DEPUTY DIRECTOR
DEVELOPMENT CO-OPERATION DIRECTORATE
Director's Office

DCD/ME(2022)16

27 June 2022

To: DAC Delegates and Observers

Switzerland Mid-term Review, 7 April 2022, Bern

Dear Colleagues,

On 7 April 2022, I visited Bern to conduct the mid-term review of Switzerland's development co-operation, accompanied by Anita King and Rachel Sberro-Kessler of the Development Co-operation Directorate (DCD). We would like to thank Patricia Danzi, Director of the Swiss Agency for Development and Cooperation (SDC), Dominique Paravicini, Head of the Economic Cooperation and Development Division in the State Secretariat for Economic Affairs (SECO) and Yannick Reichenau, Chief of Staff, Division of Peace and Human Rights (HSD) in the Federal Department of Foreign Affairs (FDFA), as well as their colleagues, for the preparatory work and an excellent day of discussions. We also had a rich exchange with representatives of civil society organisations (CSOs) including the umbrella group Alliance Sud.

The mid-term review focused on the implementation of the recommendations of Switzerland's 2019 OECD DAC peer review in the context of recent developments, including the Covid-19 pandemic, the war in Ukraine and other crises including in Afghanistan and Myanmar. Switzerland has demonstrated a strong commitment to following-up on the review's recommendations including through the adoption and publication of a management response. The Swiss Parliament approved a new development co-operation Dispatch (Strategy) in September 2020 for the period 2021-24, and a 'Fit for Purpose' restructuring process is ongoing within SDC, with a new organisational structure expected by September 2022. Overall, I was pleased to note that Switzerland has taken steps to address 10 of the 14 peer review recommendations. Switzerland took note of four recommendations with no further action on these recommendations planned.

A commitment to poverty reduction and ongoing efforts for a more focused programme

For the first time, preparation of the Strategy for 2021-24 involved broad public consultation with 249 contributions received. The new Strategy puts poverty reduction and sustainable development at the centre of Swiss international co-operation and, significantly shorter, has sought to focus more on the key priorities and outcomes Switzerland seeks to achieve. This provides the basis for a stronger narrative for development co-operation that can be used in support of Switzerland's communication and awareness raising efforts, as recommended in the peer review. The 2025-28 Strategy, on which work will soon commence, is an opportunity to strengthen this narrative further.

Switzerland has increased the geographic focus of its bilateral programme and is undertaking steps to ensure its expertise and resources are not spread too thinly. SDC is phasing out development co-operation in 11 priority partner countries, including Mongolia and all partner countries in Latin America. Four-year exit strategies are in place for each country where SDC will phase out its engagement. SECO remains engaged in 13 priority countries. This brings down the total number of SDC and SECO priority countries from 52 to 41. However, this does not include contexts in which Switzerland has a long-term humanitarian presence or other countries in which it engages via Global Programmes, making the total number of countries in which Swiss co-operation is present higher still. Efforts to increase thematic focus include the ongoing SDC 'Fit for Purpose' process, which envisages a "clustering" of thematic areas. This is expected to contribute to more efficient sharing of expertise across teams and enhanced collaboration among geographic and thematic divisions. The four thematic priorities set out in the current Strategy – creating decent local jobs, addressing climate change, reducing the causes of forced and irregular migration, and promoting rule of law – remain broadly defined. Switzerland is working to limit the number of thematic priorities for each of its four priority regions, in regional guidelines and in respective co-operation programmes for each partner country. Ensuring the necessary human resources and backstopping capacity to cover a thematically and geographically dispersed programme remains important and I encouraged Switzerland to consider whether more tightly defined thematic areas would contribute to a more effective programme. The next peer review will be an opportunity to assess the extent to which ongoing reforms are contributing to a more focused programme, including ensuring Switzerland has the capacities and resources available to achieve sustainable impact across its priorities.

As one of the four thematic priorities set out in the Strategy, efforts to stem irregular migration remain a dimension of Swiss co-operation. As a positive step, Switzerland did not introduce conditionality between preventing irregular migration and co-operation in partner countries, an option raised at the time of the peer review. Since 2021, up to CHF 60 million (USD 64 million) of SDC's budget is available over four years for ODA-eligible activities in non-priority countries identified by the State Secretariat for Migration (SEM), for example, Eritrea and Sudan where Switzerland does not otherwise have a development co-operation presence. Countries are proposed by SEM and agreed together with SDC, with ODA-eligible projects identified and managed by SDC. SECO is also working with SEM when identifying and communicating on co-operation activities, for example, in Morocco and Algeria. To help ensure a focus on sustainable development, SDC tracks annually how much of the overall co-operation budget is not ODA-eligible, aiming to keep this at or below 1%. While this commitment is encouraging, to protect its legitimacy I encouraged Switzerland to continue efforts to ensure all Swiss international co-operation activities have the economic development and welfare of developing countries as their primary objective.

Switzerland could do more to meet its ODA commitments and contribute to achieving the sustainable development goals

Switzerland remains committed to spending 0.5% of gross national income (GNI) on ODA as stated in the current Strategy, but could do more to reach its targets and increase its ambition in support of sustainable development. In September 2020, the Parliament approved a stable financial envelope for 2021-24 compared to 2017-20 in terms of projected ODA/GNI ratio. ODA represented 0.49% of GNI in 2020, a slight increase compared to 2019 due to additional funding for the Covid-19 response and lower than expected GNI. Preliminary figures for 2021 also show an increase of 6% in Swiss ODA in real terms, bringing ODA for 2021 to 0.51% of GNI. This was again due to an increase in Covid-19-related funding including vaccine donations and support following the crisis in Afghanistan, and was above the planned ODA/GNI ratio of 0.46% for 2021. Fiscal measures to counter the impacts of Covid-19 related spending at home may have an impact on the ODA budget in the 2025-28 strategy. Yet Switzerland's high GDP per capita and low public debt suggest room to invest more in sustainable development and I encouraged Switzerland to not just maintain but step up its ambition relative to its national resources. Switzerland's support for ODA integrity is also appreciated and I encouraged Switzerland to maintain this important leadership and engagement, including within the DAC Working Party on Statistics.

To help build and sustain public support for development assistance, Switzerland still needs to develop a strategy to support its communication and public engagement efforts, and to ensure these efforts are adequately resourced. SDC and SECO have made some progress, including greater social media presence and an improved website. Following a reorganisation of the FDFA's Communication Unit, SDC retained a limited communication capacity dedicated to communicating on development co-operation efforts. I encouraged FDFA to develop a clear communication and public engagement strategy linked to a renewed narrative for Swiss development co-operation that can contribute to increasing public and political support, and to ensure the strategy is adequately resourced and implemented. This will be important to build and sustain public support for Switzerland's role internationally.

A more systematic approach would support policy coherence for development

Switzerland has made some progress on addressing potential incoherence between its policies and regulation, and development co-operation objectives. For example a recent free trade agreement with Indonesia includes a sustainability chapter and identifies sustainability and traceability measures for the import of palm oil. The current Strategy assigns responsibility to SDC, HSD and SECO to advocate for debate across government on potential incoherence issues. This takes place mostly informally, in the lead-up to the formal discussions of the 2030 Agenda Directors' Steering Committee which brings together all Federal Departments. Yet making further progress – including on challenging issues such as responsible business conduct, commodity trading and financial sector integrity – also requires engagement by and leadership of responsible line ministries. Building on the clear recognition of spill-over effects in Switzerland's monitoring of its 2030 Agenda implementation, a process through which to systematically analyse new policies and regulations for possible spill-over effects on other countries is still needed, a challenge raised in peer reviews since 2009. Other DAC members, for example the EU and the Netherlands, are increasingly using regulatory impact assessments to identify the effects of policy initiatives on developing countries, an approach Switzerland could also consider. As public support is critical for coherent policies, Switzerland may need to consider how it can strengthen global citizenship education and awareness also in light of a decision by the FDFA to no longer fund development education as part of CSO programme contributions. Overall, I encouraged Switzerland to further consider which mechanisms could best support the identification of – and public and political debate on – issues where domestic policy may have an impact on partner countries' development.

Switzerland has made progress on integrating gender and governance as priority cross-cutting issues

Switzerland is committed to gender equality and governance as cross-cutting issues as well as important issues in their own right. Switzerland has significantly increased the share of ODA integrating gender equality. On average in 2019-20, 56% of screened bilateral allocable ODA went to gender equality and women's empowerment, as either a principal or significant objective, equal to USD 1.2 billion of bilateral ODA per year. This was achieved through a range of measures, including better integration of gender equality in all documents (such as regional guidance, country programmes, and funding proposals), an active gender focal points network and advisory service, training for staff, strengthened monitoring, and in SDC the clustering of themes at the institutional level. SECO is also working to systematically mainstream gender equality in all projects. While the share committed as a principal objective has also increased, reaching 4% in 2019-20, it is still below the DAC average (5%) and more work is needed to invest in projects that target gender equality as a principal objective. Governance likewise remains an important priority and efforts to increase internal capacity through training, including a 'learning journey' for staff in country offices, and the development of a toolbox are expected to contribute to better mainstreaming. I appreciated the reflections in our discussion that contributing to systemic change requires more than counting, and must be backed up by continued leadership. The next peer review will be an opportunity to assess ongoing efforts to support structural change in partner countries on these priority issues.

Increasing the use of country systems would support Switzerland's commitment to sustainability

Switzerland advocates for country ownership, including through its valued leadership as Co-chair of the Global Partnership for Effective Development Co-operation (GPEDC). Nevertheless, performance in GPEDC monitoring on use of country systems remains below the DAC average, with a downward trend on indicators measuring use of public financial management (PFM) and procurement systems (falling from 37% in 2016 to 25% in 2018). The share of ODA recorded on budgets approved by parliament in partner countries remained stable (45% in 2018). The peer review noted that national stakeholders are in most cases only invited to comment on country programmes at a late stage and country programmes are not officially endorsed by partner countries. SDC and SECO maintain that use of PFM and procurement systems is on a case-by-case basis, particularly in fragile contexts. SDC noted that bilateral dialogues are undertaken each year with partner countries, which is positive. While Switzerland is committed to sustainability in its partnerships, I encouraged Switzerland to consider how it can increase ownership and mutual accountability through its different modalities, including opportunities to do so beyond budget support. An internal analysis of Switzerland's performance in the 2018 GPEDC monitoring round also found there may be opportunities for SDC to do more to strengthen national and sub-national PFM systems. The next peer review will be an opportunity to check progress on this.

Ensuring a principled approach to humanitarian aid

While the peer review praised Switzerland's strong humanitarian tradition, it also raised concerns as to whether its in-kind humanitarian interventions are designed and communicated in line with international commitments such as the Grand Bargain, including its pledge to increase cash-based programming. Given the visibility of in-kind humanitarian aid, Switzerland emphasised the continued relevance of such interventions for cementing public and parliamentary support for development co-operation and ODA. I recalled the importance of ensuring that Swiss efforts uphold humanitarian principles.

Continued effort is needed on partnerships with CSOs and private sector

CSOs are key partners for Switzerland, with CSO funding amounting to 40% of bilateral ODA in 2020 (the DAC average was 15%). However, the peer review highlighted that partnerships with partner country CSOs tend to confine themselves to implementing Swiss projects. The CSO guidance adopted by SDC in 2019 clarifies the types of funding instruments for Swiss CSOs, and makes it easier for them (including alliances of small independent CSOs) to access flexible funding. However, this guidance does not cover partner country CSOs, which were at the heart of the peer review's recommendation. Experience from DAC members shows that focusing on a limited number of core partnerships with local CSOs in partner countries is an effective way to help build a strong civil society and reach development outcomes. I encouraged Switzerland to adopt a broader policy that would clarify the rationale for engaging with all CSOs and to set a strategy for more and better engagement with partner country CSOs in their own right. This would enable Switzerland to further capitalise on its partnerships and continue its efforts towards country ownership.

In 2021, SDC adopted a strategy for engaging with private sector, spelling out a clear rationale and vision for private sector partnerships, and SDC staff have been trained on private sector engagement. SDC and SECO have increased their collaboration, in particular with the launch in 2021 of the joint SDG Impact Finance Initiative which aims to mobilise CHF 1 billion (USD 1.1 billion). An internal note (Vademecum) with general high level principles for collaboration between SDC and SECO was adopted at the end of 2020, and adds to the existing co-ordination committees. However, the respective responsibilities of SECO and SDC could be further clarified to maximise synergies between the two institutions and ensure clarity for partners. I encouraged Switzerland to continue strategic discussions on complementarity, collaboration, and division of labour between SECO and SDC.

Switzerland is investing in results based management (RBM) and tracking progress on reaching vulnerable groups but continued effort is needed in implementation

Switzerland is making progress on RBM and increasing the focus on the leaving no one behind (LNOB) objective. The new digital results system, to be rolled out to SDC by 2023, is expected to reduce transaction costs with the option for partners to input directly, and should enable SDC to better use results information for strategic planning and steering. Staff in headquarters and country offices have been trained on the new RBM system. The Aggregate Results Indicators (ARIs) and Thematic Reference Indicators (TRIs) introduced before the last peer review enable management to have a 'bird's eye view' on all operations, alongside more detailed information on project performance. These will be integrated into the new digital system. In line with the last peer review recommendation, SDC is also planning to reduce the administrative burden on staff, for example, by reducing the number of reporting documents. Programmes now reflect the LNOB objective in their design and disaggregate standardised results indicators for gender and one other vulnerable group. Investing in capacity building and learning will be critical for implementing the LNOB objective in practice. I encouraged Switzerland to continue its efforts in using RBM not only for accountability purposes but also for strategic planning and learning.

Human resources related to private sector engagement and fragile contexts remain a key challenge

SDC has made significant efforts to develop the skills needed to deliver an effective programme in the medium term and to ensure adequate staffing in fragile contexts, but challenges remain. The recruitment procedure for specialised staff (above 30 years old) is now more attractive for candidates as the process has been shortened and each candidate knows in advance the specific vacancy to be filled. However, attracting private sector specialists within SDC remains a challenge due to competitive opportunities in the Swiss private sector. Switzerland is also making efforts to improve staffing in fragile contexts by increasing the ratio of local staff and testing innovative ways to attract international staff (for example, a pilot in Burkina Faso and Head office where two staff rotate every 2-3 months between the two positions of Head of Co-operation in Burkina Faso and Desk officer for Burkina Faso in Bern). Switzerland is also paying attention to duty of care (for example, during the Afghanistan crisis and Covid-19 pandemic). Other DAC members face similar challenges with regard to staffing in fragile contexts. We recalled a DAC peer learning event in 2019 with lessons available on the learning platform Tools Insights Practices (TIPs), shared an International Network on Conflict and Fragility (INCAF) study on staffing in fragile contexts, and encouraged discussion with interested members on this key issue.

Conclusion

We were very encouraged by Switzerland's progress towards the DAC's recommendations and hope that findings from this mid-term review will be useful in ongoing reforms as well as in preparation of the 2025-28 Strategy. The next peer review will be an opportunity to reflect further on the impact of SDC's 'Fit for Purpose' process and Switzerland's response to recent and ongoing crises. In the meantime, we are looking forward to the 2022 Effective Development Co-operation Summit in Geneva this December which will be co-chaired by Switzerland.

Yours sincerely,

Mayumi Endoh

CC: Ms. Susanna Moorehead, DAC Chair
Mr. Jeff Schlagenhauf, OECD Deputy Secretary-General and Acting Director, DCD
Mr. Rahul Malhotra, Head of Division, Reviews, Results, Evaluation and Development Innovation, DCD
Ms. Anita King, Policy Analyst, DCD
Ms. Rachel Sberro-Kessler, Policy Analyst, DCD