and 20% were in favour of increasing it). This strong public support is also reflected in the support of a large majority of members of parliament. Furthermore, a large community of non-governmental organisations (NGOs) has a strong influence on Swiss policy. They play a key role in informing and educating the public about development assistance, and act as a spur on the administration, especially by seeking to ensure that development policy is consistent with other policies that have an impact on the development of aid recipients. A consultative commission plays an important role which should be strengthened in order to maintain support for Swiss development co-operation policy.

The strong points of the system

The concentration of aid on the poorest countries

0.3 The hallmark of Swiss ODA is that it is targeted at the poorest countries. 10 of the 17 priority countries of the South are in the least developed country (LLDCs) category, 6 are low-income countries (LICs) and only one, Peru, is a middle-income country. In consequence, the share of gross disbursements of allocable bilateral aid which went to LLDCs in 1999 was 37%, well above the DAC average (25%). Given that the corresponding percentage for LICs was 27%, the combined share of both categories of country was 64% in 1999, again above the DAC average (56%).

Debt reduction policy

0.4 Since the early 1990s, Switzerland has played an innovative role in debt relief by setting up counterpart funds to finance small social and environmental projects. Consequently, virtually all of the bilateral debt owed to it has already been cancelled. For this reason, in the past three years its contributions have been made within the framework of the Heavily Indebted Poor Countries Initiative (HIPC) in the form of payments through various multilateral debt reduction funds. The share of debt relief in total ODA

is small (2% in 1999), but it is planned to make a further contribution of US\$ 38 million to the enhanced HIPC initiative.

Humanitarian aid

0.5 Swiss humanitarian aid represented 21% of total ODA in 1999, an increase on the previous year, due to the additional funds made available for the Balkans. It is implemented primarily by the Swiss Disaster Relief Unit (ASC), which comprises 1500 volunteers, is very well organised and can intervene remarkably rapidly. Increasingly, Switzerland seeks to co-ordinate its humanitarian aid with reconstruction assistance, as when it helped refugees from Kosovo to return to their country.

A flexible budgetary framework

0.6 The Federal Assembly approves multi-annual framework credits with fixed ceilings, which are renewed periodically (every four years or so). This enables the administration to plan for the medium term, while the allocation of credits is flexible, and they can be extended.

Aid implementation

0.7 Aid is implemented within the framework of medium-term country strategies. This has several advantages. Firstly, both the local authorities and the representatives of civil society are involved in drawing up programmes. The time frame for these strategies is five years; strategies are then divided into annual programmes which are discussed by the co-ordination offices and Swiss project agencies. The five-year and annual programmes comprise not just sectoral or project objectives but also cross-cutting goals: gender equality, decentralisation and the promotion of democracy, etc. That said, these strategies would be more effective if they were more clearly incorporated in the strategies of the countries concerned.

0.8 The co-ordination offices in the priority countries are independent of the embassies; wide powers have also been delegated to them by headquarters, especially for the purpose of identifying and executing projects. They can commit up to SF 200 000. The number of expatriate personnel is limited (74 at the end of 1999), and there is a policy of recruiting qualified local professionals. Overall, therefore, the number of field staff seems sufficient.

Information policy and raising public awareness of development issues

0.9 Significant amounts (over US\$ 5 million a year) are spent on raising public awareness of development issues. The objective is threefold: to make people understand that development co-operation is necessary, to explain what has been done in this area, and to show that it is in Switzerland's interest to give aid. About a quarter of this amount is spent in schools, through a foundation which brings together the Confederation, cantons and teachers' associations. Information is also provided through the media and publications like *Un seul monde*, published by the SDC.

Main challenges

The dual SDC-seco approach

0.10 Swiss aid is managed by two separate agencies - the SDC, which is part of the Federal Department for Foreign Affairs, and the seco, which belongs to the Federal Department of Economic Affairs. They manage respectively 75% and 13% of Swiss ODA. They come under the Federal Law of 1976 and thus operate within the same legal framework for international development co-operation but do not have a common strategy. Each one has its own objectives, instruments and means. The SDC has its own policy vision, embodied in *Vision 2010*, which was launched at the end of 1999. The difference in the

instruments employed by the two agencies can be explained by the fact that the seco's contribution to poverty alleviation is only indirect. It does however promote development concerns in the Federal Department of Economic Affairs. This dual approach is usually perceived by the actors as being a big advantage. A number of overlaps and contradictions continue to exist despite the numerous efforts and progress made since the last review to develop a common operational strategic approach between the SDC and the seco.

The dispersal of aid

0.11 Notwithstanding the SDC's stated policy of concentrating aid on the 17 so-called priority countries of the South, in 1998 those countries received only 47% of gross disbursements of allocable bilateral aid. Over the years, four special programme countries (South Africa, Madagascar, Palestine and Rwanda) have been added to the list of priority countries, so that in practice there are now 21 priority countries. The seco has its own priorities and does not have a policy of concentrating aid on specific countries. In addition, the programme for Eastern Europe also includes nine priority countries (excluding Russia), six of which are DAC Part I countries. All told, therefore, there are 27 "priority" countries, which is a lot for a medium-sized programme. Another factor conducive to the dispersal of aid is that the aid channelled through NGOs which is included in bilateral ODA (25%) and country programmes (within the Swiss legal framework), does not have to meet the criteria for priority countries. Lastly, a number of country programmes are not sufficiently focused on a limited number of sectors and projects, and sometimes there are too many small projects, some of which tend to be self-perpetuating. As a result, aid tends to be scattered among countries, thereby reducing its effectiveness and impact.

Insufficient emphasis on poverty alleviation.

0.12 It is generally very difficult to appraise the effectiveness of aid, but the cross-cutting analysis "*Poverty reduction and empowerment*" commissioned by the SDC goes some way towards doing so. It relates to the period 1992-97, and concludes that the involvement of numerous intermediaries and the fact that target groups are defined very vaguely results implicitly in an indirect approach being taken to poverty alleviation. It also shows that, perhaps for want of a precise definition of poverty, in more than 50% of projects the target group is not defined, while the lack of indicators hampers initiatives in the field. 40% of projects aim to satisfy basic needs, while the promotion of civil society figures among the goals of many activities. Nearly 50% target women in particular. Gender issues, although not systematically built into programmes, are becoming increasingly important.

0.13 Regarding the sectoral breakdown of aid, despite Switzerland having committed itself in full to the 20/20 initiative, which aims to ensure that 20% of aid is allocated to basic social services, this aim remains difficult to achieve. Basic education accounted for only 2% of bilateral aid commitments in 1998-1999, and health for only 3%. If aid for population initiatives, water distribution and sanitation measures is included, aid to basic sectors represented 13% of allocable bilateral aid and 15% of allocable total ODA. By way of comparison, the corresponding percentages for the DAC were 10% and 11%.

Development of the sectoral approach

0.14 For a long time the SDC has adopted participatory approaches which encourage grassroots development and empowerment. Perhaps this explains why it is somewhat sceptical about the sectoral approach, in this echoing the concerns of Swiss NGOs and project consultants about an approach which tends to marginalise them. But there has been some evolution on the issue since the last review, perhaps because the limitations of the traditional project-based approach have become increasingly apparent. The positions of the co-ordination offices on the matter differ widely but the example of Tanzania shows clearly the merits of the approach.

Project implementation

0.15 Apart from small projects with local communities, the SDC's projects are implemented all too rarely by their beneficiaries. Admittedly, 25% of resources go to various institutions like the International Committee of the Red Cross (ICRC) or NGOs in the form of subsidies to their programmes. But some of the projects funded by the SDC are implemented either directly by the SDC itself (29% of disbursements in 1998) with the aid of independent executants. Others are implemented by so-called "régisseurs"- outside consultants or NGOs (27%) selected by the SDC directly without competitive tendering. This approach is questionable, since it is not conducive to empowering the recipients. In addition, the fact that consultants are not selected by competitive tender can push up the cost of their services, and thus the cost of carrying out projects. Lastly, it is always the same agencies and consultants that are involved, which is not conducive to the adoption of new approaches and ideas or to flexibility. The fact of always using the same consultants increases the number of project phases, projects take longer to complete and their viability is jeopardised accordingly. A new law on public procurement which was passed at the beginning of 1996 requires that all contracts in excess of SF 50 000 be put to out to tender. It still has to be put into practice however.

Support for the private sector

0.16 Support to the private sector now takes the form of partnerships with private investors. The seco has stakes in 17 financial companies which are specialised in developing countries. There is also the Swiss Organisation for Facilitating Investments (SOFI). This fairly comprehensive arsenal of instruments was strengthened by the creation of the Swiss Development Finance Corporation (SDFC), a financial company with a capital of SF 55 million. It is regrettable however that the seco decided to remain a minority shareholder, and has no control over the management, which is handled by consultants, but will have to cover the inevitable deficits during the first years of operation. It does not sit on the Investments Committee either. There is thus no guarantee that management decisions will always be guided primarily by development considerations.

The independence of the evaluation system

0.17 In 1996, the SDC abolished the old evaluation service and replaced it by a so-called project cycle management system, which split the evaluation function into a strategic control unit attached to the management, and four operational control units in the operational divisions. These units decide the evaluation programmes, carry them out or commission consultants to carry them out, draw lessons from them and are supposed to provide feedback from them. The evaluation function in the seco is in the process of being strengthened but only one, part-time, official is assigned to it, which seems insufficient.

0.18 The SDC's new system does not seem to comply with DAC principles regarding aid evaluation, since the fact that the evaluation units are part of the SDC is not conducive to their independence. Moreover, the emphasis placed on monitoring, and especially on self-evaluation and interim evaluations, means that evaluations tends to focus on the implementation of the different parts of a project rather than on their results and impact. Even though outside evaluations are done by consultants in 10% of projects, they usually take place at the end of each project phase, and ex post evaluations are virtually non-existent. The consultants are almost always the same, which also raises the question of their independence. Evaluatin of horizontal or sectoral strategies and policies should also be developed. Lastly, local partner involvement could be improved.

Staff renewal

0.19 The main problem with the SDC's staff structure is the high average age. This reflects low staff turnover, partly due to the lack of mobility between the SDC and other directorates in the Ministry of Foreign Affairs, and the fact that for a long time very few young people were recruited. This is likely to pose serious problems in the next ten years as existing staff retire and have to be replaced. In contrast, as part of a major restructuring in 1999, half of the seco's staff was replaced in the space of a year; the problem is thus the opposite of that in the SDC, since it will take time for these new recruits to acquire experience.

Policy coherence

0.20 The North-South Guidelines place particular emphasis on the need for coherence between the various policies with an impact on the development of aid recipients; this emphasis can serve as an example for other DAC Members. The SDC has put a lot of effort into ensuring such coherence, in particular by drawing up a 1995-1998 action plan for implementing the guidelines. In practice, however, it is still difficult to achieve. Efforts to do so have often been perceived by other departments as an attempt to encroach on areas that lie outside the SDC's sphere of competence.

0.21 Progress has been made in some areas, for example with arms exports, on which the SDC is systematically consulted. Political conditionality, the aim of which is to improve compliance with human rights by the recipient countries, has also acquired increasing weight, as a result of which the content of some programmes has been modified. The Federal Council has had to decide whether to maintain or break off co-operation with certain States, though the severance of relations is considered to be a last recourse and to date has not been done. Lastly, civil society in the form of non-governmental organisations (NGOs) can voice its concerns.

0.22 However, there are still problems in other areas such as export risk guarantees. Guarantees have been provided for projects for which no proper social and environmental studies have been done (China) or for bribery-tainted projects (Indonesia). Transfers of illegally acquired capital are another problem area. Switzerland has ratified the OECD Convention on the bribery of foreign public officials, the application of which will become more effective with the forthcoming introduction of the criminal liability of legal persons. The Money Laundering Act which came into force on 1 April 1998 is a step forward in efforts to curb capital flight.

0.23 Thus, there are still inconsistencies between the various policies that have an impact on developing countries. That said, Switzerland is certainly one of the DAC countries with the most coherent approach to development assistance, its aim being to eliminate the most flagrant inconsistencies. To this end, it has put in place a procedure for highlighting and resolving them while ensuring that the objectives of development policy are taken into account as far as possible.

Recommendations

0.24 On the basis of these conclusions, the DAC recommends that Switzerland:

- 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;
- Take advantage of the improved economic and budgetary situation to increase rapidly the total volume of aid to at least 0.40% of GNP, which is a stated policy objective;

- Increase the share of aid going to priority countries, review the list of countries more regularly and progressively reduce their number;
- Review all the projects that have been going on for a long time and that tend to be self-perpetuating;
- 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;
- Strengthen the role of the consultative commission in international development and co-operation;
- Develop further a sector wide approach to aid implementation;
- 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;
- 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 executants be selected by tender;
- Overhaul the aid evaluation system so as to make it independent and to improve feedback from evaluations.
- Continue to seek more consistency between co-operation policy and other policies that can have a negative impact on developing countries.

CHAPTER 1 FOUNDATIONS OF SWISS DEVELOPMENT ASSISTANCE POLICY

1. Policy framework

1. Swiss development co-operation policy is guided by three basic documents:

- The *Federal Law on international development co-operation and humanitarian aid* of 1976 and its implementing ordinance of 1977. Pursuant to this Law, development co-operation is based on the principle of solidarity, “assigning highest priority to the poorest developing countries, regions and population groups”.
- The *North-South Guidelines*, issued in 1994. These guidelines were adopted with a view to ensuring coherence between Switzerland’s development co-operation policy and its other policies which have an impact on developing countries.
- The policy of support for transition in the East European countries and the Commonwealth of Independent States (CIS) is governed by the Federal Order concerning co-operation with the East European countries (1995).

2. The Messages to the Swiss Parliament set out the objectives, strategic thrusts and operational instruments of the programmes to be implemented within the framework of the multiyear credits requested. Eight framework credits for development and transition assistance currently being implemented (see Table 1). The most recent messages submitted to Parliament in connection with the framework credits for the current period set out the following main objectives and operational instruments:

- **Technical co-operation and financial assistance to developing countries (1999-2002).** Switzerland wants to reinforce the principles and trends already in place, in particular poverty alleviation and the mainstreaming of cross-cutting issues. Increasingly, the emphasis is on strengthening the process of learning and change rather than on financing infrastructure projects. This is why the promotion of the rule of law and human rights, the fight against corruption, support to decentralisation in the developing countries and the participation of local communities, are major issues for development co-operation . Other aspects such as the co-ordination of donors and policy dialogue with partner governments and institutions are also at the centre of Swiss policy.
- **Economic and trade policy measures (1997-2001).** Switzerland intends to put more emphasis on mobilising private sector resources, especially by adopting new instruments for promoting investment in the developing and transition countries. On the other hand, following the adoption of the Helsinki rules in 1992 by the DAC Member countries, financial assistance in the form of associated financing has decreased and balance-of-payments assistance has been progressively replaced by budget support.

- **Central and East European countries and New Independent States (CEECs/NIS) (1999-2002).** The programmes for Central European countries were from the outset considered as a form of temporary support and are now coming to an end. It was decided to switch available resources to the countries of south-east Europe (the Balkans, Romania, Bulgaria and Macedonia) and to the Commonwealth of Independent States (CIS).

Table 1. List of main framework credits currently in force

Type	Date of approval	Amount (in SF million)	Minimum duration
Technical and financial co-operation with developing countries	7.12.1998	4000	4 years (1999-2002)
Co-operation with East European countries and the Commonwealth of Independent States (CIS)	19.08.1998	900	4 years (1999-2002)
Economic and trade policy measures	29.05.1996	960	4 years (1997-2001)
International humanitarian aid	20.11.1996	1050	4 years (1997-2001)
Switzerland's contribution to the increase in the capital of regional development banks	31.05.1995	800	4 years
Switzerland's accession to the Bretton Woods institutions	1992	4986	-
Programmes and projects to safeguard the global environment in developing countries	30.01.1991	300	5 years
Debt reduction measures	30.01.1991	400	5 years

Source: SDC

2. Basic objectives and strategic thrusts

2.1 A dual approach

3. The Federal Law of 1976 draws a distinction between two main fields of activity - technical and financial co-operation on the one hand, and economic and trade policy measures on the other. It thus mapped out two distinct areas of activity, each with its own objectives and mechanisms implemented by two distinct agencies, the Swiss Agency for Development and Co-operation (SDC) in the Federal Department for Foreign Affairs (FDFA), and the Secretariat of State for the Economy (seco) of the Federal Department of Economic Affairs (FDE). Both organisations operate within the same legal framework and thus share common objectives despite having distinct terms of reference and areas of activity. The fact that they come under two different ministries, and especially that their means of action are distinct, enables them to bring a different approach to development issues.

4. This dual approach, which ensures that development assistance gets more attention in the government and promotes complementarity between policy instruments, is usually perceived by the actors as being a big advantage. However, the division of responsibilities is relative since about 75% of bilateral Swiss (ODA) is managed by the SDC and 13% by the seco. A number of overlaps and contradictions continue to exist despite the many efforts and progress made since the last review to develop a joint operational strategic approach between the SDC and the seco. For example, joint country programmes have been drawn up for a fairly limited number of developing countries and for all the East European and NIS countries.

5. Despite the common legal basis for Swiss development co-operation, and thus the same policy framework for international co-operation, the SDC and the seco find it difficult to define a proper joint strategy. Each has its own objectives, instruments and means. The messages to Parliament concerning framework credits and the recent creation of a joint strategic committee composed of the directors of the two agencies and three steering committees (bilateral co-operation, co-operation with the East European countries) should provide more coherence between their strategies. The SDC has its own “Guiding Principles” and since the end of 1999 has been drawing up its *Strategy 2010*, which seeks to make implementation more effective by evaluating needs in skills, resource allocation and sectoral policies. The final document was approved in June 2000. One of the major changes at the institutional level is a reorganisation of sectoral services around five strategic priorities: crisis prevention and management; good governance; promoting income and employment; promoting social justice; sustainable management of natural resources.

6. The traditional distinction between technical and financial co-operation on the one hand, and economic and trade policy measures on the other, is no longer as marked as it used to be. For example, the SDC, which used to concentrate on rural development and vocational training projects, has gradually incorporated the promotion of small industry, urban development and other sectors into its activities. As for the Federal Office for External Economic Affairs (FOFEA)/seco, it has substantially reduced the role of tied aid in its programmes, replacing it by new types of macroeconomic assistance (budgetary support), measures to promote investment or the transfer of environmentally-friendly technology. Admittedly, this convergence between the areas in which the two organisations intervene creates a risk of overlap - which the administrative reform launched in 1996 was designed to prevent - but it is also possible to exploit more effectively the synergies between the instruments of the SDC and the seco in a given country.

2.2 *Poverty alleviation*

7. Pursuant to the Federal Law of 1976, the purpose of development co-operation is to help developing countries improve the living conditions of their populations. Furthermore, it is stipulated that priority must be given to the poorest countries, regions and population groups. The objective of alleviating poverty is reaffirmed more explicitly in the 1994 *North-South Guidelines*. The chapter on the promotion of social justice states that development co-operation remains the most important instrument in Swiss foreign policy for combating poverty and promoting social justice. It also states that, via a policy dialogue with partner countries, Switzerland seeks to promote economic and social policies for reducing poverty.

8. The Law of 1976 is still entirely relevant even though it formulates the objective of alleviating poverty in general terms. In contrast, that objective is set out explicitly in the 1994 *North-South Guidelines*, reflecting the new international approach to development co-operation in line with the principles adopted by the Development Assistance Committee (DAC) in the strategy for the 21st century. The objectives set out in the message of 7 December 1998 refer explicitly to the North-South guidelines, which the programme seeks to integrate more closely into operational activities. With regard to sectoral priorities, however, there is lack of a proper ranking; priority is not assigned to basic social sectors, which it would be logical to do given Switzerland’s support for the 20/20 initiative. Education, health and population issues, as well as water supply and sanitation, are put on the same level as issues such as rural development, the environment and sustainable use of natural resources, road infrastructure and transport, the financial system, etc. Also, the SDC does not yet seem to have incorporated the international development goals in its basic documents, whether it be its *Vision 2000*, the message of 1998 or more recently its social development policy. This is regrettable given that Switzerland has played, and continues to play, an active part in the follow-up to the major international conferences in the 1990s, and has fully subscribed to the objectives of DAC’s strategy for the 21st century.

9. While poverty alleviation has been a primary objective of all Swiss co-operation programmes for many years, a cross-cutting analysis carried out in 1997-1998 showed that the understanding of poverty is often vague and that not enough preliminary analysis is done of poverty when projects are being prepared. At the level of operational activities, poor populations are rarely involved in the process of planning, monitoring and evaluation of programmes and projects. The document, *SDC policy for social development*, which was approved in 1999 (see Box 1), should make it possible to remedy these shortcomings by setting a more precise strategy for the SDC. Practical measures to implement this policy are at an advanced stage of preparation.

10. As for the seco, its main objective is to help promote macroeconomic conditions which are conducive to growth and investment, to integrate development co-operation more effectively into the world economy, to mobilise private sector resources and to strengthen infrastructure. The seco contributes to the fight against poverty via macroeconomic conditionality, in the form of financial assistance and debt reduction measures, management of counterpart funds, support for greater involvement of the developing countries in world trade, and promotion of Swiss investment in some of these countries. However, the seco is concerned only indirectly by the objective of poverty alleviation given the nature of its instruments. Some of the countries in which it intervenes are far from being the poorest due to the nature and objectives of some of those instruments.

Box 1. The SDC's social development policy

For the SDC, social development policy cannot be confined to a sectoral approach, i.e. to activities in so-called "social" sectors (primary health care, basic education, water supply and sanitation). Rather, it seeks to eliminate poverty in all forms. A poverty alleviation strategy should therefore aim not only to raise the income and living conditions of the poorest members of society. It should also address the political and social dimensions of poverty by empowering disadvantaged communities. This implies democratisation, good governance and decentralisation in the interest of those communities, but also encouraging them to assert their rights so that they become used to taking charge of their future.

The SDC employs direct and indirect methods of combating poverty. Direct methods consist in implementing projects and programmes which benefit the poorest sections of the population directly and addressing the immediate causes of their poverty. Indirect methods seek to improve the country's situation as a whole; they address all layers of society while seeking to promote initiatives that will be beneficial to the disadvantaged in particular. Such measures - which include *inter alia* democratisation, promotion of good governance, stabilisation of socio-economic equilibria - are also often deemed to be more useful to the poor than direct measures. However, the SDC is envisaging the possibility of including in its programmes long-term assistance for populations in a state of permanent distress who are too marginalised to benefit from development co-operation programmes.

Regarding basic education, the SDC aims to promote education among groups on the fringes of the education system by means of literacy and adult training programmes, or programmes for children who are not in school. Such programmes are designed to support forms of education and vocational training that will facilitate participation in productive activities as well as in the voluntary sector, and thereby help to improve living conditions. In its health programmes, the SDC seeks to complement its public health care activities by promoting and protecting human rights and eradicating inequalities in access to health care. Health policy in the broad sense encompasses population issues as well as water supply, hygiene and housing.

2.3. *Selectivity*

11. In the interest of efficiency, Switzerland seeks to concentrate its aid resources. The SDC has adopted a policy of geographical and thematic concentration, the priorities of which are set out in the Message of 7 December 1998. On the basis of past experience, it has however decided to combine country concentration with a regional approach so as to optimise synergies and take better account of the reality in areas which economically, socially and culturally are fairly homogenous. In line with the principle of concentrating resources on specific sectors, the SDC has set itself the objective of being even more selective about the areas in which it intervenes. Thus, in each of the countries in which it concentrates its aid, it should aim to confine itself to three priority sectors so as to increase the level of specialisation and effectiveness.

12. The countries to which it provides aid must meet the following criteria: belong to the category of poorest countries on the DAC list; be making efforts to promote development and have set development priorities conducive to sustainable development; have a stable political situation conducive to a relationship of trust and long-term commitment; respect principles of good governance, including human rights. On its part, the SDC undertakes to conduct a regular dialogue with partner countries on the basis of programmes setting thematic and sectoral priorities, while respecting national policy and programme objectives. Switzerland also undertakes to provide a minimum financial assistance of SF 8-10 million per year per country, which experience has shown is the minimum amount required for cost-effective management of aid at the local level.

13. Over the period 1995-98, the number of priority countries to which the SDC was providing ODA, was reduced from 20 to 17, plus countries benefiting from special programmes (Palestine, South Africa, Rwanda and Madagascar). The SDC aims to allocate at least 70% of its financial assistance under bilateral co-operation to the priority countries.

Table 2. List of priority countries (1999-2002)

Africa	West Africa	Benin Burkina Faso Mali Niger Chad
	East Africa	Mozambique Tanzania
Latin America	Andes region	Bolivia Ecuador Peru
	Central America	Nicaragua/Central America
Asia	Indian sub-continent	Bangladesh India Nepal Pakistan Bhutan
	South-East Asia	Vietnam/Mekong region

Source: SDC - 1998 Message to Parliament

14. The list of priority countries plus the countries with special programmes is fairly long in relation to the size of Switzerland's bilateral aid programme. Foreign policy considerations explain in part the difficulty of limiting such aid to a smaller number of countries. Firstly, Switzerland wishes to be present on

all continents. Furthermore, as a small, non-EU, country, it does not wish to be tied strictly to the list of countries on the aforementioned list, and reserves the possibility, chiefly via one-off support to specific NGO programmes, of being present in other countries. In order to be able to act in countries that do not meet the conditions for long-term programmes, or do not comply with Switzerland's foreign policy priorities, the SDC has created special programmes. These countries do not necessarily have to meet all the criteria for priority countries and the programmes are usually for a limited duration. The special programmes are primarily designed to enable Switzerland to provide support to "transition" countries (abolition of apartheid in South Africa, transition from conflict to peace or stability in Rwanda and Palestine). However, the Federal Department of Foreign Affairs is constantly aware of the need to ensure coherence between foreign policy towards developing countries and development policy. This is why, at the initiative of the Federal Councillor responsible for foreign affairs, fully-fledged regional plans started to be drawn up recently (for Southern Europe for example) and a global foreign policy towards Africa is being prepared.

15. The seco is also trying to implement to concentrate its aid efforts, though to a lesser degree since each of its instruments has a specific target. For example, debt reduction measures or balance-of-payments support are aimed at heavily indebted low-income countries. In contrast, the countries in which the seco seeks to promote investment tend rather to be emerging economies. The different geographical priorities of the SDC and the seco can thus be explained by the different nature of the instruments at their disposal. The seco is still experimenting with its new instruments for promoting investment, which may explain a certain amount of dispersion. It is planned to reassess its geographical priorities for its next framework credit in 2001.

2.4. Political conditionality

16. In order to ensure greater coherence in Switzerland's foreign policy, in September 1999 the Federal Council (Swiss government) decided that henceforth it would oversee the application of the principle of political conditionality. Since 1999, it is up to the Federal Council to decide whether to suspend, totally or partially, co-operation with a country on political grounds or because of serious and systematic human rights violations. When faced with a specific case, the Federal Council carries out an appraisal of the situation, taking into account all the aspects of Switzerland's relations with the country in question (development co-operation, promotion of peace or human rights, but also foreign trade and export risk guarantees, etc.) Only humanitarian aid is not subject to political conditionality. The criteria include: insufficient efforts on the part of the country to apply the principle of good governance; serious breaches of human rights; a halt in the democratisation process; serious infringements of peace and security; unwillingness to accept the return of its own nationals. Total or partial interruption of co-operation with the country is a last resort. More positive measures than the suspension of co-operation should normally be envisaged. In some cases, existing programmes or projects can be redirected or supplemented by choosing other channels for implementing them. For example, aid to government bodies may be suspended and replaced by aid channelled through non-governmental organisations (NGOs).

17. The principle of conditionality was recently used against Madagascar and Niger. Following the coup d'état by the army in Niger, which overthrew the President in April 1999, Switzerland temporarily suspended its co-operation programme. However, the co-operation programmes with non-governmental actors were maintained in order not to penalise the population. The restoration of co-operation programmes with the Niger government will depend on the restoration of the rule of law and the progress made with regard to basic freedoms. Similar reasoning was applied to co-operation with India and Pakistan in the wake of the nuclear tests carried out in 1998, which had prompted a reaction from Swiss public opinion and statements in Parliament. The programmes were redirected in accordance with the partners involved and the sectors which had priority, and the volume of aid was cut by about 8% between 1997 and 1999. As

regards Madagascar, it was decided to pull out on account of the unwillingness of the authorities to commit themselves to promoting good governance and their lack of co-operation with the investigation of the murder of a Swiss development worker. A programme for alleviating poverty in rural areas was however maintained in order to preserve links with non-governmental local partners.

3. Involvement of civil society

18. Switzerland's aid programme receives strong backing from the population, reflected in the fact that a large majority of parliamentarians have endorsed the government's proposals concerning the broad thrusts of aid. This support is partly due to the existence of a large community of very active NGOs. These have a big influence on Swiss policy and have a complementary role to that of the government. The NGOs play a crucial role in promoting awareness of development issues in both Parliament and the public at large, in particular of the importance of a coherent policy and development education. The decentralised nature of Swiss democracy enables NGOs to mobilise opinion on many development issues and obliges the government to be very open and to operate a comprehensive information policy. For example, it was following pressure from the NGO community, which had led to a popular petition, that Switzerland adopted a fairly innovative debt reduction policy at the start of the 1990s. Similarly, in 1992, the NGOs played a major role in the information campaign that preceded the referendum on Switzerland joining the Bretton Woods Institutions. The government has also demonstrated its resolve to promote openness by involving the NGOs in the preparation of major international conferences. More recently, it was decided to include NGO representatives in the official Swiss delegations to such conferences.

3.1 Parliament

19. The Swiss parliament is closely involved in the framing of Swiss development assistance policy. Parliament is responsible not only for voting the multi-annual framework credits for the various forms and instruments of co-operation, but also for allocating the annual budget. The presentation of the Messages that accompany requests for multi-annual appropriations gives rise to debates in both chambers and in commission. Generally speaking, the bulk of the government's development policy is approved by parliament. However, parliament's interest in development issues has waned somewhat in recent years. Budget appropriations and credit allocations are usually approved without much discussion. In contrast, co-operation with the Central and East European countries, the situation in the Balkans and the role of the Bretton Woods institutions, especially the International Monetary Fund (IMF) recently prompted more reaction in parliament.

20. The Message of 7 December 1998 concerning the continuation of technical co-operation and financial assistance to developing countries provided for a framework credit of SF 4 billion for 1999-2002. An increase of SF 500 million had been proposed in the first reading by the socialist group in the National Council (lower chamber) and approved by a majority of the Council's members. Unfortunately, it was not possible to adopt this proposal due to the state of federal finances. Even more recently, a new initiative was launched by the national Council to increase the development aid budget. In June 2000, the government presented its legislative programme to parliament for the period 1999-2003. Some deputies who were not satisfied that Switzerland's ODA was well below 0.4% of its GNP, proposed that the development budget be increased so as to achieve this objective by 2011. This motion, entailing an annual increase in ODA of around SF 80 million, was approved by the deputies but has yet to be approved by the upper chamber.

3.2 Consultative Commission

21. A consultative commission on international development and co-operation was set up under the 1976 Law. It consists of 25 members representing the parties in parliament, trade unions, NGOs,

universities, the private sector and the media. Its purpose is to advise the Federal Council on development co-operation and humanitarian aid. Its secretariat is provided by the SDC. Since its creation, three sub-commissions have been set up to monitor more closely institutions and activities of specific interest - the Bretton Woods institutions, the World Trade Organisation (WTO), and co-operation with the East European countries.

22. A number of questions can be raised as to the effectiveness and real impact of this commission. It comprises representatives from a broad cross-section of society and political hues. This often makes it difficult to reach a consensus on the issues addressed. Furthermore, the commission's means are limited, and it functions primarily thanks to the voluntary participation and personal interest of its members. It does, however, play a considerable role in providing a political foundation to Swiss co-operation and ensuring that the Swiss population continues to support development co-operation and Swiss policy in this area. Comprising a wide range of representatives who in their turn may reflect the concerns of wider circles of society, the commission is a unique discussion forum that facilitates a useful dialogue between the government and civil society. It could certainly play a bigger role in mobilising public support for official development assistance policy.

3.3. *Swiss NGOs*

23. Swiss NGOs played a pioneering role in the field of development co-operation, since they have been working on behalf of disadvantaged populations in developing countries since the end of the 1950s. It was they who prompted the federal government to create an official development assistance agency. The federal government maintains very close ties with Swiss NGOs and provides funding for their programmes. The SDC also uses some of them to implement its programmes. The NGOs also constitute a pressure group which the federal government involves closely in the policy-framing process.

24. The five largest NGOs¹ are grouped together in an umbrella organisation (*communauté de travail*) which has a representative on the consultative commission. This organisation is actively involved in preparing and monitoring the decisions taken by Switzerland in the Bretton Woods institutions and the WTO, notably by its presence on the consultative commission and through the organisation of workshops. It also plays an important role in monitoring the Switzerland's bilateral debt reduction programme and the use of counterpart funds for social and environmental projects. The NGOs are increasingly concerned about the way the system of export risk guarantees functions, considering that it is not transparent and poses serious conflicts of interest with other policies.

25. A number of cantons and towns allocate resources for development programmes. With the end of the cold war, relations between Swiss communities and towns in Eastern and Central Europe have burgeoned. Among the most active cantons are Geneva, Zurich and Basle, which together account for 75% of cantonal aid. Geneva has the highest contributions for development - SF 13 per inhabitant (compared with SF 2.8 per inhabitant for the federal budget). However, there is no statutory basis for the cantons participating in international co-operation programmes proper, and their contributions are usually channelled through NGO programmes.

3.4 *Information policy and raising public awareness of development issues*

26. Under the 1976 Law, the government has an obligation to provide information and to raise public awareness of development issues. This policy is a strong point of Switzerland's aid system. Significant resources (over SF 5 million a year, of which a quarter for development education) are spent on it. The objective is threefold: to explain the necessity of aid, to inform the public about what is being done, and to

1. Swissaid, Action de carême, Pain pour le prochain, Helvetas and Caritas.

show that aid is in Switzerland's long-term interest. Many aspects of the Swiss aid programme seek to strengthen public support for co-operation. Thus, support is given to NGOs partly because of their ability to generate positive attitudes towards development co-operation. To win the support of public opinion, the government does not hesitate to stress the benefits of aid for Switzerland. In 1996, two research institutions were commissioned to carry out a study of the economic spin-offs in Switzerland of ODA expenditure (see Chapter 3). The government is also extremely active in other areas: it publishes a magazine "*Un seul monde*", annual reports and other specific publications; it also produces teaching aids and organises an annual conference on development co-operation. A specific theme is selected every year; in 1999, "Migration and development" and in 2000 "The other Africa" were the themes on which SDC's information campaign focused. Via the message "whoever sees Africa only in black will never discover its colours", it aims to promote an image of Africa other than that of AIDS, famine and ethnic conflict.

27. Swiss development education is aimed at young people in schools. With a view to creating a more systematic education strategy, an independent foundation - the Education and Development Foundation - was set up in 1997 by the Confederation, the cantons, teachers' associations and development NGOs.

Box 2. The Education and Development Foundation

The creation of this foundation in 1997 grew out of an awareness that Swiss development education needed to be strengthened. At the start of the 1990s, a survey carried out by a forum comprising most of the organisations involved in development education had shown the need for better co-ordination between NGOs and schools, which in Switzerland are the responsibility of the cantons. The foundation is a private organisation supported by the Confederation, the inter-cantonal conference on public education, teachers' organisations and private development organisations. Its mandate is to promote and strengthen development education in schools within a global perspective. Its main themes are human rights, multiculturalism, peace studies, North-South relations and sustainable development. It works with teachers, school documentation centres, institutions providing refresher training for teachers, and members of the commissions that draw up curricula. The Foundation provides information and advice, and lends and sells teaching aids and courses. It also funds educational projects in schools. In 1999, 9 projects were selected from the 29 submitted by various organisations.

28. Every four years, a opinion poll is conducted by the SDC and the NGOs. The results for 1999 show that a majority of the population is in favour of development co-operation (56% are in favour of maintaining it, 20% are in favour of increasing it.) They also show that that the population is still interested in co-operation and that it is well about informed about development issues. The public is increasingly concerned about world environmental issues and the need to modify life and consumption styles in the industrialised countries. The findings by the Max Havelaar Foundation are revealing about public awareness of development issues. This foundation was set up in 1992 by a number of NGOs, with the financial backing of the government, in order to promote fair trade that respects human rights and the environment (its products are sold in supermarkets) and to improve public awareness of development issues. A year after it was launched, "fair trade" coffee had a 5% market share, one of the largest in Europe (2.7% in the Netherlands, 1% in Germany). The success of the fair trade bananas introduced in 1997 was even more remarkable: their market share rapidly rose to 10%.

CHAPTER 2 VOLUME AND BREAKDOWN OF AID

1. ODA volume

29. As regards the volume of ODA, Switzerland has never signed up to the 0.4% of gross national product (GNP) target set by the United Nations. But since 1991 the Federal Council has set the policy objective of gradually raising official development assistance (ODA) to 0.4% of GNP. This objective is reaffirmed in the *North-South Guidelines* and in the 1999-2003 legislature programme. However, no timetable for implementing it has been set. The state of federal finances and the constitutional obligation to cut and then stabilise the federal budget deficit leaves little hope that the objective will be met in the near future. It is planned that from 2002 ODA will grow nominally by one percentage point more than nominal GNP, i.e. at about 4.25% a year. On the assumption that this growth rate is achieved, ODA could not attain 0.4 of GNP before 2015. However, a parliamentary motion was recently tabled to oblige the government to take concrete steps to achieve the target by 2011, which would require ODA to grow by SF 80 million a year.

30. In 1999, Switzerland's ODA totalled US\$ 997 million, up by nearly 12% in real terms on the previous year. The ODA/GNP ratio rose from 0.32% to 0.35%. This increase was noteworthy because the level of ODA had hardly increased during the previous years, even when net ODA disbursements are measured in constant prices and exchange rates to allow for the considerable fluctuations in the Swiss franc against the dollar during the period. The improvement last year is due to the aid effort in the Balkans. In 1999, an additional SF 100 million was released for humanitarian aid during the Kosovo conflict. From 1998, Switzerland started to include in ODA a share of the assistance it provides to refugees to help them return to their country and during their first year back; in 1999 this totalled SF 60 million. This was line with the DAC's decisions, which Switzerland had not complied with up to then. Also from 1998, Switzerland included in its ODA, funding to promote peace in the Balkans, totalling more than SF 50 million. In this context, it is worth comparing the trend of ODA with that of assistance to refugees. The latter did not account for more than 10% of ODA at the start of the 1980s. In 1990, it had risen to 40% of ODA. By 1999 it totalled SF 1.5 billion, and had caught up with and even outstripped the aid budget.

31. Measured in percentage of GNP, Swiss ODA has been close to 0.34% for several years, albeit falling in 1997 (0.33%) and 1998 (0.32%). With 0.35% in 1999, Switzerland ranked seventh among the DAC Members in terms of the ODA/GNP ratio, i.e. it had moved up three places since the last aid review. However, this improvement was due more to a decrease in other countries' efforts than to the growth of Swiss ODA. It should also be pointed out that the level of 0.35% was achieved thanks to the additional appropriation for humanitarian aid during the Kosovo conflict, and that it should not be inferred from it that Swiss ODA is on the increase.

2. Bilateral aid and the principles of resource allocation

32. The Messages to parliament set out a breakdown of commitments by geographical area and the scale of contributions to bilateral co-operation and multilateral co-operation. While the institutional system

allows a lot of flexibility in the way resources are allocated (see Chapter 4), in practice there is a certain amount of rigidity. The SDC does not allocate resources on the basis of portfolio performance or good governance. The actual allocation is done primarily on the basis of past commitments. The amounts to be committed are thus decided in advance on the basis of country programmes which usually cover a period of five years. Given that the SDC is primarily concerned with forging long-term relationships with its partners, there is not much scope for withdrawing from existing commitments, and thus for modifying short-term priorities. This being so, the annual budget is apportioned between the various geographical sections on the basis of annual allocations which are more or less set in advance. Within their allocation, the geographical sections have some leeway in the way they assign funds within the limits of their country programmes and regional commitments. But in practice little use is made of this leeway and in general it proves difficult to reallocate funds, especially outside the given geographical area, even when the performance of the country or portfolio is unsatisfactory. In this context, only an increase in the volume of aid during the next few years will allow the authorities to consider a substantial reallocation of resources to a smaller number of priority countries.

2.1 Geographical breakdown

33. The geographical breakdown of aid (Table I-3) shows that priority continues to be given to Africa, in line with the commitments set out in the Message on technical and financial co-operation for 1999-2002. In 1998, Africa received 41% of gross disbursements of allocable bilateral ODA, slightly more than the DAC average (36% in 1998). Its share fell to 34% in 1999 but this was due to the statistical distortion resulting from the additional funding made available to the Balkans. However, aid to Africa does seem to be decreasing slightly, down from 44% in 1995 to 41% in 1998. In 1998, Asia and America received respectively 32% and 16% of Swiss aid. The geographical breakdown also brings out very clearly the priority given to the CEECs. Europe received 8% of gross disbursements of allocable ODA in 1998 (26% in 1999). By way of comparison, the DAC average was 4% in 1998.

34. To ensure that bilateral aid is used effectively as possible, Switzerland concentrates it on a limited number of countries. The SDC's intention is to allocate to these "priority" countries and special programme countries at least 70% of its resources for technical and financial co-operation with developing countries: in 1999 it allocated 72% to them (88% counting regional projects). When the special programmes are included, the list of priority countries, which is already long in relation to the size of Switzerland's bilateral aid programme, is increased in practice to 21 countries. To this has to be added the 12 priority countries in the East European programme is 6 of which are in Part I of the DAC list, Albania, Bosnia-Herzegovina, the Kyrgyz Republic, Macedonia, Tajikistan and the Federal Republic of Yugoslavia. Also, a number of activities such as contributions to NGO programmes are not subject to the criteria for priority countries. The geographical dispersal of resources is compounded by the fact that the seco, which has its own priorities and manages barely more than US\$ 130 million a year (13% of the total in 1999) intervenes in no less than 36 countries, only 10 of which are on the SDC's list of priority countries. As regards aid to Eastern Europe and Central Asia however, there is more consistency between the geographical priorities of the SDC and those of the seco.

35. The list of countries benefiting from the SDC's programmes is also lengthened by the difficulty it seems to have pulling out of countries. For example, projects involving considerable amounts are still under way in countries like Cape Verde (SF 5.7 million disbursed in 1999) or Indonesia (SF 5.6 million). A number of countries which have never been on the SDC's list also seem to receive relatively large amounts; these amounts involve contributions to NGO programmes, and do not seem warranted by a regional approach either: China (SF 2.1 million in 1999), North Korea (SF 2.4 million), the Philippines (SF 2.5 million), Colombia (SF 2.2 million), Haiti (SF 2.0 million), Cameroon (SF 3.4 million) and Senegal (SF 4.3 million).

36. The twenty main recipients of bilateral ODA (Table I-4) are mostly priority countries or special programme countries, with the exception of Egypt, which continues to receive a large amount of aid in the form of associated financing. On the other hand, a number of priority countries (Mali, Chad, Ecuador, Bhutan) are not among the twenty main recipients. The share of ODA going to the twenty main recipients - 61% of the total in 1998/1999 - is down (it was 62% in 1993-94 and 69% in 1988-89). The remaining 39% is divided between the other 100 recipients. Furthermore, a significant share of bilateral ODA (35% in 1998-99) is not allocated on purely geographical grounds.

37. The upshot of all this is that aid is scattered thinly around - in 1999 the average amount of ODA per priority country did not exceed US\$ 11 million. With such levels of aid, it is difficult for Switzerland to achieve the critical mass needed for it to be counted among the biggest aid partners, even in priority countries, and to have a significant impact on sectoral policies.

2.2 Breakdown by level of income

38. Although there is a certain amount of geographical dispersal of resources, the situation is much satisfactory concerning the targeting of aid at the poorest countries. Of the 17 countries on the SDC's list of priority countries, ten are in the least-developed country category (LLDCs), six are low-income countries (LICs) and only one, Peru, is a middle-income country. The annual statistics (Table I-3) reflect the priority given to the poorest countries. 45% of gross disbursements of allocable bilateral aid went to LLDCs in 1998, which was well above the DAC average (25%). The corresponding share for LICs was 25%, while the combined share for both categories in 1998 was 70%, which is again well above the DAC average (56%). Very little aid was given to the category of high-income countries.

39. The 1999 statistics should be treated with caution. The share of ODA allocated to LLDCs in 1999 fell to 37% of total ODA, but this figure has to be set against the massive amount of aid given to the Balkans, which was on top of it. In absolute terms, ODA to LLDCs was virtually unchanged. In contrast, aid to LICs rose by US\$ 27 million between 1998 and 1999 (on account of the aid given to Bosnia-Herzegovina); as a result, the share of such aid in total ODA increased from 25% to 27%. Disbursements to lower middle-income countries increased by US\$ 64 million (due to the aid given to Kosovo), thereby raising the share of such aid in total ODA from 25% to 34%.

2.3 Basic social sectors

40. Switzerland subscribes fully to the 20/20 initiative, which called for the allocation of 20% of total ODA to basic social sectors. A document prepared by the OECD for the meeting held in Geneva in June 2000 to follow up the Social Summit, reviewed DAC Members' efforts (see Annex II). The share of Switzerland's ODA allocated to basic social services was estimated to be 13% (bilateral ODA) and 15% (total ODA) on the basis of average commitments made in 1997-98. The sectoral breakdown (Table I-5) shows that the target of 20% remains difficult to achieve in practice. Disbursements of allocable bilateral aid to basic education and primary health care represented respectively only 1% and 3% of such aid in 1999. If one considers that disbursements in respect of water supply and sanitation fell within the scope of the initiative, the total allocation to basic social sectors represented 8% of allocable bilateral aid. By way of comparison, the DAC average in 1998 was 8% (in terms of commitments), which shows that Switzerland faces the same difficulties as other DAC Members. It should however be pointed out that many SDC programmes encompass several sectors (18% of disbursements in 1999), so it is not always possible to identify the actual contribution to basic social sectors. However, the SDC has just put in place a new computer system that should improve the compilation of statistics, including those concerning aid to basic social services.

3. Multilateral aid

41. The split between bilateral aid and multilateral aid is about 70%/30%, and should be maintained in the next few years. This is very close to the DAC average, since multilateral aid represents about 32% of total DAC aid. Swiss ODA in the form of general contributions to multilateral organisations amounted to 257 million current dollars in 1999 (see Table 3). In percentage of total ODA, this represented only 26% since the additional funds for the Balkans were counted in bilateral aid.

42. When allocating multilateral resources, Switzerland uses criteria such as: the role and policies of the institutions it intends to give support to; the complementarity of their activities with its bilateral programmes; whether it will have a say in the framing of the institutions' policies and strategies, and in supervising their activities; the quality of their field operations and the financial burden sharing between donor countries. Switzerland's contributions are thus subject to a number of criteria which make the allocation of these resources somewhat less flexible. However, in the 1990s the allocation of resources was affected by Switzerland's growing commitments in the World Bank which arose from it joining the Bretton Woods institutions in 1992. Its contributions to the United Nations are down, but it aims to maintain them at about SF 100 million a year. Its contribution to the International Development Association (IDA) rose from 1.75% (IDA-10) to 2.43% (IDA-11). At the time of the 12th replenishment of IDA resources, Switzerland managed to maintain its share of contributions despite the budget constraints it was facing and the unfavourable trend of the dollar exchange rate, which meant that its financial commitment was higher than for IDA-11.

43. In recent years, Switzerland has sought to refocus its multilateral aid on a smaller number of international institutions. This decision was dictated by considerations of efficiency but also by the financial implications of Switzerland joining the World Bank Group in 1992. Thus, it stopped supporting several programmes of secondary importance [LLDC Fund, the United Nations Capital Development Fund (UNCDF), and cut back somewhat its contributions to the United Nations Development Programme (UNDP) and the African Development Fund (AfDF)]. It has sought to ensure a certain amount of stability (at least in current francs) in its contributions to its main multilateral partners. Furthermore, Switzerland has demonstrated its desire to co-operate closely with international institutions by maintaining its technical assistance trust funds and co-financing. This also enables it to get to know these organisations better and to strengthen dialogue on issues of common interest. Switzerland seeks constantly to strengthen the interface between international organisations and its own operational experience.

44. Switzerland's main partners are:

- Multilateral financial institutions: the World Bank, the IMF, the three main regional development banks and the International Fund for Agricultural Development (IFAD).
- The United Nations System: the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Population Fund (UNFPA), and the World Health Organization (WHO).
- Other institutions: the Consultative Group on International Agricultural Research (CGIAR), the International Union for the Conservation of Nature and Natural Resources (IUCN), the Global Environment Facility (GEF) and the Agence Internationale de la francophonie (AIF).

Table 3. **Multilateral contributions (gross disbursements 1999)**

In million constant 1998 \$

	1997	1998	1999	% in 1999
United Nations	105	100	88	34 %
World Bank	146	92	95	37 %
Regional Banks	53	55	48	19 %
Other	32	18	26	10 %
Total	336	265	257	100

Source: OECD.

4. Non-governmental organisations (NGOs)

45. A large part of Switzerland's ODA is distributed through NGOs. The SDC provides a considerable amount of support to NGO programmes. This support accounted for 15% of bilateral aid in 1995 but only 11% in 1999, a decrease of 17%. Nonetheless, it still represented 8% of total ODA for that year, which is a considerable proportion compared with the DAC average - 2% in 1998. The SDC co-operates closely with the NGOs. The twelve largest Swiss NGOs receive block grants in line with the SDC's strategic orientations and medium-term plans, on the basis of three-year contracts. Generally speaking, the SDC's contributions must not exceed 50% of costs (except for three of the largest NGOs with which the SDC has been co-operating for a long time; 60% of their costs are covered). For the smallest NGOs, an annual package of about SF 3 million is available for co-financing some of their projects, which are selected twice a year on a competitive basis. In addition, the SDC may commission NGOs to carry specific projects.

46. For their part, the NGOs collect substantial - and growing - amounts of money from the public every year. In 1998, they collected SF 250 million. Although the SDC's contributions have fallen steadily in recent years, while the share of costs funded by the NGOs themselves has risen, the question of the NGOs' dependence on the authorities is still relevant.

Table 4. **SDC contributions to the main Swiss NGOs (1998)**

	SF million	In % of Bilateral ODA
Co-funding of programmes	54	5 %
Grants to countries outside Europe and Eastern Europe	59	6 %
Total	113	11 %

Source: OECD.

5. Humanitarian aid

47. Switzerland has always attached particular importance to humanitarian aid. In recent years it has risen considerably on account of Switzerland's support for the peace process in the Balkans. However, this additional support has not been at the expense of other forms of co-operation or other regions in the world, since much of it came from additional appropriations voted by Parliament. Aid to the former Yugoslavia increased five-fold and that to Albania ten-fold, on account of the situation in Kosovo. In 1999,

humanitarian aid totalled US\$ 208 million in 1998 constant dollars, up by almost 60% on 1998 (Table I-2). To this has to be added Switzerland's contribution to the ICRC - which is counted under support to NGOs - amounting to US\$ 43 million in 1999. The share of humanitarian aid in total ODA rose from 15% in 1998 to 21% in 1999 (25% when the contribution to the ICRC is included). This figure should be compared with the DAC average - 7% in 1998 (including food aid for development purposes).

48. Switzerland provides its humanitarian aid through two channels - directly through the Swiss Disaster Relief Unit (ASC), and through Swiss and international partner organisations. In 1999, a large proportion of the additional resources was allocated to the ASC.

Table 5. Breakdown of humanitarian aid 1998-99 :

	1998 in SF million	%	1999 in SF million	%
Swiss Disaster Relief Unit (ASC)	21.7	10	70	23
United Nations	72.9	33	89.3	30
ICRC	81.9	37	93.4	31
Swiss NGOs	47.6	21	52.1	17
Total	224.1	100	304.8	100

Source: OECD.

49. About a quarter of Swiss humanitarian aid (some SF 45 million) is food aid. Two-thirds of this is channelled through the World Food Programme (WFP), Switzerland's main food aid partner. Food supplies of Swiss origin consist essentially of dairy products (55% of the total amount). Guidelines have been set regarding the criteria for granting such aid, and for the way it is distributed, so as to ensure that demand rather than supply dictates its provision, and that the aid supplied does not compete with local production. The remainder (cereals and other basic foodstuffs) is usually supplied by local or neighbouring markets.

CHAPTER 3

AID INSTRUMENTS: POLICIES AND APPROACHES

1. Cross-cutting issues

1.1. Good governance

50. Switzerland considers that good governance, democracy, respect of human rights and sustainable development are interdependent and mutually reinforcing. Switzerland's commitment to human rights, democracy and the rule of law are moreover among the five priorities of its foreign policy. In order to ensure more consistency in this area, the SDC and the seco work closely with other departments and offices of the federal administration. A report by the Federal Council on Swiss human rights policy has just been sent to Parliament and should serve as a benchmark for all the activities carried out directly or indirectly by the departments concerned. At the international level, Switzerland also participates in numerous initiatives designed to strengthen the role of good governance in the development process.

51. Swiss co-operation has incorporated the question of good governance and human rights in all its activities, both at the policy and operational level. In 1998 the SDC published guidelines on promoting human rights and development co-operation . They form part of a series of documents that address the rights of indigenous peoples, the fight against corruption, and the promotion of the rule of law, all of which were prepared after wide-ranging consultations. The guidelines set out strategic principles and courses of action for the promotion of human rights, emphasising the need for coherence between Switzerland's various policies, positive measures and policy dialogue with the developing countries, and international co-ordination.

52. At the operational level, the promotion of the rule of law and human rights is incorporated in most of the SDC's programmes and a growing number of country programmes. Switzerland's action in this area takes the form of support for the processes of political transition, democratisation, social and institutional reconstruction, decentralisation, and the promotion of women's and children's rights. The SDC supports international efforts to define performance indicators, especially those designed to provide an objective measure of quantitative trends. Switzerland has just made a valuable contribution to these efforts with the World Conference on Statistics, Development and Human Rights, held in Montreux from 4 to 8 September 2000 (see Box 3). Budget support has proved to be an effective means of introducing more transparency and improving the management of central government budgets. The assistance provided by the seco is often conditional on a review of public expenditure or tax reform, and is almost always accompanied by technical assistance.

**Box 3. Conference on Statistics, Development and Human Rights
Montreux - 4-8 September 2000**

Arranged jointly by the Federal Statistical Office and the Swiss Agency for Development and Co-operation (SDC) in the framework of the International Association for Official Statistics, the World Conference on Statistics, Development and Human Rights was a pioneering effort by Switzerland in this field. It was attended by some 700 people from over 123 countries and 35 international organisations, confirming the interest and worldwide dimension of the Conference.

Apart from promoting exchanges between producers and users of statistics, the Montreux Conference served to stimulate dialogue among statisticians, analysts and policy- and decision-makers on the content and relevance of indicators relating to human rights and human development. It further highlighted the role of statistics in the democratisation processes in the developing and transition countries.

Participants noted that it was essential to secure reliable statistics, interpret them in their context and supplement them with qualitative data. They also agreed that indicators should not be used to single out the “good pupils” from the “bad” but that they should be used to monitor the situation with regard to human rights and development, and help to improve that situation in each country. Rejecting a universal classification, they plan to develop indicators allowing comparisons between countries in the same region, with similar structures and problems. This theme of tailoring approaches better to different cultures and administrative systems permeated the conference discussions, whether in terms of poverty monitoring, promotion of democracy, or providing assistance to capacity building in countries.

The Montreux Conference demonstrated that there are gaps in the working skills and resources available to gauge respect of human rights and progress in development. For example, there are still no instruments to measure violations of some civic and political rights or to assess progress and changes in behaviour. Furthermore, while the work being conducted in the framework of the United Nations Development Programme (UNDP) to devise development indicators was unanimously hailed at the Conference, both definition and analysis still need to be refined, and the sources diversified. In addressing the Conference, the DAC Chairman mentioned the work undertaken jointly with the UN, World Bank and IMF to look for qualitative indicators in relation to the achievement of the international development goals and undertook to offer a forum for electronic discussion - under the auspices of the DAC - for that search to continue.

Participants pointed to the need to develop an international network of statistical expertise capable of responding to the needs of governmental and non-governmental bodies concerned to promote human rights and human development. The most disadvantaged countries further need greater international support in enhancing their statistical capability. The Conference acknowledged the efforts being made under the Paris 21 Project, under the aegis of the OECD Development Assistance Committee.

The Montreux Conference is the starting point for collaboration between institutions concerned with statistics, human rights and development. A meeting is to be held very shortly to agree a schedule of practical action.

1.2 *Gender equality*

53. Swiss policy states clearly that the integration, on an equal footing, of men and women in the development process, and of their specific needs in all areas and at all levels, is the *sine qua non* of sustainable development. The SDC's gender equality policy (1993) is based on three guiding principles which aim to ensure that : i) programmes and projects do not have a negative impact on men and children; ii) programmes and projects benefit women as much as men; iii) whenever possible, programmes and projects provide more support and resources to women who have a family to look after.

54. At the operational level, sectoral policies and most country programmes integrate the gender equality dimension. The success in stimulating gender-sensitive thinking can be explained by the fact that the promotion of gender equality was declared a priority for the SDC's staff as a whole. This stemmed from a political choice not to leave responsibility for it to a team of specialists but to involve all the personnel, with the Gender Unit of the Human Resources Departments playing only a support and advisory role. The strategy implemented since 1993 has put the emphasis on training the SDC's staff and its partners in gender awareness. The purpose of this training is to ensure that each programme manager mainstreams the gender dimension and has the necessary tools and knowledge to do so. An internal network was set up this year to allow experiences to be exchanged and knowledge to be transferred.

1.3 *The environment and natural resource management*

55. The environment has long been a priority of Swiss development co-operation and is one of the strong points of the Swiss programme. The Federal Law of 1976 stipulated that one of the aims of development co-operation was to encourage research into the environment and to maintain ecological and demographic balances. Swiss action in the environmental area is set within the framework of the follow-up to the United Nations Conference on the Environment and Development (UNCED, Rio 1992) and Agenda 21, and the implementation of international environmental conventions. The principle of environmental protection and sustainable development of natural resources are integral parts of Switzerland's programmes. A methodology for assessing the impact of programmes on the environment has been developed.

56. The SDC's environmental programme addresses protection of the atmosphere (renewable energies and rational energy use), chemical production (strengthening local capacity in order to improve knowledge and handling of chemicals) and biodiversity (preservation of natural ecosystems, encouraging moderate use of natural resources by local populations, protection of plants and crops). In all these areas, the SDC encourages local capacity and institution-building and, via technical co-operation, research and the application of new strategies. A number of bilateral initiatives which are complementary to the GEF's activities have also been funded so as strengthen the synergies in working out solutions to local and global problems.

57. Environmental concerns have also been built into Switzerland's economic and trade policies. An environmental impact study is done for each project involving associated financing, and priority is given to projects with a favourable direct impact on the environment (recycling and pollution abatement projects, transfer of green technologies). The seco has implemented specific projects involving the transfer of clean technologies. Trade promotion programmes encourage trade that respects the environment, and environmentally-friendly exports. The seco participates in programmes designed to guarantee the quality of production processes, and the introduction of management systems that meet ISO standards, as well as "labels" certifying that products meet environmental and social standards. In the same vein, Switzerland supports projects carried out by the International Tropical Timber Organisation (ITTO) which promote sustainable development of tropical forests. The concept of creative debt reduction has also made it

possible to encourage investment in environmental projects by means of debt-for-nature swaps or counterpart financing.

2. Financial policies

2.1 Swiss debt reduction policies

Principles

58. Switzerland has played a leading role in debt reduction since the start of the 1990s. At the time of the 700th anniversary of the Confederation, Swiss NGOs, backed by a strong wave of public opinion, had managed to obtain the approval of a framework credit of SF 400 million to finance a debt reduction scheme for poor developing countries. SF 100 million from a previous framework credit were added to this. This debt reduction facility has made it possible to implement what is sometimes called “creative debt reduction” on account of its innovative features. While these measures aim to alleviate pressure on the balance of payments and budgets of the countries concerned, they also link debt reduction to support for the poorest sections of the population.

59. This concern is embodied in the eligibility criteria, since the beneficiaries are heavily indebted low-income countries that have rescheduled their Paris Club debt, “focus” countries that have also rescheduled their Paris Club debt, and all the other LLDCs that are in neither category. About 45 countries meet these criteria but in addition they have to meet more political criteria, namely that i) they have embarked on an adjustment programme with the IMF and World Bank; ii) their record on democracy, human rights and good governance is acceptable; iii) their public debt management system is adequate. Lastly, the amount of debt reduction - especially through multilateral initiatives - should also be sufficient to have a significant impact on the growth and development of the countries concerned.

60. Given that Swiss aid is provided mainly in the form of grants and that ODA debt had already been cancelled at the end of the 1980s, the measures envisaged addressed all other types of debt (public and commercial bilateral debt, and multilateral debt). In particular, they provided for: i) the buy-back or conversion of non-guaranteed commercial debt on the secondary market, entailing that Swiss and international private creditors bear their share of their risk, i.e. that they accept a discount on the face value of their claims; ii) the buy-back of officially guaranteed claims; iii) the clearing of arrears or, from 1995, obligations to international financial institutions. It was via this mechanism that Switzerland contributed to the PRGF-HIPC Trust set up in 1996 by the World Bank as part of the Heavily Indebted Poor Countries Initiative (HIPC). Other measures were also planned: new money in the form of balance-of-payments assistance to countries which had avoided over-indebtedness in the past, institution and capacity-building for improved debt management.

61. The most innovative idea developed by the Swiss NGOs is to transfer at least part of the macroeconomic benefits of debt reduction to the poorest sections of the population, i.e. to the microeconomic level. When negotiating bilateral debt relief agreements, Switzerland has put in place local currency-counterpart funds to which the governments of the countries concerned have contributed part of their cancelled debt, which was thus bought back at a fraction of its original value. Counterpart funds are managed by an independent structure which usually consists of representatives of both governments and the NGOs. The counterpart funds are used to finance programmes and projects which cannot be charged to State budgets. They are usually for projects backed by NGOs or private bodies, in priority sectors which are defined fairly broadly.

62. Various actors both in Switzerland and the beneficiary countries are responsible for implementing debt relief operations. The seco is in charge of all Swiss debt relief programmes: it draws up the strategy and specific measures and is entirely responsible for implementing multilateral and complementary initiatives. It is in charge of the first phase of bilateral operations (amounts, buy-backs, conversion rates). Swiss ambassadors may participate in the management structures of counterpart funds, but it is the SDC which is responsible for implementation on the ground, i.e. the implementation and management of counterpart funds. This is done in close co-ordination with the “debt for development” unit of the Swiss coalition of NGOs. This unit also informs the public and the media, and monitors and evaluates the creative debt relief programme. Swiss and local NGOs are also involved, especially in the way counterpart funds are used.

Implementation of the debt reduction policy

63. Since the launch of the debt reduction programme, Switzerland has bought back (in 1992 and 1993) bilateral claims of Swiss exporters on 28 countries at an overall cost of SF 71 million; this buy-back was on the non-guaranteed portion of export credits totalling SF 350 million, so the average discount was 80%. When the guaranteed part is taken into account, total claims amounted to SF 1.3 billion. Agreements were signed with 19 of these countries, which made it possible to convert SF 1.1 billion of claims. Counterpart funds were created in 13 of these countries; at end-1998 they totalled SF 277 million, representing an average conversion rate of 25%. The number of projects for which counterpart financing had been approved by end-1997 totalled 569 (out of 2 570 proposed projects). 455 of these projects (i.e. 80%) were carried out by private bodies, the other 20% by public agencies. Three-quarters of the projects cost less than US\$ 100 000.

64. Regarding the buy-back of commercial bank debt, bilateral operations involved only small amounts - SF 2 million in 1991 - representing the cost of buying back, on the secondary market, Swiss bank claims on 16 countries, as well as claims amounting to SF 23 million on Ecuador, which were bought back from an international commercial bank at a cost of SF 8 million. Internationally co-ordinated debt reduction operations involved more significant amounts - disbursement of SF 77 million to the Debt Reduction Fund of the International Development Agency (IDA), making Switzerland the largest bilateral contributor to this fund. To date, twelve countries have benefited from Switzerland's contributions.

65. As for multilateral debt, Switzerland disbursed SF 69 million to clear the arrears of seven countries to the IMF, the World Bank, the Asian Development Bank (AsDB) and the Inter-American Development Bank (IDB). SF 56 million were also paid out to service the debt of four countries to multilateral institutions. Lastly, Switzerland committed SF 40 million to the Heavily Indebted Poor Countries Initiative (HIPC) in the form of a contribution, in two tranches, to the trust fund managed by the IDA, in settlement of payments due to the participating multilateral institutions.

66. Supplementary debt relief measures included: balance-of-payments support totalling SF 45 million for four countries (Ghana, Cape Verde, El Salvador and Zimbabwe); technical assistance to the United Nations Conference on Trade and Development (UNCTAD) for the debt management computerisation programme, from which the Côte d'Ivoire, Vietnam and Honduras benefited in 1998 and 1999, at an overall cost of SF 2.5 million; a programme to promote the autonomy of the HIPCs, which was initiated by Switzerland and to which it contributed SF 2 million, aims to help the latter countries to carry out the analysis required under the HIPC initiative and to put in place a national debt management strategy.

67. All told, debt reduction measures between 1991 and end-1998 totalled SF 389 million, or SF 49 million or about US\$ 34 million a year, which is not very substantial in absolute terms. In terms of disbursements, debt relief represented only 2% of total ODA in 1997 and 1% in 1998 (Table I-2), below the DAC average of 6% in 1998. This low percentage can be explained by two factors: firstly, the bulk of

bilateral debt reduction took place before the period under review. Secondly, Switzerland includes in ODA only amounts actually disbursed to buy back debt on the secondary markets, and not the nominal amount of debt relief to the developing countries concerned. Furthermore, this percentage does not reflect Switzerland's very active role in promoting debt relief, especially multilateral debt relief. Switzerland was closely involved in drawing up and strengthening the HIPC initiative. It also innovated by creating original methods of debt conversion - local-currency counterpart funds - though the involvement of NGOs from countries outside Europe, and the private sector, in the various stages of the conversion process was smaller than initially planned.

2.2. *Untying of aid and associated financing*

68. Swiss ODA is solely in the form of grants, since in the case of associated financing only the subsidy element is reported to the DAC as ODA. In principle, ODA is untied except for associated financing and financial assistance to the East European and CIS countries in part I of the DAC list. But this represents only about 5% of total aid. However, this aid has big positive spin-offs for the Swiss economy, since it gives export business to Swiss firms and consultants. More generally, aid as a whole has considerable repercussions on the Swiss economy. A study by the University of Neuchâtel and the University Institute of Development Studies of Geneva showed that the return on aid was between 90 and 102%, mainly because of the way in which such aid is implemented, and given that biggest spin-offs are indirect (57%), consisting of the goods and services bought by international organisations. In any case, Switzerland strongly endorses the DAC initiative for untying aid to the LLDCs, and has actively supported it.

69. Associated financing is managed by the seco. It enables private capital to be mobilised and to involve Swiss firms in priority projects in sectors in which Swiss industry has a comparative advantage. But from 1992 onwards, the Helsinki disciplines considerably restricted the scope for using this kind of financing, and it thus fell steeply. It now concerns only a few countries like Egypt (which explains that country's high ranking among aid recipients), China and Vietnam. All told, it amounted to SF 23 and 24 million respectively in 1998 and 1999, or only 2% of ODA, and is set to remain at this level in coming years. It represents barely 25% of the associated financing funds available at the start of the 1990s.

3. *Support for the private sector*

70. Responsibility for mobilising resources for private sector development lies with the seco. To this end, it has put in place a number of instruments for promoting private sector investment in developing countries. First of all, it provides non-financial services; it will fund up to 50% of the cost of feasibility and pilot studies for private investments (up to a ceiling of SF 1 million). Secondly, in 1997 the seco created the Swiss Organisation for Investments (SOFI) in the form of a joint venture with KPMG, the firm of consultants. This was modelled on the principle of a one-stop shop providing a range of services for potential investors, and especially information about projects, help with finding partners, and all kinds of advice. The management of the above-mentioned fund was recently delegated to the SOFI with a view to strengthening its role as a one-stop shop.

71. With the same objective of promoting private sector investment in developing countries, the seco has stakes in 20 financial intermediaries such as venture capital, leasing and guarantee funds. Managing this portfolio is not easy on account of the number of meetings it involves in relation to the size of seco's staff. In addition, it can influence private investment in the developing countries only indirectly, and does not allow Swiss companies to be targeted directly. It was for this reason that, in a Message to Parliament in

May 1996, the Federal Council proposed the creation of the *Société financière suisse pour le développement* (SDFC) to provide equity and borrowed capital and guarantees for private projects.

72. This company was finally set up in March 1999 under the name of *Swiss Development Finance Corporation* (SDFC), with the Confederation holding a minority stake (49%) - i.e. it chose to remain a minority shareholder - and the private sector 51%. The initial aim to raise SF 100 million has not yet been attained and for the moment the capital stands at SF 55 million. The SDFC offers two financial products: mezzanine financing (subordinated loans) and equity stakes. In addition, it helps firms to put together a complete financial package. The company is run by a five-member board, on which the seco has two representatives. It is managed by a team of Zurich-based consultants.. The seco does not sit on the investments committee. It is planned that the seco could guarantee the SDFC's private shareholders against political risks, up to 75% of their investment.

73. The SDFC's objective is to foster long-term partnerships between Swiss or OECD-area companies, and private firms in recipient countries. Whereas Swiss private investment flows spontaneously to high-income developing countries, the SDFC's aim is that only 30% of investment should go to these countries, 60% to middle-income countries and 10% to low-income countries. Ideally, the projects should be outside the capital city, be in sectors that will give a stimulus to the local economy, and usually cost between SF 1 and 5 million. The SDFC invests primarily in the energy, water, telecommunications, health and agrofood sectors, and in some manufacturing industries. The managers can decide themselves whether a project meets these criteria, otherwise the decision lies with the Management Board Committee on which the seco has three seats. The rules regarding investments are the usual ones: the investment may not exceed 25% of the total cost of the project, the equity stake should be between 10 and 30% of the total equity (which should not exceed SF 25 million), SDFC should never be the main shareholder and should have no management responsibilities. The SDFC cannot invest more than 25% of its capital in one sector, more than 15% in one country, and more than 10% in one project. Its statutes also lay down environmental and social standards which investments have to meet.

74. A little more than a year since it was set up, the SDFC has just made its first two investments. It is thus too early to make even a preliminary assessment of its investment policy. Some of its investments will probably be made with partners like the International Finance Corporation (IFC) or its counterparts in other countries' aid systems. It may be asked however whether its management rules do not create a bias in the choice and destination of investments, by emphasising the criterion of profitability rather than broader development considerations. It is also likely to be difficult to target countries which pose certain risks, especially when the SDFC has no representation in the field, unless the co-ordination offices play an active role in identifying and setting up projects (but they do not have always the specialised staff to do so).

75. Also, in an area where investments take many years to show a return and where projects usually operate at a loss during the first years, the possibility of developing a lending activity that would bring in a steady stream of income should be considered. Similarly, it might be timely to transfer the 20 stakes in funds currently managed directly by the seco with scant resources, to the SDFC. This would enable it to constitute rapidly a significant portfolio that would generate some income fairly quickly. The SDFC would very probably be in deficit for the first few years, which is normal when starting up this type of activity. But this could pose a problem, especially for the constitution of risk provisions (arising from the guarantees given to private investors). If the deficits had to be covered by the public shareholder, it would be difficult to justify a minority holding.

4. Humanitarian aid

76. Humanitarian aid is an important component of the Swiss aid system; indeed, it probably has the best humanitarian aid programme among DAC Members. Switzerland deliberately devotes a large amount of resources to humanitarian aid - about 20% of its ODA. The first objective of humanitarian aid is to save human lives and to alleviate suffering. The second objective is help people have a normal life again. The third is to enhance local mechanisms for dealing with a crisis. Five practical objectives follow from these: i) emphasise the quality of aid; ii) concentrate aid on sectoral or geographic priorities; iii) ensure that aid is suited to the victims' needs, obtain their co-operation and that of the local authorities, and help people to stand on their own feet; iv) integrate humanitarian aid into foreign policy; v) apply these principles to humanitarian aid operations by other actors.

77. Humanitarian aid is an integral part of Swiss foreign policy and involves close co-operation between the various actors, especially those concerned with development, refugees, human rights, peace and security. It cannot replace other foreign policy instruments however, and should be used only when other measures have failed to produce lasting results and as long as a situation exists. The real causes of crises, and especially of armed conflict, should thus be addressed by other foreign policy instruments and not by humanitarian aid.

78. The humanitarian aid provided in Bosnia and Kosovo is an example of how Switzerland helps to facilitate the transition from emergency aid to longer-term co-operation and reconstruction. The effectiveness of Swiss humanitarian aid stems partly from the wide range of instruments that are available for intervening in the various phases of a conflict.

79. The most distinctive feature of the Swiss system is the Swiss Disaster Relief Unit (Corps suisse d'aide en cas de catastrophe (ASC), which is renowned for its effectiveness and the speed with which it intervenes. This is made possible by the Swiss Rescue Chain (see Box 4).

Box 4. Swiss rescue chain

This is a specialised emergency aid unit which is managed by the SDC but which co-operates closely with eight partner organisations. It has a total staff of 100, 18 rescue dogs and 16 tonnes of equipment. The speed with which it can be mobilised is remarkable. A preliminary detachment is ready within four hours of the decision being taken to intervene, and the full team is operational and ready to leave within ten to twelve hours. It is self-sufficient for up to seven days. As the effectiveness of humanitarian aid partly depends on the speed with which help can be got to the victims of a disaster, the Swiss rescue chain is much appreciated by the international community.



ASC takes the decision to intervene, directs and funds operations

Swiss Seismological Service: gives the alarm

Swiss Air Rescue (REGA): transports reconnaissance teams

Swiss Disaster Dog Association (REDOG): provides teams of rescue dogs

Swiss Army: provides specialists for rescue operations

Swiss Red Cross: provides rescue equipment

Swissair: makes a jumbo aircraft available for relief operations

Zurich Airport: provides logistical services (loading, customs, etc.)

CHAPTER 4 POLICY COHERENCE

1. North-South Guidelines

80. An important and original aspect of Swiss development assistance policy, as set out in the North-South Guidelines, is the importance placed on ensuring consistency between development policy and other policies. The Guidelines state that “Switzerland must rethink its relations with the developing countries in a complex and changing environment, in which development co-operation is no longer the sole consideration but rather all the policy, economic and social relations with those countries. What is required is a coherent policy towards the South.” The Guidelines recognise that there are contradictions and conflicts of interest between the objectives of aid policy and those of other foreign policies dictated by Switzerland’s short-term national interest. They stress that such contradictions should not be ignored; on the contrary, they should be highlighted so that, if they cannot be removed, they can at least be tabled into the political decision-making process. The first step is thus to set out the objectives of development policy. This is done in the Guidelines, which state that the aim of development policy is to:

- Safeguard and promote peace and security, human rights, democracy and the rule of law, by promoting good governance, combating the illegal flight of capital and corruption, encouraging a reduction in excessive military spending by developing countries, and contributing to conflict prevention and crisis management.
- Promote prosperity by creating the conditions for sustainable growth in the developing countries by increasing Swiss ODA to 0.40% of GNP, by accompanying the adjustment process and implementing debt reduction measures, while supporting the productive sector and the private sector, and by opening the markets of the North to products from developing countries.
- Increase social justice by fighting poverty, reducing demographic growth and promoting internationally co-ordinated humanitarian aid.
- Protect the environment both in Switzerland and abroad, harmonise environment, trade and development policies and co-ordinate them at the international level.

81. Conflicts are inevitable between these aims and those of other policies, be they foreign or domestic, which have an impact on developing countries. For example, the aims of domestic policies to promote employment and growth via export promotion measures, may clash with those of development policy which seek to promote democracy and human rights. The Guidelines therefore recommend that development assistance policy be harmonised, in so far as possible and via appropriate co-ordination mechanisms, with trade, environmental and agricultural policies, as well as with labour market and immigration policies, the aim being to eliminate at least those contradictions that are involuntary. Similarly, the aim of efforts to improve the internal consistency of development policy is to make aid more effective by improving its implementation. Any remaining inconsistencies are then supposed to stem from

a political decision-making process in which the diverging interests of the various federal departments have been weighed against each other, so that the inconsistencies are “accepted” or at least explicit.

2. The SDC’s 1995-98 action plan

82. The SDC has put a lot of effort into improving coherence, notably by drawing up an action plan to implement the Guidelines during the period 1995-1998. This has undeniably increased the visibility of coherence issues, which is not frequent among DAC Members, and is worth mentioning. The action plan sets out 109 detailed measures for implementing the 37 actions identified from the Guidelines, specifies a timetable for completing them, and relevant responsibilities within the SDC, and designates the partners in the federal administration with which the SDC will be co-operating. To facilitate the implementation of the plan, special working parties were set up to ensure consistency between conceptual and operational approaches, and between multilateral and bilateral activities.

83. A recent study by the *Institut universitaire d’études du développement* (IUED) found that, all told, 62% of the planned measures had been implemented in full, and 20% partially. According to X. Tschumi and C. Schumperli-Younossian (see their article in the *Annuaire Suisse-Tiers Monde 2000*), a methodical effort has been made to improve policy coherence but for want of political backing it has not always been crowned with success. The process has been widely perceived by other departments as an attempt by the SDC to encroach on areas which are outside its sphere of competence. Nonetheless, progress has been made, for example with regard to arms exports, on which the SDC is consulted, or to political conditionality.

84. With regard to arms exports, Switzerland seeks to ensure that they are compatible with development policy. Such exports now represent only a tiny part of Switzerland’s total exports - 0.19% in 1999, equivalent to SF 230 million, compared with 1% 20 years earlier. Most of them are to industrialised countries, with developing countries accounting for only 20 to 30% (SF 51.4 million in 1998). These exports are controlled by the Military Materiel Act, ensuring that Switzerland meets its international obligations. There is absolute ban on exports of nuclear, bacteriological and chemical weapons, as well as of mines.

85. Other arms exports have to be authorised by the seco, and the SDC may be consulted when the exports pose a risk to peace, if the importing country’s human rights’ record does not meet certain criteria, or when there is an international consensus not to allow such exports. If opinions differ as to whether the exports should go ahead, the Secretary for Economic Affairs takes the final decision. If there are still differences of opinion regarding the human rights aspects, the matter is discussed by the two Secretaries of State who are concerned and can then be referred to the two ministries and finally to the Federal Council. This happened in the case of Pakistan: arms exports to that country were banned after if carried out nuclear tests in 1998.

86. Similarly, political conditionality, the aim of which is to ensure that aid recipients respect human rights, has acquired a new dimension, as a result of which the content of some programmes has been revised (for example, that in Madagascar), since all the Confederation’s relations with the country in question are taken into consideration. Since 1999, it has been the Federal Council that decides whether to continue co-operation with certain States, breaking off co-operation being considered only as a last recourse. Lastly, civil society in the form of the NGOs makes its opinion known of course.

3. Areas in which inconsistencies persist

3.1 *Export risk guarantees*

87. Export risk guarantees are the most documented example of the difficulties involved in ensuring that policies are consistent with one another. Admittedly, a provision of the 1980 Act on export risk guarantees stipulated that the fundamental principles of Swiss development co-operation policy must be taken into account when deciding to grant export guarantees for the poorest countries. Likewise, the Guidelines state that “when the risks attending the provision of export guarantees to LLDCs are being evaluated, it is necessary to focus on the political dimensions and human rights compliance in the recipient countries.” But recent experience shows that the economic situation of the LLDCs is such that it does not allow export guarantees to be provided.

88. The difficulty involved in ensuring consistency between external economic policy and other policies is illustrated by the case of two countries that are not LLDCs. In December 1996, the Federal Council decided to give its agreement in principle to the granting of an export guarantee to Asea Brown Boveri (ABB) for the supply of equipment for the Three Gorges Dam in China despite the environmental impact of the project and the fact that it would involve the displacement of 2 million people. Jobs in Switzerland and international competition thus outweighed social and environmental considerations. ABB was thus awarded a guarantee of SF 240 million in August 1997. At least the Swiss NGOs that were against the project were able to express their opposition publicly and vocally. The representatives of the SDC and the trade unions in the export guarantee commission had been opposed to the guarantee. In the case of another contested guarantee worth SF 130 million, which was given to the Sulzer company for the Ilisu dam in Turkey in November 1998, NGOs were - for the first time - even consulted officially by the Export Guarantee Commission. But they were not consulted when a second decision was taken in June 1999 to grant ABB a guarantee amounting to SF 160 million for the Three Gorges project, since it merely implemented the first decision.

89. These decisions show that external economic policy is not governed solely by foreign policy considerations, or at least that the conflicts of interest that arise in policy-making are resolved in accordance with the relative strengths of the various actors. As the *Report on Switzerland's foreign policy in the 1990s* (November 1993) states, policy coherence is necessary in order to maintain the attractiveness of Switzerland as a financial and business centre, to ensure that its limited resources are used as efficiently as possible, and to promote its interests to the full. The Guidelines represent a praiseworthy effort to ensure that policies take account of other priorities, notably those of development. However, they have no binding value per se, and do not guarantee that development priorities will take precedence over the government's other policy objectives. It is thus not surprising that short- or medium- term objectives, especially the preservation of jobs in Switzerland, have sometimes prevailed, and continue to do so, over development assistance objectives.

3.2 *Capital flight*

90. The Guidelines state that it is necessary to combat illegally acquired capital, and corruption. Switzerland has ratified the OECD Convention on combating bribery of foreign public officials which came into force on 1 March 2000. This convention makes it a criminal offence to bribe foreign public officials in business transactions “in order to obtain or retain business or other improper advantage in the conduct of international business.” It makes it possible to abolish the tax deductibility of bribes, and the Swiss criminal code was revised at the end of 1999 in order to bring it into line with the convention. But Switzerland plans to recognise the criminal liability of legal persons; the fact that it did not do so up to now

was recently criticised during the recent OECD review of its anti-corruption criminal law. An internal working party of the SDC drew up guidelines for combating corruption, which the SDF management adopted on 25 September 1998. These guidelines are not legally binding. However, since 1996 and further to the recommendation of the DAC High-Level Meeting, an anti-corruption clause has been systematically inserted in all development assistance contracts and agreements.

91. The most sensitive issue is the flight of capital from developing countries and its subsequent laundering. Progress has been made on this front too. Switzerland participates in the Financial Action Task Force on Money Laundering (FATF) and in October 1997 passed an anti-monetary laundering law which came into force on 1 April 1998, which brings the Swiss system broadly into line with the FATF's recommendations. The law requires intermediaries to report any suspicious transactions but it is incomplete since they are obliged to do so only once the business relation has been established and financial institutions interpret the obligation restrictively.

92. The example of the former president of Nigeria, Sani Abacha, who died in 1998, illustrates the difficulty involved in ensuring that policies are consistent with one another. In October 1999, before a request for assistance had been filed by the new Nigerian government, the Swiss authorities froze all the assets of the former president and his family. US\$ 660 million were discovered on 140 bank accounts which had been opened in Swiss banks by members of the former president's family. The funds, which had been transferred from other major financial centres, were placed in Switzerland by shell companies or with the complicity of Nigerian or western businessmen. On 4 September 2000, the Federal Banking Commission published the findings of an inquiry. Breaches, some of them serious, of the obligation to take due diligence, had been found in six banks, with consequences both at the personal level and on the organisation of the banks involved. Furthermore, the absence of real federal powers to institute legal proceedings in such cases (the Confederation's competence is essentially subsidiary) was an impediment to effective prosecution since most of the cantons were not equipped to combat this type of crime effectively. For this reason, in December 1999 the Swiss Parliament adopted an amendment to the criminal code, which transferred to the federal prosecution department responsibility for conducting a considerable part of the proceedings in international and supra-cantonal cases of money laundering and organised crime.

93. Also, the law on mutual legal assistance in criminal matters, which makes it possible to co-ordinate the fight against money laundering, was revised in 1996, and the amendments thereto came into force in February 1997. Although this law has speeded up and simplified proceedings, they are still too slow. Thus proceedings are still under way against the former Pakistani Prime Minister Benazir Bhutto, the former president of Zaire, Mobutu Sese Seko, and the former president of Haiti, Jean-Claude Duvalier. They have been held up by the fact that the letters rogatory of the States concerned are either incomplete or lacking. However, Switzerland has already frozen funds before letters rogatory have been completed (for example, in the case of Mobutu). The main impediment to co-ordinating policy with regard to financial transactions is Swiss bank secrecy, which continues to facilitate the flight of capital from developing countries. Swiss bank secrecy does not protect funds of criminal origin. It is lifted for corruption, money laundering, or when funds have siphoned off by a head of state, etc., and is thus not an obstacle to international legal co-operation in this area.

94. The recent report by the OECD on access to bank information has been accepted by Switzerland. But it does not concern tax avoidance, which in Switzerland is only an administrative offence and for which, by virtue of the principle of dual criminality, mutual legal assistance is not possible. In fact, current provisions regarding bank secrecy are not at all called into question

3.3 *Policy towards refugees*

95. Switzerland does not see itself as a country of immigration. However, in keeping with its humanitarian tradition and the principle of affording provisional protection to refugees (recently introduced in the asylum law), in the 1990s it took in numerous refugees from the conflict in the former Yugoslavia, first from Bosnia and then from Kosovo. Between 1 January 1998 and 30 August 1999, 53 000 people were taken in provisionally. After provisional protection was lifted, programmes to help the refugees return home were put in place jointly by the Federal Office for Refugees (ODR) and the SDC, with the former providing individual financial assistance to those refugees wishing to return to Kosovo, and the latter carrying out, with funds from the ODR, structural assistance and reconstruction programmes in the country of origin. In Bosnia, this policy ran into difficulties. On the one hand, the aim of encouraging refugees whose provisional protection had been lifted, to leave Switzerland was, by and large, achieved. On the other, the aim of resettling them in their country of origin in acceptable conditions was only achieved partially, especially in the case of all those people who were unable to move back into their homes for ethnic reasons, and many of whom became refugees in their own country. To resolve this problem, assistance to help refugees return home should be co-ordinated more closely with the timetable for restoring peace and normal conditions in the country of origin.

3.4 *Trade with developing countries*

96. Swiss imports from developing countries accounted in 1998 for 8.5% of total Swiss imports. During the last decade this share has remained relatively stable. Swiss exports to developing countries accounted for 15% of total exports. As with other DAC Members, Swiss trade is more intensive with the more advanced developing countries than with the least developed countries. Bilateral trade with the least developed countries has declined during the last decade to only 0.1% of total trade in 1998. Total imports from the least developed countries were valued at US\$ 116 million in 1998. Four countries supply 66% of all imports from the least developed countries; Bangladesh 29% (mainly cotton and cotton products); Liberia 21% (mainly oil); Uganda 9% (mainly coffee) and Nepal with 7% of total imports.

3.4.1 *General System of Preferences*

97. The Swiss General System of Preferences (GSP) was established in 1972 in compliance with Resolution 21 (ii) of the Second Ministerial United Nations Conference on Trade and Development in 1968. The system is characterised by the granting of preferential treatment in the form of exemption from duty in most cases and by a wide range of products covered (all industrial and many of the agricultural goods).

98. Pursuant to the decision on Measures in Favour of the Least Developed Countries adopted at Marrakesh in 1994 at the signature of the GATT/WTO Agreements, Switzerland completely revised its GSP at the beginning of 1997. The scheme was renewed for a ten-year period to 2007. In particular, improvements were made with regard to the coverage of agricultural products. LLDCs were granted duty-free and quota-free access for their main agricultural products (coffee, tea, cocoa, bananas, oranges, all tropical fruit, fish, shrimps, honey, nuts, spices, tobacco) and for all industrial products, including all types of textiles, clothing and footwear. The product coverage of the scheme has also been improved for other beneficiary developing countries, which have been granted duty-free and quota-free access for industrial products with the exception of textiles and clothing, for which 50% tariff reductions were established.

99. Graduation of the most advanced developing countries was applied, the main criterion being the removal of a country from the list of development aid recipients of the Development Assistance Committee of the OECD. The following countries and territories had been graduated as of 1 March 1998; the

Bahamas, Bermuda, Brunei Darussalam, the Caiman Islands, Cyprus, the Falkland Islands, Hong Kong, Kuwait, Mexico, Qatar, the Republic of Korea, Singapore, and the United Arab Emirates. The rules of origin are harmonised with those of the GSP rules of origin of the European Union, under which regional economic groupings of developing countries enjoy cumulation facilities.

100. Currently, almost 90% of the imports from least developed countries enter the Swiss market duty-free. Most of the remaining import barriers concern agricultural products, of which only 48% of the tariff lines carry a zero tariff. The tariff barriers are mainly focused on animal forage and related products; inputs for the food processing industry are subject to quotas; a price compensation mechanism is maintained for some raw materials.

3.4.2 *Swiss Agricultural Policy*

101. Border tariffs, supply-control measures (dairy production quotas), production-related payments - of ever-growing importance - and other direct payments are the most important agricultural policy instruments used in Switzerland. Import protection and overall producer support still remain among the highest within the OECD, in spite of the agricultural reform initiated in 1993. This is mirrored in producer support estimates² (PSE) as a percentage of the value of farm production, which were the highest in the OECD area in recent years; at 73% in 1999, the Swiss PSE was about double the OECD average. Accordingly, domestic prices of agricultural products are still almost two and a half times as high as world prices and about double the price level in the European Union. In view of the broadly unchanged high level of farm support, a second phase of agricultural reform came into force in 1999. The reform seeks to improve the competitiveness of the farm sector and to promote the objective of environmental "sustainability".

102. The Uruguay Round Agreement on Agriculture, with its disciplines on market access, export subsidies and domestic support, provide a framework for the potential opening-up of the Swiss market for agricultural products imports. Although the conversion of non-tariff import restrictions into tariffs has increased transparency, it did not translate into a brisk expansion of trade. The average ad valorem-equivalent of Switzerland's farm tariffs, capturing both in-quota and out-of-quota supplies, was estimated at over 80% in 1995. A large degree of border protection thus still exists. The level of market support declined from SF 6.5 billion in 1986-88 to SF 4.7 billion and SF 4.5 billion in 1998 and 1999 respectively; direct support rose from SF 1.4 billion in 1986-88 to SF 2.6 billion in 1998 and SF 2.9 billion in 1999, production-related payments having risen steeply in recent years. The use of direct export subsidies has remained stable over the past two years - SF 423 million in 1998 and SF 437 million in 1999. From a coherence perspective, it is questionable that Switzerland continues to protect and subsidise the production of cereals, oilseeds, potatoes and sugar, and the disposal of domestic supplies, especially dairy products, on foreign markets.

4. **Conclusions concerning the coherence of Swiss development assistance policy**

103. Thus, there are still inconsistencies between the various policies that have an impact on developing countries. This should not, however, disguise the fact that Switzerland is certainly one of the DAC countries with the most coherent approach to development assistance, the aim being not to eliminate all the inconsistencies but to highlight them, possibly with a view to resolving them and to promoting as far

2. The PSE is an indicator of the value of the monetary transfers from consumers to support agricultural producers. The PSE includes transfers from consumers of agricultural products and transfers from taxpayers.

as possible the objectives of development policy. The fact that the Guidelines have had little impact on the outcome of the political decision-making process in sensitive areas like bank secrecy shows that public support is a prerequisite for implementing them. From this standpoint, the NGOs provide an essential interface between the government and the public, but they are somewhat isolated since business considers that development is also an area where the country's economic interests are at stake.

CHAPTER 5
IMPLEMENTATION OF ASSISTANCE: ORGANISATION, STAFF,
MANAGEMENT SYSTEMS AND RESULTS

1. Organisation of the aid system

1.1. Division of labour between the main players

104. In Switzerland two federal agencies have responsibility for the design and implementation of development assistance: the SDC in the FDFA, and the seco in the FDE. The seco took over on 1 July 1999 from the Federal Office for Foreign Economic Affairs (FOFEA). The common mandate and division of labour between the two agencies continues to be governed by the implementing order of the Federal Law on international development co-operation and humanitarian aid of March 1976, subject to a few borderline adjustments since then, and by a 1992 federal order and a decree of 1998 for the transition countries. They have shared general aims, but separate mandates and spheres of activity. As part of the general overhaul of government in Switzerland, launched in 1996, changes were considered in the way the international co-operation sector was organised and a number of scenarios were reviewed, one consisting of combining the two agencies in a single structure. Ultimately, however, it was decided to preserve the existing form of organisation, with steering committees being introduced to enhance co-ordination. There is no common general strategy set out formally in a specific document. Each agency sets out its own in documents such as the SDC's *Vision 2010* or the seco's guidelines approved in September 1999. Nevertheless, the two agencies co-ordinate their strategies in a strategic committee of their directors, as well as in steering committees, and by drawing up jointly the programmes for countries in which they are both involved.

105. At the bilateral level, the SDC covers the following three areas: development co-operation, humanitarian assistance and technical co-operation with Eastern Europe. The seco has responsibility for the economic and commercial aspects of development co-operation: mixed credits, debt reduction, balance-of-payments measures and budgetary assistance, promotion of investment and trade, and commodity operations. A substantial portion of these activities address the transition countries in Central and Eastern Europe and the CIS. With regard to assistance for Eastern Europe, financial co-operation was initially a matter for the seco alone and technical co-operation for the SDC alone. The drawback in that approach was the artificial divide it created in projects where both types of assistance were required. The allocation of responsibilities was altered, and is now less rigid.

106. At the multilateral level, the two agencies share responsibility. The seco has responsibility for co-ordination with the World Bank, regional development banks and the European Bank for Reconstruction and Development (EBRD), while the SDC takes the lead with the IFAD and UNFPA. Multilateral technical assistance, in particular co-operation with United Nations institutions, falls within the competence of the SDC.

1.2 *Internal organisation of the SDC and the seco*

107. Since the last DAC review, the SDC has made only slight adjustments to the way in which it is organised. As the chart on the next page indicates, apart from the central and support services reporting directly to the Director, there are four main divisions. One is functional and operational: the Policy, Planning and Multilateral Affairs Division. The other three are operational. There are two geographical divisions: the Bilateral Development Co-operation Division, covering countries outside Europe, and the Division for Co-operation with Eastern Europe and the CIS. The first comprises six geographical sections (two for Asia, two for Africa, one for the Middle East and North Africa and one for Latin America), each of which supervises the co-ordination offices (BuCos) in its area, together with the sectoral services and two sections dealing with study grants, courses and NGOs. The second has three geographical sections, for South-Eastern Europe, for the CIS and for special and regional programmes (in Bosnia and Kosovo) respectively. The third operational division deals with humanitarian aid and the Swiss disaster relief unit.

108. The sectoral services have recently been reorganised. They had been conventionally structured with sections dealing with economic affairs, agriculture, human resources (education and health care), industry and vocational training, the environment, and water and infrastructure. They are now organised on a cross-cutting basis in line with the SDC's five strategic approaches to 2010: (i) crisis prevention and management (ii) good governance, (iii) increasing incomes and employment, (iv) enhancing social equity, and (v) sustainable use of natural resources. The first three issues were previously dealt with by the co-operation policy division. The SDC considers that the specific competencies built up by the sectoral services before they were reorganised will be preserved in the new structure, but they will be combined with a view to dealing with increasingly complex problems that require multi-sectoral responses. Some SDC staff and NGO representatives fear that the reorganisation may result in the store of technical knowledge being lost, or make it more difficult to take part in defining and implementing sectoral policies. At this stage it is hard to tell whether the fears are warranted.

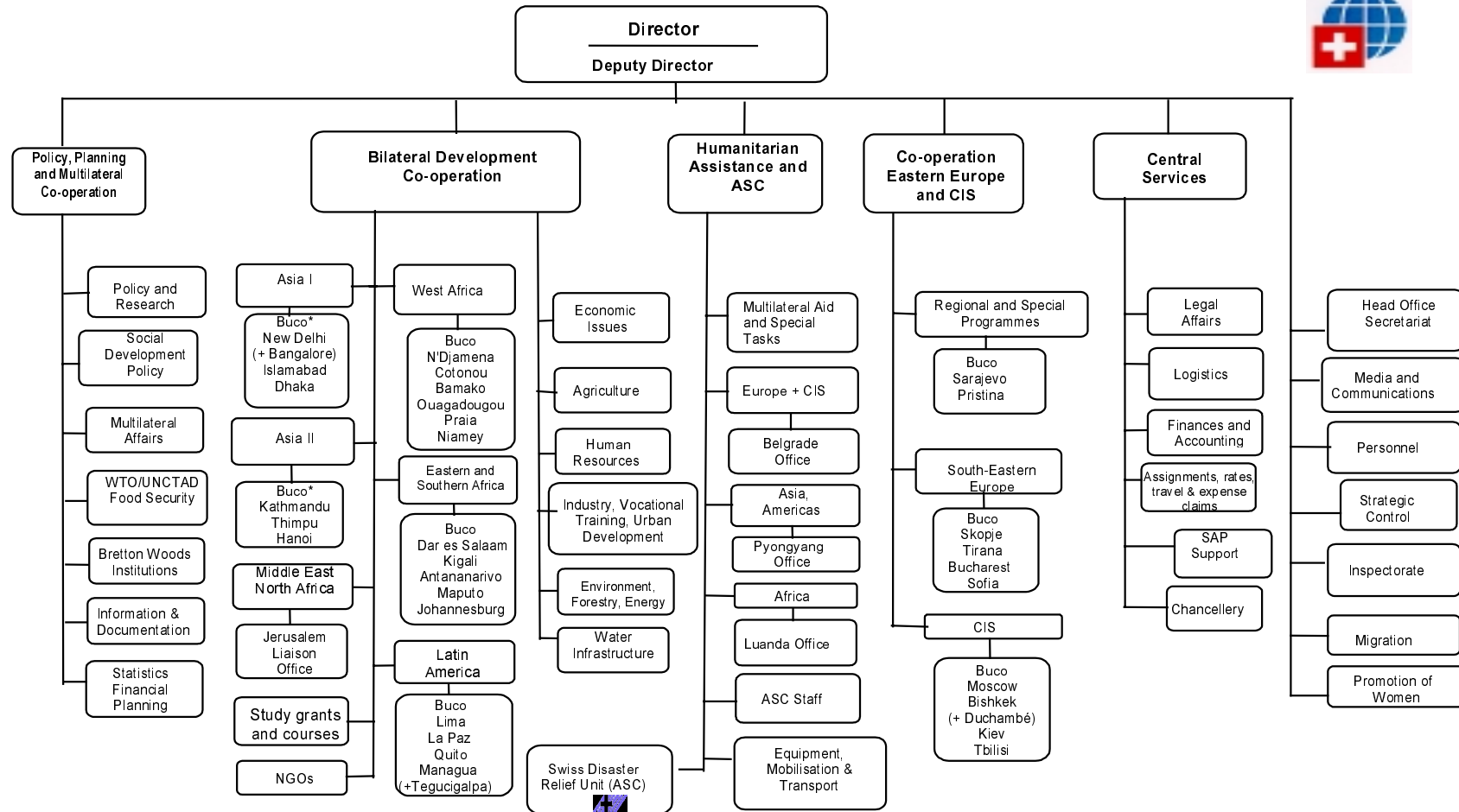
109. Only part of the seco, its Development and Transition service centre, has responsibility for assistance. That is the outcome of the major reorganisation carried through in 1999, and the merger between what had been the Development Service, responsible for the countries outside Europe, and the Service for Economic Support to Central and Eastern Europe. The structure of the seco is shown in the chart below. The Development and Transition service centre is divided into six "sectors": a horizontal sector (quality and knowledge management), a multilateral sector (multilateral financial institutions) and four operational sectors, responsible respectively for investment promotion, balance-of-payments assistance and debt reduction, trade co-operation and environmental technology, and project financing.

1.3 *The co-ordination offices (BuCos) and the division of labour with headquarters*

110. There are 34 decentralised units in all, 30 BuCos and four liaison offices. All come under the SDC, which is responsible for managing them, including staff management. Nineteen BuCos and one liaison office (in Palestine) are located in 16 of the 17 SDC priority countries (the programme in Bhutan is run wholly by the NGO Helvetas) and the four special programme countries. There is another BuCo in Pyongyang and two liaison offices in Angola and Honduras, to co-ordinate humanitarian aid. Another ten BuCos co-funded by the seco, and one liaison office (in Georgia) are located in the transition countries in Eastern Europe and the CIS.

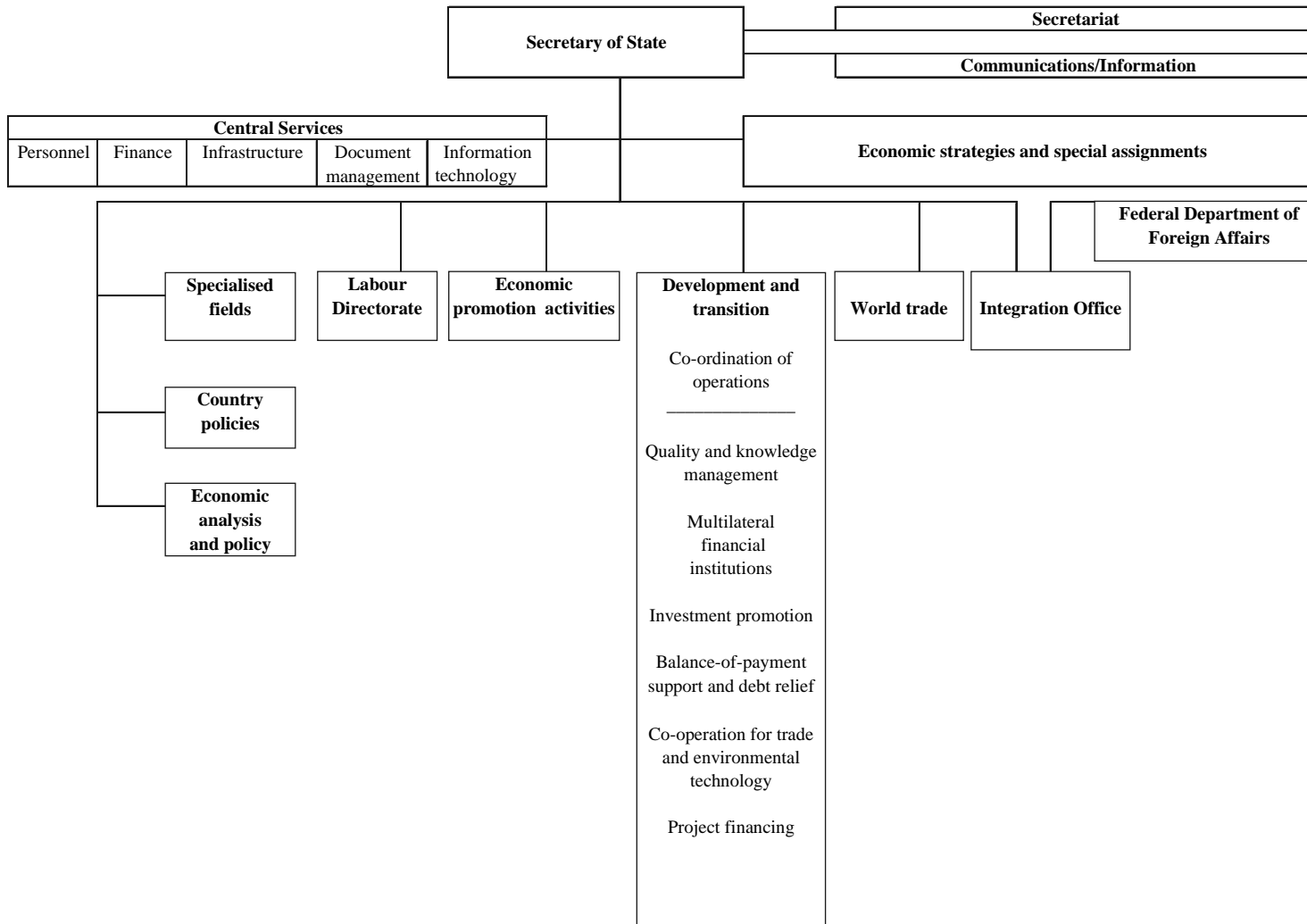
111. Starting in the mid-1990s, the SDC conducted a programme, BuCo 2000, designed to increase the autonomy of the co-ordination offices as part of a decentralisation process and transfer to them all the powers and responsibilities that could be assumed locally. BuCos are hence responsible for all executive aspects of the operational programme, and for identifying new projects. They analyse local conditions and

Chart 1. Swiss Agency for Development and Co-operation (SDC)



* Buco: Co-ordination Office.
Source: SDC.

Chart 2. **Organisational structure of the State Secretariat for Economic Affairs (seco)**



Source: Seco

conduct policy dialogue with partners. The co-ordinators are also responsible for the management of local staff. SDC central headquarters concentrates on overall planning and monitoring, and approves the country programmes and annual programmes prepared and applied by the BuCos. The co-ordination offices in transition countries are on a somewhat different footing: staff are selected in conjunction with the seco, and the offices are in local embassies with which they work closely to analyse and monitor overall conditions in each country.

112. In principle the BuCos are part of Swiss embassies, since the SDC comes under Foreign Affairs. In operational practice they are autonomous, however, as they report directly to their headquarters in Berne and have their own budgets. Ambassadors accordingly have no hierarchical authority over BuCos, but the latter do co-ordinate with their embassies, generally via weekly meetings between the BuCo co-ordinator and the ambassador. The ambassador is not directly involved in funding decisions, but he does sign the relevant agreements with the authorities locally.

2. Staff: level, qualifications and assignment

2.1 SDC staff: numbers and structure

113. Table 6 shows the trend in SDC staffing since 1997. Numbers have risen slightly over the past three years. The increase in the number of staff at headquarters was in fact smaller than the figures would indicate. A growing number of SDC staff (up from 50 to 90) are part-time; several people have also been taken on a part-time basis for the installation of new computer systems. The growth in the expatriate staff

Table 6. Swiss co-operation staff (SDC)

	31 Dec. 1997	31 Dec. 1998	31 Dec. 1999
<i>I. Headquarters staff</i>			
Programme managers and personnel	175	177	189
Administrative staff	119	131	129
Trainees	9	15	11
Apprentices	7	10	11
Total (excluding trainees and apprentices)	294	308	318
Total (including trainees and apprentices)	310	333	340
<i>II. Co-ordination office staff</i>			
Programme personnel	50	59	64
Administrative personnel	24	27	32
Total expatriate personnel	74	86	96
<i>III. Additional expatriate personnel</i>			
Seconded to international organisations	6	11	13
Secondment programme (level 1 - young professionals)	30	34	31
Secondment programme (level 2)	6	6	8
<i>IV. Others</i>			
Expatriate project staff	58	59	45

Source: SDC

of the co-ordination offices has been marked. But this also reflects changing circumstances - the number of co-ordination offices and special programmes launched by the SDC (for example in the Balkans) has risen slightly. The number of expatriate staff in each office has remained more or less flat. In contrast, there has been some increase in the number of national programme officers, depending on regions. Field visits showed that these officers are generally of satisfactory standard. As from 1 January 1998, the status of the 70 field staff who were previously hired under contract ("*contrat de droit privé*") changed and they became civil service employees ("*contrat de droit public*"). The great majority of other staff are also civil service employees. As a rule they are well motivated and of satisfactory standard, with diverse profiles, as generalists or specialists. The policy of seconding officials to international organisations has been extended since the last review, and 12 staff are now on secondment, broadening their experience as part of a career development process. Fresh human resource management instruments have been developed since the last review to enhance recruitment, performance management and staff training.

114. The number of national programme officers in the co-ordination offices has risen in recent years. Some co-ordination offices still do not have any but many of them have two, three or more. Over the past five years, the number of local staff has risen from 270 to 480. They are managed by the co-ordination offices. However, the SDC needs to have accurate statistics for national personnel, showing the number of programme officers, administrative and support personnel (drivers, security officers, etc.)

115. The most serious staffing problem that the SDC has to tackle is the imbalance in the age pyramid, with the under-40s outnumbered twofold by the over-40s. The trend is even more marked in the higher echelons, since it is expected that half the membership of the current board of management will retire in either 2001 or 2002. In order to tackle this problem and restore balance, some years ago the SDC instituted a junior experts programme, under which young officials were recruited, additional to the permanent staff, from specially earmarked funds, in order to enable them to acquire the necessary skills to be taken on a full-time basis. Of the 39 junior experts in the programme at the end of 1999, 31 were seconded to multilateral institutions, NGOs and the CGIAR as junior programme officers (JPOs), while eight were in second-level posts, most of them in co-ordination offices.

116. Female staff are still in the minority, just 43% of all staff at end-1999 while the proportion declines in the higher echelons: only 17% of the posts of section head, for instance are held by women. Steps have been taken to correct this situation, however, and there is a higher proportion of women than men in the under-40 age groups.

117. Although the SDC comes under Foreign Affairs, mobility within the department is very restricted since there are no exchanges of staff between the SDC and other directorates, with just one exception; that is particularly regrettable since determination to develop staff mobility was reasserted in December 1998 in a message to Parliament, and an active policy on this score would help to remove the impression that the SDC has a tendency to operate in a vacuum. Mobility within the agency could usefully be given more systematic encouragement too, for at present a staff member can easily spend the bulk of his career in the same section or geographical sector, something that promotes inertia and compartmentalisation. This may result in different approaches to intervention being applied from one sector or geographical section to another, as between Latin America and East Africa for example. Movements to other parts of the SDC, and possibly the seco or other agencies, could usefully be made compulsory at intervals of some five years. At present, moreover, there seems to be no obligation for headquarters staff to move to posts abroad, which are filled on a voluntary basis. Some headquarters staff may accordingly lack field experience, or indeed spend their entire career at SDC headquarters.

2.2 *Seco staff*

118. The seco staff is small (in line with its budget, which represents only 13% of ODA). They number 44, around one tenth of SDC staffing). Nearly half of programme managers and two sector heads are women; the average age is 35. The internal reorganisation of the seco, mentioned earlier, resulted in a far-reaching turnover, since about half the staff left the seco as a result, within twelve months. Over half the posts accordingly had to be filled again within twelve months, including virtually all the executive posts, which is not conducive to preserving the agency's "institutional memory". The reorganisation was further combined with the introduction of an ISO 9001 certification procedure, the quality mark being obtained at the end of June 2000. The introduction of this quality management system is designed to upgrade seco work on an ongoing basis, but it is too soon to judge the precise results.

2.3 *BuCo staff*

119. After falling significantly between 1995 and 1997, the numbers of expatriate SDC staff in the field then recovered, to total 73 at end-1999. At the same time the number of national programme officers rose from 11 to 16. In all there are some 450 local staff, whose management has been devolved to each co-ordination office. By and large the staffing seems adequate, despite the relative geographical dispersal. Some offices, such as the one in Dar-es-Salam, have recruited several national programme officers of satisfactory standard.

3. **Management procedures**

120. Management procedures at policy level are very simple and very flexible, and certainly correspond to the best practice among DAC members. The aims of Swiss co-operation are set by Parliament, on the basis of proposals developed by the SDC in conjunction with the seco and embodied in "messages" (see Chapter 1), presented by the Federal Council every four years as a rule. The SDC is not simply an executive agency; it defines policies and selects objectives. With the messages come very brief orders, which Parliament is invited to approve, opening framework credits for periods of at least four years.

3.1 *Setting aims*

121. The messages sent to Parliament start with an analysis of the international situation. They also include a report on all the operations conducted and projects financed from the earlier framework credits, broken down into separate sections for the relevant parliamentary committees. They further contain a statement on proposed co-operation to be covered by the new credits. Last, the messages provide a schedule of the major commitments to be charged to the framework credits.

3.2 *Budgeting*

122. The recent message on continuing technical co-operation and financial assistance set out the financial implications of the aims described, proposing an appropriation of SF 4 000 million (approximately US\$2 600 million) for commitment between 1999 and 2002, though the corresponding disbursement may extend beyond that period. It then supplied a broad breakdown of commitments, as between bilateral and multilateral co-operation and by continent.

123. Within the broad breakdown by continent, the message contains estimates for the priority and special programme countries: for Asia, for example, the priority countries are expected to secure 85% of

the appropriation, Palestine 5%, regional programmes 7% and other countries just 3%. But both the amounts and the proportions are indicative only, and in theory can easily be adjusted. As a result it should be a simple matter to reallocate assistance from one country to another as circumstances dictate, though this is not always the case in practice. It is also the reason why assistance may be dispersed, far more widely than originally proposed, across a fairly large number of countries during the course of the programme.

3.3 *Decisions on the allocation of funding*

124. It should be noted first of all that, in the management of the programme, the certainty that funds are available for four years allows sound, though not rigid, programming of aid. Admittedly, Parliament must include the funds each year in the budget, and sometimes the funds actually allocated are smaller. However, as the number of budget articles is very small (for example, bilateral co-operation with the developing countries is covered by a single article amounting to over SF 450 million), the government has a lot of leeway in the way they are used. Within the broad appropriations, funding can be easily reallocated between countries or priority topics, at least in theory. The measure of flexibility that is allowed in the use and re-allocation of funds gives Swiss aid the potential to be very responsive and very adaptable, points that deserve to be emphasised. In practice, however, this scope is not greatly utilised: it seems very difficult, for other than procedural reasons (for example, because of historical ties or the desire to preserve relations with the country in question), to adjust allocations and in particular to halt a country programme. Madagascar is a case in point.

125. It is also noteworthy that the Finance Department is involved only in the preparation of the messages to Parliament, and then only in discussions on the overall level of framework credits, without intervening in the distribution between items. That allows the SDC and the seco to base decisions on a developmental approach, not on short-term financial considerations. Parliamentary monitoring of the use of resources is conducted *ex post*; it can however influence broadly the way funds will be used during the discussions on the framework credits.

126. In the course of the period the Federal Council has scope to grant emergency supplementary appropriations with the approval of the Swiss Parliament's Financial Delegation, or ordinary supplementary appropriations with the approval of Parliament itself. The procedure is used mainly for humanitarian crises calling for unanticipated expenditure which cannot be charged to the routine appropriations. Switzerland's humanitarian involvement in the Balkans in 1999, for instance, received supplementary funding.

127. With regard to decisions to commit funds for project financing, responsibilities in SDC are graded in terms of the amounts involved. For projects up to SF 1 million, the decision lies with the SDC deputy directors and the head of operations (seco). Between SF 1 and 5 million, the decision lies with the Directors of the agencies. Between SF 5 and 20 million, decisions are taken by two Federal Councillors who are responsible, and over and above SF 20 million the Federal Council must approve funding proposals. The SDC has delegated decisions for projects up to SF 200 000 to heads of section and service, and to BuCo co-ordinators under country programmes and the corresponding annual programmes. Outside the priority countries, Swiss embassies have appropriations of SF 100 000 a year for small operations, at the discretion of the ambassador: the SDC can make specific commitments at the proposal of the heads of missions.

3.4 *Treatment of particular objectives*

128. The latest message on technical co-operation and financial assistance sets priority themes, but makes no breakdown between them. Achieving the objectives for each theme is then a matter for the SDC and the seco. In areas such as the environment and the sustainable use of natural resources, responsibilities are shared among the SDC, the seco and the Federal Office of Environment, Forests and Landscape (OFEFP). The SDC and the seco work in close conjunction, but OFEFP's skills are perhaps not sufficiently employed. In order to boost sectoral and policy co-operation with the OFEFP, in 1998 the SDC signed, at director level, a memorandum of collaboration. The SDC's bilateral programme supplements the multilateral operations of OFEFP (contributions to the World Environment Fund and the Montreal Protocol Fund). Environmental programmes account for some 15% of current projects, though it must be borne in mind that the SDC seeks to build this factor into all projects (mainstreaming), by systematically checking their environmental impact. Environmental considerations are also taken into account in all economic and commercial policy measures.

129. With regard to gender equality, SDC policy seeks, as mentioned above, to build these issues systematically into all projects, but there is still progress to be made on this score. In particular, projects are not systematically examined to check that gender issues have been taken into account. The relevant unit at SDC headquarters has a staff of just two, but there are resource persons in a good many BuCos. At present, staff training is accordingly the main thrust of policy to improve gender-issue integration through a change of culture at operational level and in project preparation; the change is not yet complete. The implementation of this cross-cutting policy is nonetheless making headway, although success varies from unit to unit within the agency.

130. With regard to good governance, training and awareness measures have been introduced for Swiss development co-operation personnel. Special statistics are being collated in order to assess progress in areas of good governance. Switzerland's new policy with regard to political conditionality (see Chapter 1) has found practical expression in the introduction of a clause dealing with political conditionality and respect for fundamental rights and democratic principles in all the co-operation agreements it concludes with partner countries. An anti-corruption clause is also included in all contracts placed by Switzerland.

3.5 *Monitoring and evaluation of aid*

3.5.1 *Evaluation in the SDC*

Organisation and performance of evaluation

131. The evaluation system in the SDC was reformed in late 1996, with the then evaluation service being abolished and replaced by a somewhat novel arrangement, one that may not fully comply with the DAC principles on the evaluation of assistance. In the new arrangement, known as Planning-Monitoring-(Self) Evaluation-Completion, or PSER, which partly covers what is usually termed the project cycle, a "controlling" element has been introduced. The SDC defines it as an instrument for raising the quality of co-operation, by gauging the outcome against the objectives. Controlling determines whether action has proved effective, whether it has achieved its aims. It operates at two levels: strategic controlling, performed by a small unit in the Director's office, and operational controlling, which is performed by small units within each operational division. Eight staff are involved in all, including administrative back-up.

132. The evaluation system consists of:

- a) Quarterly, six-monthly and annual reports by project and programme managers (SDC and partners), which are not evaluations in the proper sense of the word.
- b) In-house self-evaluations, in other words self-evaluations conducted by the operational units which are responsible for carrying the projects through. What is more, the self-evaluations are performed as part of the project cycle, and so prior to completion, towards the end of one of the phases (projects often comprise several successive phases). There is a good self-evaluation manual, issued in February 1996: in particular it places emphasis on the need to combine self-evaluations and external evaluations.
- c) External evaluations, the manual for which is being updated, represent about 70% of the total number of evaluations (81 evaluations were scheduled in 1999). There are two types of external evaluation: i) those decided by an operational unit (with varying degrees of methodological support from the Controlling Service), which commissions the consultants to carry them out; the latter are entirely responsible for the evaluations; ii) external evaluations decided by a unit (for example, the Director, or at the proposal of the Controlling Service) other than that directly concerned; these too are carried out by external consultants.

133. External evaluations of the second type are however carried out only for a small proportion of projects, programmes, thematic sectors or country programmes - about 15 evaluations a year. The consultants are selected by the operational units (with the approval of the controlling service), which also pay them and are responsible for drawing the lessons from the evaluations and disseminating them within the SDC. Aside from reporting to the Director, in this context what the controlling does is essentially methodology. Both types of evaluation, in-house and external, may be carried out for the same project.

Problems raised by this approach

134. With the PSER, the SDC has drawn up a method for controlling quality and efficiency within the operational units themselves. From the SDC's standpoint, this has the advantage of closely involving the operational units and their partners in the process. However, the approach outlined above in fact raises several problems, and these were identified in an examination of the SDC evaluation system by two outside consultants in the second quarter of 2000. The first problem, quite clearly, is that the evaluation function is not independent of the operational functions. Lack of independence is manifest in the case of self-evaluation: projects cannot be appraised with the same objectiveness and critical distance when the people involved are the very ones carrying the projects through. In this context self-evaluation, taken together with the fact that projects are usually evaluated before completion, amounts much more to in-house monitoring than to evaluation proper: operational controlling is more a management control approach than an evaluation in the strict sense of the term. On the other hand, the SDC considers that there is perhaps a better chance for its recommendations to be taken rapidly on board.

135. With the external evaluations, the influence of operational units is again decisive since their involvement extends to selecting the consultants. The procedure does not necessarily guarantee independence, inasmuch as the pool of evaluators is small, and there is no bar in any case to their having taken part in designing the project which they are now assigned to evaluate: that is not clearly and formally ruled out. That is a sign of an inward-looking organisational culture, where there is some mistrust of outside evaluations. It is held, for instance, that they do not allow effective appropriation by recipients, which is open to question since the terms of reference for an external evaluation may require the close involvement of local partners. It would seem the concepts of externality and independence have not yet been fully taken on board by the SDC.

136. Feedback from evaluations is another weakness in the system, for although feedback on the actual project is good as a rule, the main findings of each evaluation are not systematically disseminated outside the geographical section concerned, to other parts of the SDC, which ensures however that the summary of each evaluation is widely circulated within the in Directorate. Transferring information to other units is not part of the normal duties of the operational services, and the work of the sectoral services has only very partially remedied this problem. Broadly speaking, the SDC should put more emphasis on the management of information and experience. Finally, the approach tends to focus on the project's effectiveness, in other words its capacity to achieve the objectives, without overmuch regard to efficiency, in terms of the resources used to achieve those objectives. That may be connected to the fact that, since the SDC operates via grants, there are no payback obligations for recipients. Accordingly, the SDC seems to give less priority to efficiency than to accountability. Last, the fact that fairly few evaluations are conducted ex post means that greater attention is paid to success or failure in project execution, and in the investment phase, than on the operation of projects, their results and their medium-term viability.

Consequences and outlook

137. The foregoing observations suggest that the SDC's evaluation system has certain weaknesses. It should be stressed however that partners are involved in the process as systematically as possible. They receive the reports, and they are consulted about the conclusions to be drawn. From this standpoint, the reformed arrangements introduced in 1996 have not made great changes to evaluation, although the controlling element has helped disseminate information about objectives, strategy and monitoring, and has certainly produced greater consistency in the objectives. But it would be desirable to bring in rules and procedures designed:

- To remove the current responsibility of operational services for selecting projects to be evaluated, for framing terms of reference for evaluations, and for selecting consultants.
- To make more systematic use of external evaluations.
- To disseminate evaluation findings more effectively, to draw conclusions not simply for the particular project but for the design and implementation of other projects as well, and to ensure systematic monitoring of steps taken to that end.
- To develop cross-cutting or sectoral evaluations, with the involvement of sectoral services.

3.5.2 Evaluation in the seco

138. The seco has traditionally run external evaluations of its economic co-operation with developing countries and its assistance projects and programmes with Eastern Europe. In June 1999 it published a handbook on monitoring outcomes for these activities. The handbook first draws conclusions from evaluation work to date, acknowledging that evaluation had not been sufficiently systematic, that outcome monitoring during project execution had been neglected, that the dissemination of experience gained had been haphazard, that indicators had been lacking, and that the standard of reports had been very uneven. It goes on to propose an evaluation methodology in line with the DAC principles, in particular with regard to the independence of evaluation teams. The seco quality and knowledge management section is responsible for handling evaluations, and in particular planning impact assessments and cross-cutting analysis, where applicable in close conjunction with the operational sections. It has started to introduce procedures to ensure that the findings of evaluations are systematically disseminated and exploited, and has put in place an evaluation database. The involvement of project participants in evaluations is stipulated. Last, the quality management section has to produce an annual report on the evaluations and their findings.

4. Outcome and performance

4.1 Analysis of activities

139. The Swiss system displays in many respects a noteworthy capacity for analysis and review. Improving strategies and raising the effectiveness of co-operation activity seems a constant concern in the SDC. This is clear from the numerous analysis and review exercises that are regularly conducted, in the form of evaluations, studies and workshops, whether for individual projects, in the co-ordination offices when country programmes are being prepared, in the geographical divisions or across the agency as a whole. Overall, the Swiss system has successfully adjusted to new circumstances over the years. The SDC has consistently and by stages deepened the implications of the poverty reduction objective. The seco too displays great flexibility in adjusting its instruments to a changed environment, and indeed in developing fresh instruments.

140. There is accordingly very extensive analysis and review, but it is still too internalised to provide the distance required for a proper critical approach and for consideration of the experience of other aid agencies. In addition, the process occasionally seems to be too abstract to be transposed rapidly into aid delivery. That results in a gap between policy intentions, as set out in the guidance, strategy and indeed planning documents, and the actual implementation and outcome of Swiss aid operations.

141. The Swiss system, like many other aid systems, still has insufficient resources to gauge the impact of its activities properly and to draw up a regular balance sheet of results. For the SDC this is due to the absence of indicators, but also to the weakness in external evaluation and the failure to capitalise on experience throughout the agency. Since evaluation exercises are conducted or commissioned by the operational divisions, doubts remain, as mentioned above, as to the independence of evaluations. In addition, a measure of internal compartmentalisation means that results are not always fully disseminated throughout the agency. Last, the findings of evaluations conducted by individual geographical divisions in the SDC do not seem to be systematically or comprehensively reviewed.

4.2 Reports on aid monitoring

142. On the other hand, Swiss co-operation has numerous means of reporting on its activities on a regular basis, and its concern for information and transparency is almost unparalleled. But the range of publications are mostly vague as to tangible results, and only rarely contain quantitative data. An annual report on development co-operation is published jointly by the SDC and the seco. Each year a particular topic is described in detail, presenting examples of Swiss co-operation activities in a number of countries. Good governance was one of the topics discussed recently. But the descriptions are general, and seem largely for public relations purposes. The main aim of the annual report is to provide statistics on the utilisation of assistance: origin of resources, geographical and sectoral breakdown, contributions to international organisations and NGOs, etc.

143. The messages which accompany the requests for framework credits to Parliament are a further opportunity for reporting. They include an overview of bilateral co-operation over the past period, in relation to the objectives set for the previous appropriation. At the same time, the information deals with selection and implementation criteria rather than with outcomes gauged on the basis of quantifiable indicators. The latest message reviews bilateral co-operation with emphasis on the concentration approach, stronger co-operation with civil society and the private sector, and cross-cutting issues.

144. Switzerland's valuable experience in participatory development and debt reduction would deserve to be more fully documented, so that lessons can be drawn more systematically and the results

disseminated more extensively. The infrequent opportunities to make an overall assessment of activity in a given country or sector clearly show that this more systematic approach would be necessary to draw conclusions from experience properly and bridge the gap between intentions and actual outcomes.

4.3 *The cross-cutting study on poverty*

145. A cross-cutting study on poverty was conducted in 1997 via interviews in all the geographical and sectoral services and a review of policy documents, credit proposals for all the projects classified under poverty reduction (direct and indirect) and empowerment³ (see box 1), country programmes and evaluation reports. The purpose was to determine how the SDC's policy to combat poverty was applied in practice and to enhance the effectiveness of projects and measures in this field. The findings led the SDC to refine its social development policy.

146. The review confirmed the commitment of the SDC at every level to combating poverty, which the staff as a whole see as the agency's *raison d'être*. Most of the SDC's activities in developing countries are regarded as measures designed implicitly to combat poverty. Most projects are intended to benefit the most disadvantaged groups, in rural areas, in the poorest countries, and place emphasis on a participatory approach, relying extensively on non-governmental bodies. In the absence of a clear-cut policy and specific objectives for poverty alleviation, or precise performance indicators, however, the actual contribution of the Swiss aid programme to reducing poverty is hard to demonstrate. The evaluation reports, which should be an essential basis for learning and raising effectiveness, are not of great value. The reports that were analysed contained few tangible observations on combating poverty. Insufficient data had been collected on the integrated rural development projects, which the SDC sees as a prime tool for poverty alleviation, for it to be possible to appraise their impact.

147. The main findings of the review were:

- **Concept.** Poverty remains an imprecise concept and no attempt has been made to provide a valid definition for the whole agency. Some confusion was in fact observed given the numerous concepts of poverty alleviation. Poverty is unanimously defined in political and social terms, while the empirical international yardstick of a dollar a day does not seem to be employed.
- **Context.** Project proposals are not commonly based on any analysis of context, and usually do not even include a description of the situation in terms of poverty. Country programme documents provide relatively little quantitative information on the circumstances of the most disadvantaged groups and do not make reference to existing research or national policies on poverty alleviation and social development.
- **Targeting.** Target groups are rarely defined. In most projects, targeting is confined to a general description such as small farmers, the rural population, women and so on. Only 19% of the projects reviewed mentioned the poor as direct partners. Poverty is frequently perceived as something relatively homogenous, and spatial and sectoral selection seems to take the place of targeting.
- **Approaches.** Given the lack of precision in defining target groups and the low involvement of the poor as direct beneficiaries, the SDC's approach to combating poverty is described as indirect. With regard to the level of intervention, its approach is usually at micro (income

3. The process of enabling poor populations to take charge of their destiny.

enhancement, satisfying basic needs) and meso (institutional development) levels. The SDC does recognise, however, that combating poverty also calls for macroeconomic measures. But promoting empowerment is the main instrument for combating poverty, and in this area the SDC has substantial experience because it has always given encouragement to participatory approaches.

- **Indicators.** The SDC does not as yet have indicators for monitoring and evaluating its poverty alleviation work. In the absence of indicators, progress cannot be gauged.

148. The review shows, on the other hand, that empowerment is less difficult to understand, as a concept, than poverty. Within the SDC it is seen as something close to self-promotion which, along with participation, has been embodied in the agency's operational practices for many years.

CHAPTER 6 IMPLEMENTATION OF ASSISTANCE: OPERATIONS IN THE FIELD

1. Country strategies and the programming of assistance

149. The field visits by the Secretariat and the examiners in Bolivia and Tanzania demonstrated that the programming of aid is indisputably one of the strengths of the Swiss development assistance system, even though further progress could be made in some areas.

1.1 The country strategies

150. For each of the priority countries there has been a longstanding process of medium-term planning of activities, in the form of country programmes running for five years, with the possibility of extension to seven years after a mid-term review. The country programmes set the basic principles of Swiss co-operation, the fields in which it intervenes, the objectives of co-operation with its partners, public and private, and with other donors, bilateral or multilateral, NGOs and executants. The programmes are drawn up in the field, by the BuCos, in conjunction with SDC headquarters: the country officer sits on the steering committee. In the last two years the seco has also become involved in the preparation of the country programmes, so these are now the reference framework for the whole of Swiss development co-operation. At the final stage, the document is formally approved and signed by the SDC's director and his seco counterpart.

151. The preparation of these programmes has improved in recent years inasmuch as the approach has become increasingly transparent and participatory, via broad consultation with local partners. That is generally conducted through workshops involving local representatives of government and civil society (NGOs, academics, etc.). The Swiss ambassador usually takes part in the discussions. The process is accordingly relatively complex and staggered over time: it may take up to a year. Taking the case of Tanzania, which is regarded as an exemplar, it consists first of all of an evaluation, usually by an outside body, of the previous country programme and its results, and then of a strategic review looking fifteen years ahead, and an analysis of individual sectors, programmes and projects.

152. The essential aims of the programme for Tanzania are clearly stated. They are three in number: alleviating poverty through economic growth and social reform; good governance, in the framework of democratic institutions; and development that integrates gender equality. The basic principles are promoting transparency and accountability, promoting gender equality and support for the processes of decentralisation and democratisation, promoting empowerment and the emergence of civil society, support for management and capacity building, and promoting the private sector.

153. The process is a fairly logical one: the objectives are ranked, the preconditions to be met are set out, together with factors that may jeopardise achievement of objectives, and the strategy pursued in each sector. It continues with programming for sectors, projects and the two cross-cutting issues (gender

equality, and decentralisation and democratisation). An overall estimated funding requirement, broken down by sector, cross-cutting theme and project, is attached, for each year in the programme, so that aid is both visible and predictable. The exercise ends with the establishment of scenarios for each of the sectors and topics involved.

154. These scenarios are based on a range of assumptions concerning the implementation of reform by the authorities locally, and clearly set out the consequences of incomplete reform for the volume of aid, which will be revised downwards if the authorities do not take the steps to which they have committed themselves, in specific sectors, which are seen as essential to project viability. Swiss assistance in Tanzania is marked by a high degree of sectoral conditionality, in the highway sector for instance, something that the government there regrets. But this attitude seems warranted in the light of experience, since it is pointless to continue with projects when the key conditions for their success have not been met.

155. The country programmes hence appear on the whole to be satisfactory documents, although further progress could be made in their preparation, at a number of levels. First of all, the recipients themselves, at the grass roots, are not sufficiently associated with the process. In addition, participation by representatives of other donor countries, even simply sounding out their opinions, is still very restricted and could usefully be extended especially since, as mentioned earlier, Swiss aid is increasingly turning towards joint sectoral programmes with other funding agencies. Last, the document cannot be regarded as a joint programme by Switzerland and the country concerned: it makes no precise reference to the country's own strategy, when it has one, and although it is transmitted to the government it clearly remains a Swiss co-operation document. As such it is not really conducive to effective empowerment. Finally the objectives are set in qualitative rather than quantitative terms and are not accompanied by numerical indicators against which achievements can subsequently be gauged.

1.2 *The annual programmes*

156. The country programmes are put into operation through annual schedules or programmes which are based on the country programmes but adjusted year on year to changes in the local context, taking into account the pace at which projects are being executed, drawing lessons from events over the previous year and generally taking stock. The annual programme will include any adjustments or corrective measures that are required. There is a measure of flexibility at this level, in theory at least, because the annual allocations set earlier in the country strategies are indicative ones. The geographical sections, covering countries in the same continent, receive a budget appropriation at the start of the year and can alter the breakdown between the countries for which they are responsible. Similarly, the breakdown between sections can be altered as well, if circumstances so require. In practice the scope for manoeuvre is by and large limited, because the momentum that projects gain once they are under way means that they cannot be brought sharply to a halt. Last, each annual programme includes a 7% appropriation for BuCo overheads, which ensures adequate resources for them to operate properly.

157. The country programmes are directly concerned with project execution and set out the activities and tasks to be performed, the distribution of responsibility, the resources to be allocated and the execution schedule. These annual programmes are drawn up by the BuCos and, prior to approval, are discussed by the relevant sectors and services in the SDC, the seco and the federal government, and by the NGOs concerned. They are approved by the heads of the relevant geographical sections in the SDC and the FDFA, and by the head of the SDC's Bilateral Co-operation Division. On the basis of the objectives and results expected, it serves as a performance contract between headquarters and the BuCo.

158. Given the way in which they are prepared, the annual programmes are not discussed with recipient country governments or partners, and are not communicated to them. They are in fact in-house

working documents. On the other hand, all the activities in the programmes are discussed, planned and agreed with the partners. In addition, contrary to the practice of a number of DAC Member countries, Swiss co-operation does not, in principle, hold annual joint meetings with local governments. Such meetings are held at more or less regular intervals in some places, as in Bolivia, but not in others such as Tanzania. Senior aid officials do not consider them necessary, since their partners are necessarily kept informed about the content of the country programmes at sectoral or project level, through the sectoral discussions which are held each year for each sector of intervention.

2. Relations with partners in the field

2.1 *Relations with local partners*

159. Swiss co-operation places considerable emphasis on the need for local empowerment. The field trips showed that the BuCos generally have satisfactory relations both with government departments and with civil society in the recipient countries. But the satisfactory relations do not necessarily mean that the standpoint of the government is always taken into account. Governments are always consulted at regular intervals, admittedly, but there seems to be some mistrust, in some BuCos at least, of the ability of government services to perform as credible actors in development. This finds expression in a propensity to give priority to co-operation with partners in civil society and to define the content of Swiss assistance (sectors and forms of intervention) without locating it properly, as mentioned in the previous section, within the development strategy laid down by the government. This, along with the lack of local representatives of the seco, perhaps explains why policy dialogue largely concerns sectoral policy in those areas where the SDC intervenes.

160. The BuCos' relations with civil society and local NGOs in particular are generally excellent and based on a long-held belief in the importance of their role in development. The 1976 Federal Law on development co-operation provides explicitly for collaboration not just with government actors but with private bodies as well, and the SDC has funded NGO projects since its inception in 1961. The 1987 guidelines reiterated that development co-operation is a significant, but secondary, external contribution to a development process whose actors are first and foremost the societies of the third world. As the Swiss Memorandum to the DAC notes, as early as the 1970s the SDC was testing a form of co-operation based on processes rather than projects, seeking to support processes of capacity building among local players rather than aid-led projects. To some extent this approach is mirrored in the current efforts of Swiss assistance to develop the sectoral approach to the detriment of project aid, which are reviewed in the next section.

2.2 *Relations with other donors*

161. Switzerland considers that fuller co-ordination of assistance in the field is crucial to enhance its effectiveness. With regard to overall country-by-country co-ordination it supports the World Bank initiative to set up a comprehensive development framework, in particular taking due account of the socio-political factors in development. But the Swiss Memorandum to the DAC does point out the somewhat reductive aspect of the exercise and the need to adjust the pace at which it is introduced to particular conditions in the partner countries. Moreover the exercise is seen as being promoted too exclusively by the World Bank, so there is a need to associate other institutions more closely with it and to enhance co-ordination. Switzerland is taking part in the pilot experiments in Bolivia and Vietnam and considers it desirable to evaluate experiments with all the pilot countries at this stage, in order to readjust the introduction process.

162. With regard to the implementation of assistance, the SDC has taken an active part in work by the DAC and the Club du Sahel on the reform of aid in Mali, which led to a critical analysis of the aid system and recommendations to make it more effective. These recommendations involve trying out more co-ordinated approaches that are conducive to local empowerment. At the request of the Malian authorities, the SDC has seconded the Swiss co-operation co-ordinator to the aid reform secretariat in Bamako. He had been closely involved in the review process, and has been relieved of his bilateral duties.

163. The BuCos further play an active part in co-ordination at local level, whether acting as lead agencies in some sectors where Swiss assistance has significant involvement (such as health care in Mozambique and highways in Tanzania) or taking part in pilot experiments (in Benin, for instance, on good governance and participatory development). It is a pity that the financial allocation per country, generally fairly small, does not provide greater leverage in promoting the positions of Swiss co-operation.

164. Last, Switzerland is in the like-minded group which is seeking to reach shared positions, in particular at local level; there is ongoing dialogue here. This makes for greater concertation, at least with the other members of this group, so they are more closely involved in the preparation of the country programmes. But there are regular contacts with other countries and aid agencies as well.

3. Development of the sector-wide approach

3.1 *The basic element: sectoral concentration*

165. The 1994 message on continuing technical co-operation and financial assistance to the developing countries contained a recommendation that the number of sectors where Swiss aid intervened should be reduced, restricting them to three or four in each priority country, so as to avoid dispersion across too many sectors and to enhance specialisation. The idea was to strengthen professionalism, to remain a valued partner for public and private bodies in the developing countries, to play a full part in aid co-ordination (which locally entails attending numerous meetings) and to raise efficiency and effectiveness in the management, planning and execution of programmes. The message also referred to the need to achieve a critical mass in each sector: given that the resources available are limited, they should be committed as effectively as possible. The message noted that multilateral co-operation was a means of intervening in a less targeted fashion.

166. On this score the 1998 message considered that these objectives had been achieved in virtually all the programmes which had been revised. But the shift does seem to have encountered some resistance within the SDC, to judge from a comment in the same message that, "as the SDC specialises and concentrates its efforts more and more, it may cease to be able to respond flexibly enough to all expectations and to take up all the challenges in partner countries". But being selective, by definition, is not compatible with meeting all expectations.

3.2 *The situation in the field*

167. The field tours showed that the actual position is somewhat varied. In some countries such as Tanzania, there is a clear trend towards sectoral concentration. Leaving aside economic assistance and support for the private sector, which do not relate to sectors in the normal meaning of the term, Swiss aid is becoming focused on just two sectors, health care and highways, which is in line with the government's wishes and allows satisfactory co-ordination with the other donors operating in these two sectors. This shift is accompanied by downscaling, or phased termination, of a number of projects outside the two sectors and within them as well. The Swiss programme in Bolivia, on the other hand, still displays a degree of spread,

both across a range of sectors and across a large number of projects, something moreover that is not in line with the government's official policy. The Bolivian authorities wish to reduce the number of interlocutors and have asked each donor to concentrate on two or three sectors at most. That leads to ask whether the SDC has two strategic approaches, between which the final choice has yet to be made.

3.3 *The development of sectoral programmes*

168. A sectoral concentration is in line with the switch from a project approach to concentration on sectoral policies and programmes, in those countries where the preconditions are met. But the move seems to be meeting considerable resistance. Outside the SDC, Swiss NGOs and project management agencies are not a priori in favour, no doubt because they find it hard to see what role they can have to play in this type of assistance. It is true that the sectoral approach changes the nature of assistance, with the familiar projects ultimately giving way to sectoral programmes.

169. The SDC seems broadly in favour of the sectoral approach, and seems prepared to see Swiss aid lose its individuality and merge into budgetary assistance, provided that the government is really in charge of the framing and implementation of the sectoral programmes. Some doubts are nonetheless expressed, in particular about the fact that governments are the key interlocutors in this type of approach, to the detriment of other development players whom aid may help to emancipate. The dangers of the sectoral approach are also pointed out: resources are fungible, raising the problem of monitoring the use of funds; the political context instability of in many developing countries; resistance among NGOs; gaps in the capacity of partner administrations; lack of visibility. Before the sectoral approach is put firmly into practice, accordingly, it has been decided to conduct a review of the criteria that need to govern these operations, and then to make a report on the policy to be pursued in this area.

170. However, without waiting for these findings and under pressure from other donors, the federal government and the BuCos as well, Swiss co-operation is already taking part in two sectoral programmes, both concerned with health care, in Mozambique, where the process is most advanced, and Tanzania. A further sectoral programme is being prepared in Tanzania, for highways, and the SDC is the lead agency there.

171. Inasmuch as the prime condition for implementing a sectoral approach seems to be the existence of a sectoral policy approved by both government and donors, it calls first of all for satisfactory capacity to intervene in defining sectoral policies, and a number of SDC officials, in the field and at headquarters, seem to have these skills, though further training may be required in some areas. In addition the untied nature of the SDC's assistance, and the flexible disbursement procedures that it applies, are positive factors since sectoral programmes generally involve the pooling of resources in the form of budget aid, without specific areas being pinpointed for individual donors. Although this is the very outset of what is likely to be a lengthy process, we are bound to express satisfaction at seeing Swiss aid embarking on this course, and in some cases taking the lead in promoting this approach, as it is doing in Tanzania.

4. *Methods of project execution*

4.1 *Limited role of partner institutions in managing aid*

172. A feature of the SDC's co-operation system is that assistance is rarely implemented by the partner institutions themselves. In other words those who control the projects, who execute them by calling for bids and signing contracts, and then disbursing funds for execution, are not the local partners in most cases, apart from small projects providing support to grassroots organisations and communities. That is a

sign of a measure of prudence as to the capacity of recipients to manage projects properly. The purpose here is no doubt to reduce the scope for corruption in projects, and to reduce the risk of poor performance, but other ways round these real problems can be found, and other aid systems employ them. In practice, the bulk of projects are carried through in three ways: the SDC manages them itself, or assigns them to NGOs, or delegates the job to other executants. In addition, the funding for most projects includes a portion which can be used at the BuCo's discretion to assist proper execution, to cover unscheduled items such as workshops, consultants and publications or any other unforeseen expenditure.

173. The SDC conducts some projects itself, assigning its own officials: 48 were on secondment as project staff in 1999. In 1998, the projects which the SDC assigned to NGOs represented SF 59 million. When NGOs are used as the executants in this way, the projects are 100% funded by the SDC, unlike its contributions to NGOs' own programmes, where a ceiling of 50% of total funding usually applies (some SF 75 million in 1998). The most frequent course is to make use of specialist executants or consultants as managers. Conversely, aid recipients control the projects in the cases of mixed credits (because assistance is in the form of loans) and budget and financial assistance, supervised by the seco, as well SDC contributions to local NGOs and various funds which finance activities run by the partners. For SDC project aid in 1998, projects conducted by the agency itself represented 29.6% of identifiable funding, projects where the management is assigned to Swiss agencies and firms 27.2% (NGO share: 12.8%), Swiss agencies' own projects 25.8% (NGO share: 11.6%) and projects run by international organisations (multi-bi) 17.4%.

4.2 Significant role of Swiss executing agencies

174. To date the executants have been selected by the SDC itself, without recipient involvement and without calls for tender. That is particularly unsatisfactory since the number of potential operators is very small, meaning that projects are always conducted by the same executants, at least within their fields of operations or skills. In addition, as the Memorandum notes, the operators are frequently former SDC officials or former staff of NGOs that work for or with the SDC who have set up specialist consultancies. One of these agencies, *Intercoopération*, with close ties to the SDC, plays a not insignificant role in implementing Swiss assistance, without any reservations or queries apparently being expressed. The IUED and the *Institut de Médecine Tropicale* are research and training bodies and executing agencies as well, receiving funding from the SDC on this score.

175. The executing agencies are responsible for the practical implementation of projects. They control the funds, place the contracts required for each project, handle disbursements and usually supply a not insignificant portion of project services, and indeed a predominant portion on the technical assistance side. That may create some confusion between the responsibilities of control and execution. In practice these managers receive a significant proportion of the funding for their services, and as Swiss aid is in some cases their sole client there is bound to be pressure to continue using their services indefinitely.

4.3 Desirable changes in modes of execution

176. The current situation is unsatisfactory in several ways. First of all it restricts project appropriation by the partners, who have no say in selecting the executants and are not themselves involved in implementing the projects. Moreover, the selection of "managers" without open competition can potentially push up the cost of their services and hence the costs of the projects themselves, making aid less efficient. Similarly, as the system relies on the same group of executants, there is no incentive to innovate: this makes changes of emphasis and approach difficult, restricts flexibility and fosters rigidity. This all goes in the direction of projects being drawn out into successive stages and their viability being put at risk.

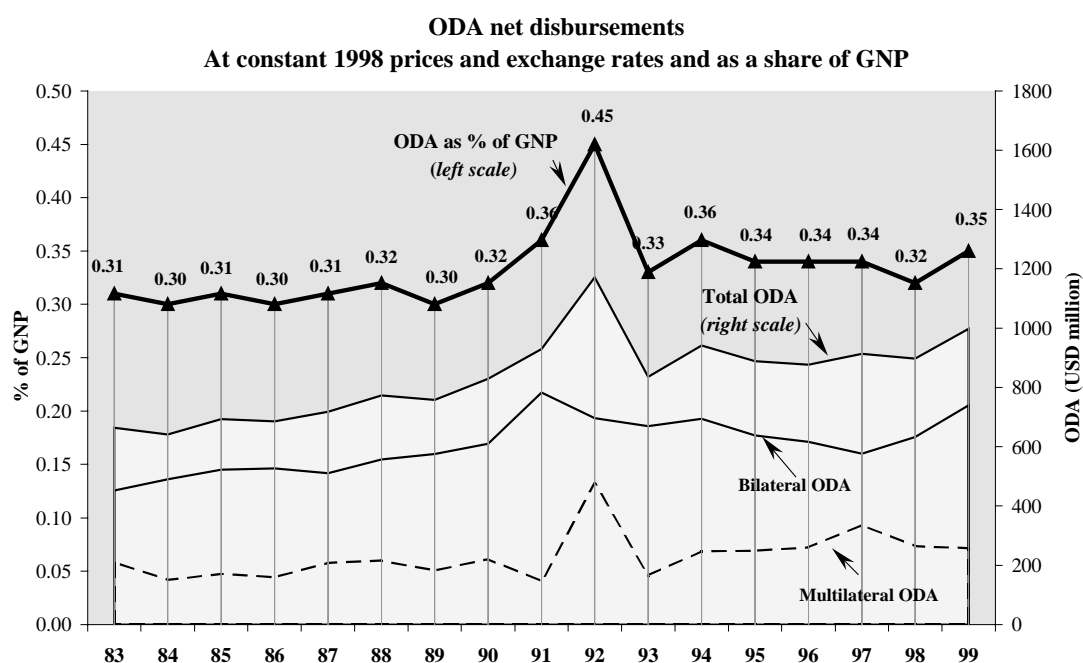
177. The SDC recognises these problems, because in pursuance of legislation on public procurement that took effect in early 1996 it is proposed that all contracts worth more than SF 50 000, should be put out to tender, including that portion of assistance implemented by NGOs. The agencies concerned consider that the use of tendering procedures will be counter-productive. But it should make project execution more transparent and rational, and hence make assistance more efficient. Ultimately, however, it would be appropriate to go further and transfer responsibility for project execution to local partners wherever possible, apart from those few cases where it is not considered feasible. Local partners should also be involved more closely in the choices of executing agencies and foreign consultants when local human resources are not available.

ANNEX I
STATISTICS OF AID AND OTHER FLOWS

Table I-1. **Total financial flows**
 USD million at current prices and exchange rates

Switzerland	<i>Net disbursements</i>						
	1983-84	1988-89	1995	1996	1997	1998	1999
Total official flows	308	580	1 187	1 128	988	1 009	1 060
Official development assistance	303	587	1 084	1 026	911	898	969
Bilateral	218	434	779	722	575	633	719
Multilateral	84	153	304	304	335	265	250
Official aid	n.a.	n.a.	102	97	75	76	70
Bilateral			88	76	75	73	63
Multilateral			14	21	-	4	6
Other official flows	6	- 7	2	4	2	35	22
Bilateral	6	- 7	2	4	2	35	22
Multilateral	-	-	-	-	-	-	-
Grants by NGOs	49	90	198	182	68	183	-
Private flows at market terms	2 954	959	540	-2 936	- 531	4 971	-
Bilateral: <i>of which</i>	2 050	924	905	-2 353	- 193	4 971	-
Direct investment	121	1 442	1 281	-2 014	-1 931	4 971	-
Export credits	- 2	- 957	- 377	- 338	475	-	-
Multilateral	904	34	- 365	- 583	- 338	-	-
Total flows	3 311	1 629	1 925	-1 626	525	6 163	1 060
<i>for reference:</i>							
ODA (at constant 1998 \$ million)	652	765	888	876	913	898	997
ODA (as a % of GNP)	0.31	0.31	0.34	0.34	0.34	0.32	0.35
Total flows (as a % of GNP) (a)	3.35	0.86	0.35	-0.48	-1.31	1.67	0.36

a. To countries eligible for ODA.

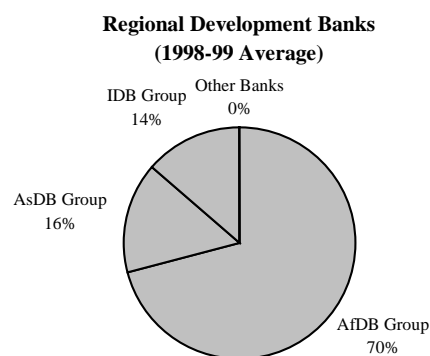
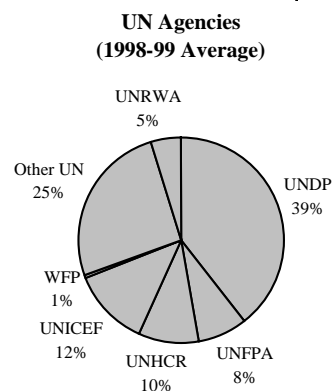
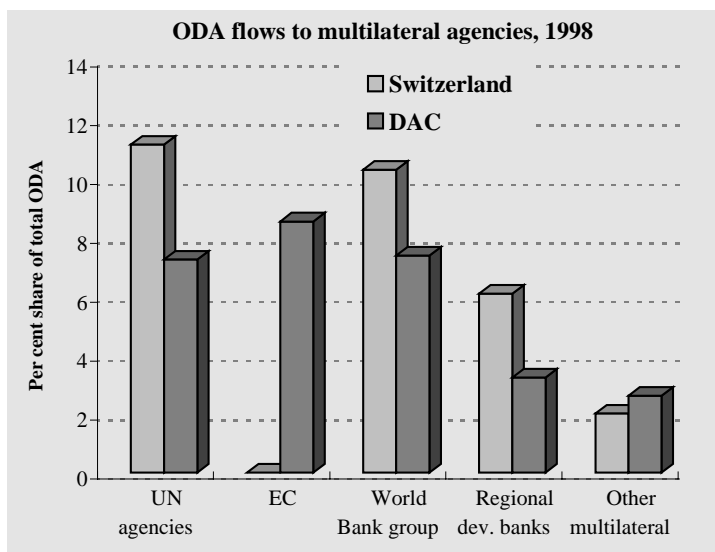


Source: OECD.

Table I-2. ODA by main categories

Switzerland	Constant 1998 USD million					Per cent share					Total DAC 1998%
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
	Bilateral	642	620	593	633	740	72	70	64	70	
Project and programme aid											
Grants (a)	65	54	33	87	300	7	6	4	10	30	13
Loans	-	-	5	0	0	-	-	1	0	0	16
Technical co-operation (a)	297	319	287	287	88	33	36	31	32	9	22
Developmental Food aid (b)	17	11	12	-	-	2	1	1	-	-	2
Emergency and Distress relief (b)	80	69	122	131	208	9	8	13	15	21	5
Action relating to debt	47	27	15	10	19	5	3	2	1	2	6
Core support to NGOs	96	96	88	82	80	11	11	10	9	8	2
Administrative costs	20	20	19	19	21	2	2	2	2	2	5
Other grants	20	22	11	16	24	2	3	1	2	2	2
Multilateral	249	260	336	265	257	28	30	36	30	26	29
UN agencies	111	110	105	100	88	12	12	11	11	9	7
EC	-	-	-	-	-	-	-	-	-	-	9
World Bank group	111	109	146	92	95	12	12	16	10	10	7
Regional development banks (c)	5	15	53	55	48	1	2	6	6	5	3
Other multilateral	23	26	32	18	26	3	3	3	2	3	3
Total gross ODA	892	879	929	898	997	100	100	100	100	100	100
Repayments	-4	-3	-16	-	-						
Total net ODA	888	876	913	898	997						
<i>For reference:</i>											
<i>Aid channelled through NGOs</i>	71	40	67	-	-						
<i>Associated financing (d)</i>	19	19	7	15	18						

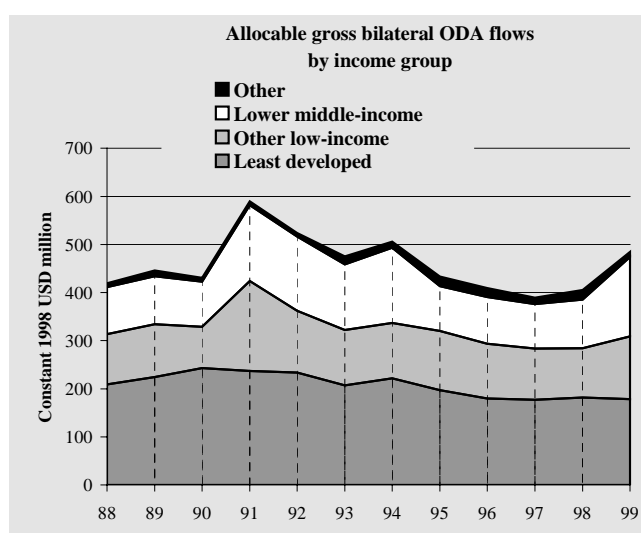
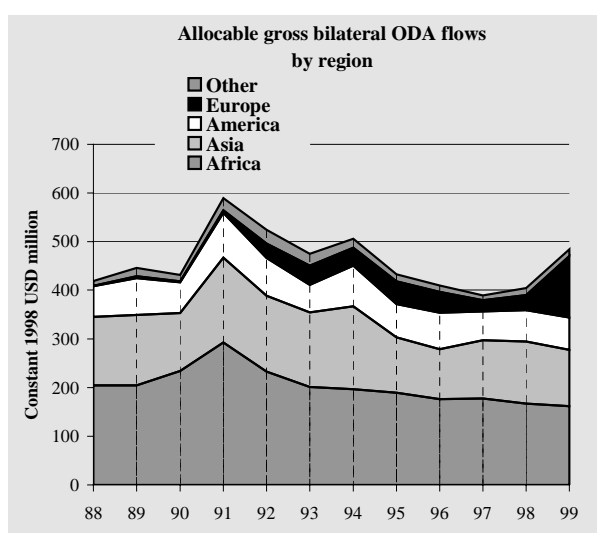
- a. The substantial increase of grants and decrease of technical cooperation between 1998 and 1999 is due to a change in the method of reporting of technical cooperation.
b. Emergency food aid included with Developmental Food Aid up to end 1995.
c. Excluding EBRD.
d. ODA grants and loans in associated financing packages.



Source: OECD.

Table I-3. Bilateral ODA allocable by region and income group

Switzerland	Gross disbursements										Total DAC 1998%
	Constant 1998 USD million					Per cent share					
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
Africa	189	176	177	167	162	44	43	46	41	34	36
Sub-Saharan Africa	179	165	168	152	149	41	40	43	38	31	29
North Africa	10	12	9	15	14	2	3	2	4	3	8
Asia	114	103	120	128	116	26	25	31	32	24	38
South and Central Asia	78	68	84	94	87	18	17	22	23	18	14
Far East	35	34	36	33	29	8	8	9	8	6	23
America	69	75	59	64	66	16	18	15	16	14	13
North and Central America	33	28	15	23	32	8	7	4	6	7	7
South America	36	46	44	41	34	8	11	11	10	7	7
Middle East	15	13	9	14	14	3	3	2	4	3	4
Oceania	0	0	0	0	0	0	0	0	0	0	5
Europe	46	43	23	31	126	11	11	6	8	26	4
Total bilateral allocable	433	410	389	405	484	100	100	100	100	100	100
Least developed	197	180	177	182	179	46	44	45	45	37	25
Other low-income	123	113	107	103	130	28	28	27	25	27	31
Lower middle-income	93	98	92	101	165	22	24	24	25	34	35
Upper middle-income	15	19	14	19	10	4	5	3	5	2	6
High-income	3	-	-	0	0	1	-	-	0	0	3
More advanced developing countries	1	0	-	-	-	0	0	-	-	-	-
<i>For reference:</i>											
<i>Total bilateral</i>	642	620	593	633	740	100	100	100	100	100	100
<i>of which: Unallocated</i>	209	210	203	228	256	33	34	34	36	35	23



Source: OECD.

Table I-4. Main recipients of bilateral ODA

Switzerland	1988-89			1993-94			1998-99				
	Current USD million	Constant 1998 USD mn.	Per cent share	Current USD million	Constant 1998 USD mn.	Per cent share	Current USD million	Constant 1998 USD mn.	Per cent share		
Indonesia	25	32	8	India	28	28	6	Yugoslavia (incl. Kosovo)	41	42	9
India	21	27	6	Sts Ex-Yugoslavia unsp.	25	25	5	Bangladesh	20	21	5
Madagascar	19	25	6	Mozambique	25	24	5	Mozambique	20	20	5
Tanzania	19	25	6	Indonesia	24	24	5	India	20	20	4
Bolivia	17	22	5	Rwanda	21	21	4	Tanzania	18	18	4
Top 5 recipients	101	132	31	Top 5 recipients	123	123	25	Top 5 recipients	118	120	27
Nepal	16	21	5	Bolivia	18	18	4	Bosnia and Herzegovina	15	16	4
Rwanda	11	14	3	Bangladesh	18	18	4	Nepal	13	14	3
China	10	12	3	Tanzania	16	16	3	Bolivia	13	13	3
Bangladesh	9	11	3	Madagascar	16	16	3	Egypt	11	11	3
Ghana	8	10	2	Nepal	15	15	3	Burkina Faso	11	11	3
Top 10 recipients	154	201	47	Top 10 recipients	206	206	42	Top 10 recipients	182	186	42
Chad	8	10	2	Pakistan	13	13	3	Albania	11	11	2
Senegal	8	10	2	Philippines	12	12	3	Viet Nam	10	10	2
Nicaragua	7	10	2	Viet Nam	12	12	2	Pakistan	9	10	2
Ethiopia	7	9	2	Burkina Faso	10	10	2	Peru	9	9	2
Mali	7	9	2	Niger	9	10	2	Nicaragua	9	9	2
Top 15 recipients	191	249	58	Top 15 recipients	263	263	54	Top 15 recipients	231	235	53
Mozambique	7	9	2	China	9	10	2	South Africa	9	9	2
Niger	7	9	2	Kyrgyz Rep.	8	9	2	Honduras	8	8	2
Pakistan	6	8	2	Egypt	8	8	2	Benin	7	7	2
Peru	6	8	2	Turkey	8	8	2	Rwanda	7	7	2
Honduras	6	8	2	Jordan	8	8	2	Niger	7	7	2
Top 20 recipients	223	291	67	Top 20 recipients	304	306	62	Top 20 recipients	268	272	61
Total (105 recipients)	331	433	100	Total (110 recipients)	490	490	100	Total (120 recipients)	438	444	100
Unallocated	105	137		Unallocated	195	195		Unallocated	238	242	
Total bilateral gross	437	570		Total bilateral gross	684	686		Total bilateral gross	676	686	

Source: OECD.

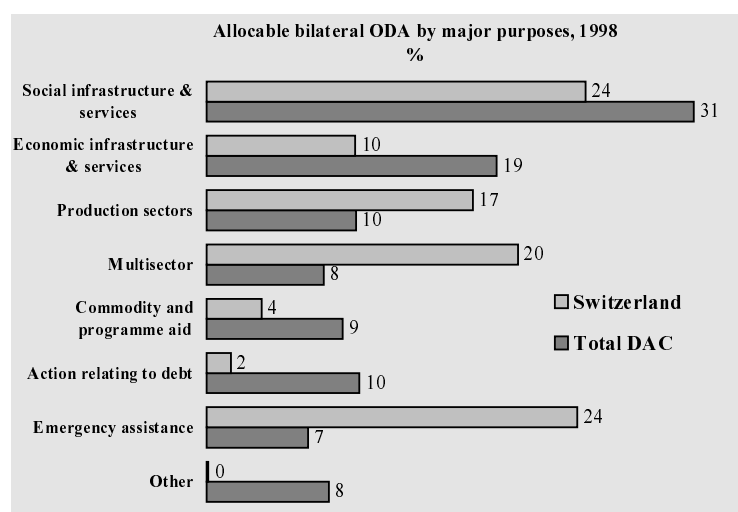
Table I-5. **Bilateral ODA by major purposes**

At current prices and exchange rates

Commitments, two-year averages

Switzerland	1988-89		1993-94		1998		1999 (1)		1998 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	USD million	Per cent	
Social infrastructure & services	114	24	125	18	99	24	154	22	31
Education	46	10	39	6	24	6	26	4	11
of which: basic education	-	-	2	0	10	3	9	1	1
Health	26	5	20	3	15	4	37	5	4
of which: basic health	-	-	1	0	10	3	22	3	1
Population programmes	0	0	0	0	-	-	2	0	2
Water supply & sanitation	27	6	13	2	25	6	27	4	6
Government & civil society	2	0	11	2	28	7	61	9	5
Other social infrastructure & services	13	3	43	6	7	2	1	0	4
Economic infrastructure & services	42	9	16	2	39	10	60	8	19
Transport & storage	31	7	9	1	12	3	21	3	9
Communications	1	0	2	0	19	5	3	0	1
Energy	9	2	3	0	1	0	9	1	6
Banking & financial services	1	0	-	-	5	1	7	1	1
Business & other services	1	0	2	0	2	0	19	3	1
Production sectors	132	28	96	14	70	17	53	7	10
Agriculture, forestry & fishing	110	23	79	11	49	12	38	5	8
Industry, mining & construction	10	2	15	2	9	2	4	1	2
Trade & tourism	13	3	3	0	11	3	11	2	0
Other	-	-	-	-	0	0	0	0	0
Multisector	24	5	86	13	81	20	127	18	8
Commodity and programme aid	72	15	48	7	14	4	1	0	9
Action relating to debt	2	0	203	30	6	2	19	3	10
Emergency assistance	46	10	71	10	97	24	202	28	7
Administrative costs of donors	-	-	20	3	-	-	20	3	6
Core support to NGOs	41	9	19	3	-	-	78	11	2
Total bilateral allocable	474	100	683	100	407	100	714	100	100
<i>For reference:</i>									
Total bilateral	514	79	715	72	454	83	719	74	72
of which: Unallocated	40	6	32	3	47	9	5	1	5
Total multilateral	135	21	271	28	94	17	250	26	28
Total ODA	649	100	986	100	548	100	969	100	100

(1) Disbursements



Source: OECD.

Table I-6. Comparative aid performance

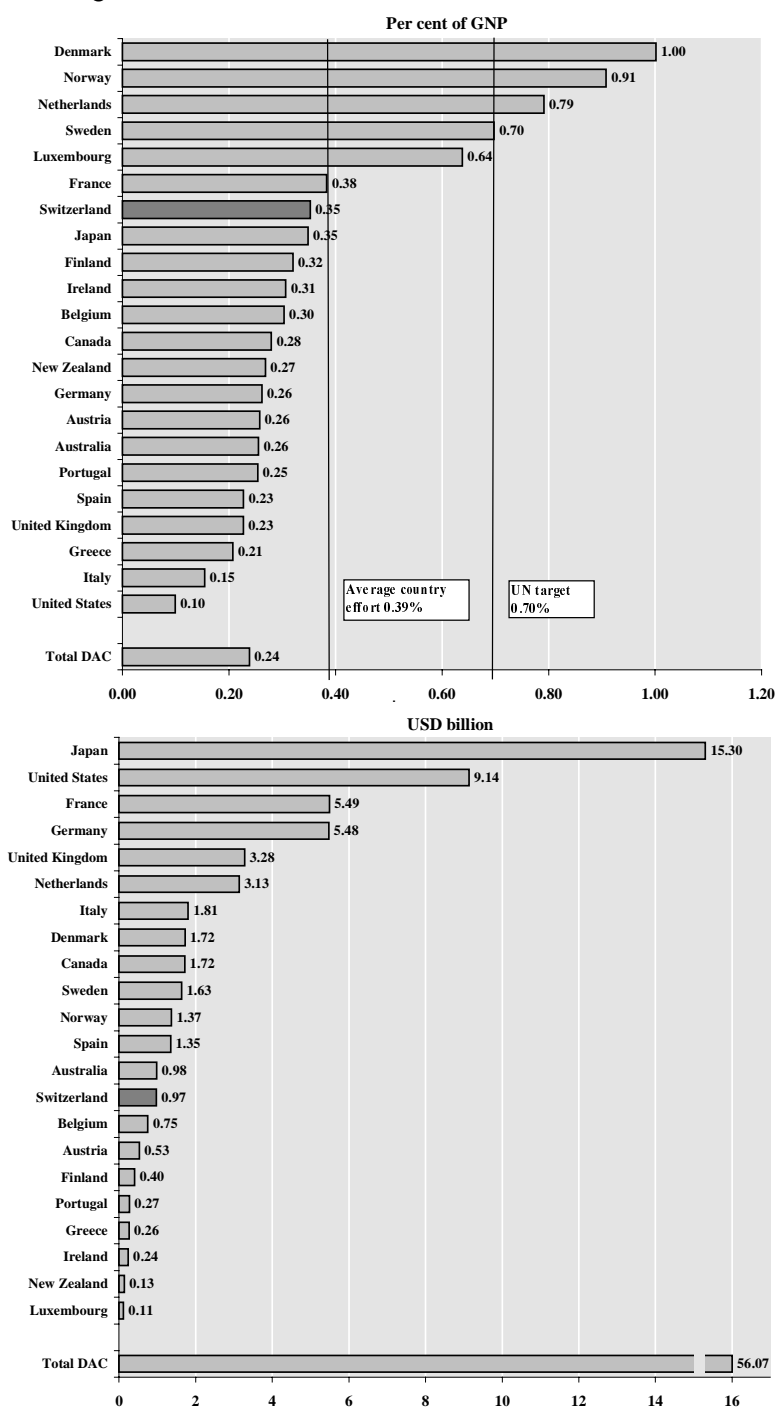
	Official development assistance			Grant element of ODA (commitments) 1998	Share of multilateral aid				ODA to LLDCs Bilateral and through multilateral agencies 1998		Official aid	
	1998		92-93 to 97-98 Ave. annual % change in real terms		1998		1998		1998			
	USD million	% of GNP		% (a)	% of ODA		% of GNP		% of ODA	% of GNP	USD million	% of GNP
			(b)		(c)	(b)	(c)					
Australia	960	0.27	-0.2	100.0	21.7		0.06		16.5	0.04	1	0.00
Austria	456	0.22	-2.5	93.6	36.0	18.4	0.08	0.04	18.9	0.04	191	0.09
Belgium	883	0.35	-0.6	99.6	39.2	17.1	0.14	0.06	27.5	0.10	68	0.03
Canada	1 691	0.29	-3.9	100.0	28.6		0.08		20.0	0.06	157	0.03
Denmark	1 704	0.99	3.8	100.0	40.5	34.0	0.40	0.34	32.5	0.32	118	0.07
Finland	396	0.32	-5.7	99.8	47.3	30.9	0.15	0.10	26.4	0.08	82	0.07
France	5 742	0.40	-5.9	92.2	27.1	13.5	0.11	0.05	17.5	0.07	823	0.06
Germany	5 581	0.26	-4.7	97.2	37.5	15.3	0.10	0.04	20.9	0.05	654	0.03
Greece	179	0.15	64.7	14.3	0.10	0.02	3.8	0.01	15	0.01
Ireland	199	0.30	18.5	100.0	37.8	13.1	0.11	0.04	45.6	0.14	-	-
Italy	2 278	0.20	-12.6	99.8	69.4	38.4	0.14	0.07	35.8	0.07	243	0.02
Japan	10 640	0.28	-0.8	81.3	19.6		0.05		14.6	0.04	132	0.00
Luxembourg	112	0.65	17.9	100.0	31.3	14.4	0.20	0.09	26.0	0.17	3	0.02
Netherlands	3 042	0.80	2.4	100.0	29.9	19.8	0.24	0.16	26.4	0.21	130	0.03
New Zealand	130	0.27	3.9	100.0	24.3		0.06		21.1	0.06	0	0.00
Norway	1 321	0.91	2.7	99.6	28.1		0.26		37.3	0.34	52	0.04
Portugal	259	0.24	-1.1	96.9	31.8	8.8	0.08	0.02	54.5	0.13	22	0.02
Spain	1 376	0.24	0.2	90.3	39.1	12.2	0.10	0.03	9.1	0.02	5	0.00
Sweden	1 573	0.72	-3.8	100.0	33.8	27.7	0.24	0.20	28.4	0.20	105	0.05
Switzerland	898	0.32	-2.0	100.0	29.5		0.09		29.3	0.09	76	0.03
United Kingdom	3 864	0.27	0.5	100.0	44.8	23.2	0.12	0.06	25.8	0.07	435	0.03
United States	8 786	0.10	-8.3	99.2	31.8		0.03		15.2	0.02	2 726	0.03
Total DAC	52 068	0.23	-3.6	93.5	32.4	22.8	0.08	0.05	20.7	0.05	6 040	0.03
Memo: Average country effort		0.39										

Notes:

- a. Excluding debt reorganisation.
- b. Including European Community.
- c. Excluding European Community.
- .. Data not available.

Source: OECD.

Figure I-1. Net ODA from DAC countries in 1999



1. Preliminary data.

Source : OECD.

ANNEX II
SWITZERLAND'S FOREIGN TRADE
ORIGIN, DESTINATION AND BREAKDOWN

Table II-1. Imports

	Value (USD million)				Share of total (per cent)	
	1989	1992	1995	1998	1989	1998
<i>Non-OECD countries by region</i>						
Sub-Saharan Africa	919	375	610	772	1.6	1.0
<i>Namibia</i>	720	178	241	342	1.2	0.4
<i>Nigeria</i>	30	53	181	247	0.1	0.3
North-Africa and Middle East	629	927	1 145	1 071	1.1	1.3
<i>Saudi Arabia</i>	100	170	235	317	0.2	0.4
<i>Israel</i>	238	257	291	247	0.4	0.3
Asia	2 202	2 849	3 687	4 990	3.8	6.2
South & Central Asia	460	566	814	1 350	0.8	1.7
<i>Russian Federation</i>		240	431	914	0.0	1.1
<i>India</i>	151	218	286	321	0.3	0.4
Far East	1 742	2 283	2 874	3 640	3.0	4.5
<i>China</i>	236	623	912	1 163	0.4	1.5
<i>Singapore</i>	116	138	168	737	0.2	0.9
<i>Hong Kong China</i>	667	533	545	488	1.1	0.6
<i>Chinese Taipei</i>	367	449	499	438	0.6	0.5
<i>Thailand</i>	195	353	407	404	0.3	0.5
America	1 245	1 161	804	805	2.1	1.0
North & Central America	843	726	209	335	1.4	0.4
South America	402	435	595	469	0.7	0.6
<i>Brazil</i>	218	219	250	277	0.4	0.3
Oceania	5	0	0	5	0.0	0.0
Europe	158	176	368	386	0.3	0.5
Total Non-OECD countries	5 158	5 489	6 615	8 028	8.9	10.0
Total OECD countries	52 934	60 092	73 532	72 084	90.9	90.0
<i>Residuals</i>	129	143	4	3	0.2	0.0
Overall total	58 221	65 723	80 152	80 115	100.0	100.0
<i>Non-OECD countries by income group</i>						
Least developed countries	98	79	93	116	0.2	0.1
Other low-income countries	608	1 064	1 597	1 977	1.0	2.5
Lower middle-income countries	1 507	1 121	1 322	1 594	2.6	2.0
Upper middle-income countries	586	1 017	1 383	1 120	1.0	1.4
High-income countries	14	15	46	19	0.0	0.0
More Advanced Developing Countries and Territories	2 061	1 916	1 548	2 032	3.5	2.5
CEECs and NIS	285	276	626	1 170	0.5	1.5

Source: OCDE.

Table II-2. Exports

	Value (USD million)				Share of total (per cent)	
	1989	1992	1995	1998	1989	1998
<i>Non-OECD countries by region</i>						
Sub-Saharan Africa	678	751	951	747	1.3	0.9
<i>Namibia</i>	316	332	594	393	0.6	0.5
North-Africa and Middle East	2 504	3 228	3 485	3 122	4.9	4.0
<i>Israel</i>	790	701	822	699	1.5	0.9
<i>Saudi Arabia</i>	487	779	1 008	634	0.9	0.8
<i>United Arab Emirates</i>	176	373	368	433		
Asia	4 339	5 365	8 175	5 962	8.4	7.6
South & Central Asia	1 036	721	1 207	1 004	2.0	1.3
<i>India</i>	248	255	560	402	0.5	0.5
<i>Russian Federation</i>		190	310	363	0.0	0.5
Far East	3 303	4 644	6 968	4 958	6.4	6.3
<i>Hong Kong China</i>	1 329	1 847	2 412	1 775	2.6	2.2
<i>Chinese Taipei</i>	384	640	795	846	0.7	1.1
<i>Singapore</i>	464	615	1 077	755	0.9	1.0
<i>China</i>	385	442	715	560	0.7	0.7
<i>Thailand</i>	279	516	743	399	0.5	0.5
America	1 140	1 478	1 720	2 055	2.2	2.6
North & Central America	268	360	271	327	0.5	0.4
South America	872	1 118	1 449	1 728	1.7	2.2
<i>Brazil</i>	411	351	682	850	0.8	1.1
<i>Argentina</i>	101	201	217	310	0.2	0.4
Oceania	6	3	4	5	0.0	0.0
Europe	579	515	884	985	1.1	1.2
Total Non-OECD countries	9 245	11 341	15 220	12 876	17.9	16.3
Total OECD countries	42 031	53 936	66 328	65 954	81.5	83.6
<i>Residuals</i>	273	401	94	90	0.5	0.1
Overall total	51 549	65 678	81 641	78 920	100.0	100.0
<i>Non-OECD countries by income group</i>						
Least developed countries	180	174	166	180	0.3	0.2
Other low-income countries	1 030	1 242	1 801	1 428	2.0	1.8
Lower middle-income countries	2 431	2 923	3 557	2 854	4.7	3.6
Upper middle-income countries	1 417	2 125	3 091	2 710	2.7	3.4
High-income countries	16	30	39	29	0.0	0.0
More Advanced Developing Countries and Territories	3 415	4 447	5 752	4 786	6.6	6.1
CEECs and NIS	756	401	813	890	1.5	1.1

Source: OECD.

Table II-3. Composition of Swiss trade by main commodity groupings, 1992 and 1998

	Imports (USD million)				Exports (USD million)			
	From non-OECD countries (a)		From OECD countries		To non-OECD countries (a)		To OECD countries	
	1992	1998	1992	1998	1992	1998	1992	1998
0. Food and live animals	640	711	2 824	2 985	193	222	1 302	1 447
1. Beverages and tobacco	79	124	754	943	133	129	282	275
2. Crude materials, inedible, except fuels	163	180	1 572	1 516	23	22	684	768
3. Mineral fuels, lubricants and related materials	483	580	2 330	1 795	9	45	61	115
4. Animal and vegetable oils, fats and waxes	15	35	58	83	2	4	20	14
5. Chemicals and related products, n.e.s.	225	411	8 164	12 463	2 577	3 396	12 269	18 024
6. Manufactured goods	1 514	2 057	11 414	12 929	1 436	1 388	10 061	10 484
7. Machinery and transport equipment	630	1 045	19 599	24 657	3 585	4 304	16 473	20 471
8. Miscellaneous manufactured articles	1 753	2 270	12 839	13 885	3 527	3 224	11 770	13 330
9. Commodities and transactions, n.e.s.	128	618	539	827	257	232	1 014	1 026
Total	5 631	8 031	60 092	72 084	11 742	12 966	53 936	65 954

	Imports share by commodity groupings				Exports share by commodity groupings			
	From non-OECD countries (a)		From OECD countries		To non-OECD countries (a)		To OECD countries	
	1992	1998	1992	1998	1992	1998	1992	1998
0. Food and live animals	11.4	8.9	4.7	4.1	1.6	1.7	2.4	2.2
1. Beverages and tobacco	1.4	1.5	1.3	1.3	1.1	1.0	0.5	0.4
2. Crude materials, inedible, except fuels	2.9	2.2	2.6	2.1	0.2	0.2	1.3	1.2
3. Mineral fuels, lubricants and related materials	8.6	7.2	3.9	2.5	0.1	0.3	0.1	0.2
4. Animal and vegetable oils, fats and waxes	0.3	0.4	0.1	0.1	0.0	0.0	0.0	0.0
5. Chemicals and related products, n.e.s.	4.0	5.1	13.6	17.3	21.9	26.2	22.7	27.3
6. Manufactured goods	26.9	25.6	19.0	17.9	12.2	10.7	18.7	15.9
7. Machinery and transport equipment	11.2	13.0	32.6	34.2	30.5	33.2	30.5	31.0
8. Miscellaneous manufactured articles	31.1	28.3	21.4	19.3	30.0	24.9	21.8	20.2
9. Commodities and transactions, n.e.s.	2.3	7.7	0.9	1.1	2.2	1.8	1.9	1.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

a. Including residuals.

Source: OECD.