

Annex C. Field visit to Ukraine

As part of the peer review of Switzerland, a team of examiners from Denmark and Portugal, observers from Qatar and members of the OECD Secretariat visited Ukraine in September 2018. The team met the Swiss Ambassador and the Head of the Development Co-operation Office, along with their teams, representatives of national authorities in Ukraine, other bilateral and multilateral partners, Swiss and Ukrainian civil society organisations, the private sector, and researchers.

Development in Ukraine

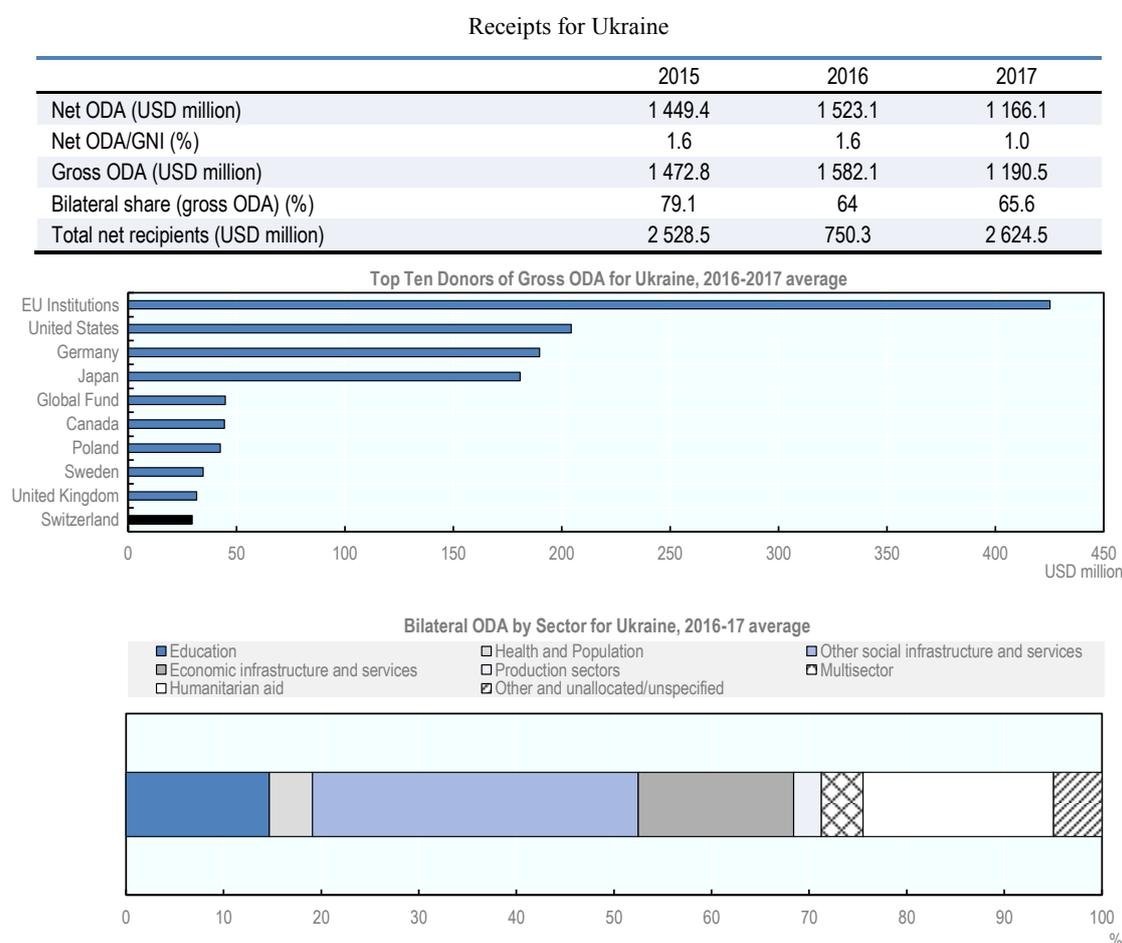
Economic, political and territorial crises constrain Ukraine's potential

Ukraine is a lower middle-income country and the largest country in continental Europe. The economic transition following independence from the Union of Soviet Socialist Republics in 1991 left its mark on the country: in 2000 Ukraine exited a deep ten-year long economic depression, during which spatial inequalities increased. The population decreased by 10 million to 44 million in 2017, owing to emigration, low birth rates and high death rates.

Following a brief period of economic growth, the rate of growth slowed with the 2008 financial crisis and further decreased with the Government of Ukraine's decision in 2013 to reject closer relations with the European Union, triggering the Maidan protests¹ and the ousting of President Yanukovich in 2014. Since then, Ukraine has witnessed several critical events, including the annexation of Crimea and the outbreak of conflict in eastern Ukraine. In response, total official development assistance (ODA) to Ukraine doubled in absolute terms and tripled as a share of gross national income (GNI).²

The simmering, protracted conflict in the east and persistent tensions with the Russian Federation have taken their toll on the country's economic, social and political situation. Following a cumulative contraction of 16% of the gross domestic product (GDP) in 2014-15, economic recovery remains weak.³ Consequently, poverty⁴ and unemployment⁵ remain above pre-crisis levels. The slowing pace in adopting key reforms, combined with macroeconomic vulnerabilities and uncertainty surrounding the 2019 elections, is not conducive to a speedy recovery.⁶

Building on international support, the Government of Ukraine committed to an ambitious and wide-ranging reform agenda featuring over 60 areas of reform, while contending with powerful vested interests that continue to oppose reforms.⁷

Figure C.1. Aid at a glance - Ukraine

Source: OECD (n.d.), *Aid at a glance charts*, <http://www.oecd.org/dac/stats/aid-at-a-glance.htm>.

Towards a comprehensive Swiss development effort

A long-standing partnership for transition and stability in Eastern Europe

Switzerland has a long-standing and stable relationship with Ukraine. The two countries established bilateral relations soon after Ukraine's independence in December 1991, opening embassies in both countries. In 1995, the Swiss Parliament recognised the importance of supporting Ukraine and other Eastern European countries in their transition in order to decrease disparities, and promote trade and investments, and to ensure stability and peace in Europe. Switzerland renewed this commitment through the Federal Act on Co-operation with Eastern Europe.⁸ The 1997 Framework Agreement on Technical and Financial Co-operation and the 1999 opening of a Swiss Co-operation Office (SCO) in Kyiv formalised Swiss development activities in Ukraine.

Prior to the outbreak of the conflict in Ukraine's eastern region, the Swiss Agency for Development and Co-operation (SDC) planned to exit Ukraine between 2015 and 2018.⁹ However, these plans were abandoned with the crisis. As Switzerland chaired the Organization for Security and Co-operation in Europe (OSCE) in 2014, the country took the political decision to maintain its full presence in Ukraine. Switzerland also continues

to work closely with the subsequent chairs of the OSCE (i.e. Austria and Germany). In 2016-17, Switzerland was the tenth-largest donor in Ukraine (Figure C.1).

Switzerland's policies, strategies and aid allocation

A conflict-sensitive strategy

The programme in Ukraine demonstrates Switzerland's expertise, good understanding of the context and conflict sensitivity. The 2015-18 Swiss Co-operation Strategy for Ukraine builds on the first 2011-14¹⁰ country strategy (the first joint strategy between SDC and the Economic Co-operation and Development Division of the State Secretariat for Economic Affairs - SECO) and the evolving context.

The definition of the new strategy built on a conflict-sensitive approach to build social cohesion. In practice, this approach meant managing the individuals supporting or opposing reforms in the Ukrainian administration through a human-security advisor (who implements a conflict prevention, peacebuilding and human rights programme); expanding the development programme across the country;¹¹ and providing humanitarian support focused on water and health. In the context of this strategy, Switzerland's well-recognised neutrality is a clear asset in reaching out to the conflict-affected population; indeed, Switzerland is the only bilateral donor able to work on both sides of the contact line with its humanitarian programme. Nevertheless, there is room to further strengthen the humanitarian-development-peace nexus in the upcoming country strategy.

Technical work supports Ukraine's reform agenda

Switzerland has developed a holistic approach to development in Ukraine. The results of the programme (e.g. better provision of public services, accountability and participation) are tangible at the local level, enhancing public support for the reforms outlined in the 2020 Ukraine Action Plan, which Switzerland backs at the national level. Nevertheless, while the co-operation strategy is strongly aligned with Ukraine's priorities, it is not formally negotiated, nor has it been signed with the government.

The strategy is spread across broad themes

Switzerland nearly doubled its commitment as a direct response to the 2014 crisis: the Embassy has a development co-operation budget of CHF 99 million (Swiss francs) (USD 97.5 million) over 2015-18, compared to a disbursement of CHF 57 million (USD 56.1 million) over 2010-14 (SCO Ukraine, 2015^[11]). However, ODA is not systematically included in the Government of Ukraine's budget, and Swiss ODA is not directly channelled through the government.

All Swiss activities in Ukraine contribute directly to the thematic priorities identified in the 2017-20 Dispatch on International Co-operation (Figure C.2). Moreover, the Swiss country programme in Ukraine is aligned with and covers four of the country's ten national priorities (below), in addition to humanitarian aid:¹²

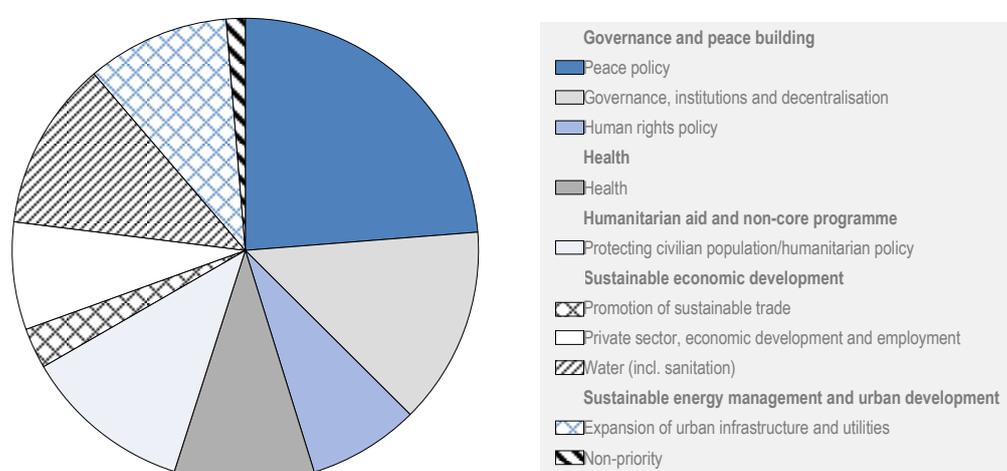
- governance and peacebuilding (CHF 33.9 million) (USD 33.4 million)
- health (CHF 9.5 million) (USD 9.4 million)
- sustainable energy management and urban development (CHF 39 million) (USD 38.4 million)

- sustainable economic development (CHF 18.1 million) (USD 17.8 million).

The thematic orientation of Switzerland’s co-operation programme is fully reflected in its ODA flows, with 99% of bilateral ODA expenditure disbursed to themes covered by the strategy. While the Swiss country programme formally complies with headquarters’ instruction to focus on a maximum of four sectors (Chapter 2), the domains (e.g. sustainable economic development) remain broadly defined. Further concentration within each domain could help build more coherence and synergies between SECO and SDC programming and instruments, a challenge identified in the country strategy’s mid-term review.

Figure C.2. Swiss activities in Ukraine are aligned with the Dispatch

Swiss ODA to Ukraine by sector, commitments in percentages, 2016-17 average



Note: The activities in non-priority sectors are scholarships.

Source: Based on OECD (n.d.)^[2], *DAC International Development Statistics*, https://www.oecd-ilibrary.org/development/data/oecd-international-development-statistics_dev-data-en.

Efforts to mainstream gender equality are not fully translated in programming

Gender equality is a transversal topic within the country strategy,¹³ and the co-operation office is committed to building implementing partners’ awareness on gender mainstreaming.¹⁴ The SDC Gender Equality Network provides valuable resources; biennial face-to-face meetings are a good learning opportunity for the Embassy focal point. Gender-specific indicators and gender audits as well as the gender network have further promoted gender sensitivity. However, only 11.6% of Swiss bilateral ODA to Ukraine included a gender-equality dimension in 2016-17 (OECD, n.d.)^[2], and no projects directly target gender inequality. In addition, the Embassy focal point has limited time to work on the issue,¹⁵ and staff awareness could be strengthened.

Organisation and management

An integrated Swiss embassy offers new opportunities

Since 2017, the SCO has been integrated in the Swiss embassy’s premises, and all parts of the administration work under a “Whole-of-Kyiv” approach.¹⁶ Given the political

nature of its work, the local team of the Human Security Division (HSD) reports directly to the ambassador and not to the co-operation section. Co-ordination and exchange, however, remain strong. For instance, the presence of HSD provides additional insights and expertise pertinent to the governance and peacebuilding domain. Since its integration, the co-operation section has been able to leverage further political influence, for the benefit of the programme. This influence is important to help maintain the support of policymakers in Bern, whose attention might be directed to newer conflicts; it also helps advance the reforms in Ukraine's politically fragile and conflictual context.

Despite different degrees of decentralisation, SDC and SECO collaborate well in Ukraine (Chapter 4). The practice of senior managers supervising two domains - one each under SDC and SECO - nurtures ownership of the whole strategy and cross-agency collaboration.

Staff are an asset of the Switzerland's development co-operation

The Swiss development co-operation programme benefits from experienced and dedicated staff members. To support the conflict-sensitive approach, the Embassy recruited staff from different regions in Ukraine, to maintain a balanced and critical view on the situation in the country. Partners value the close collaboration with staff in overseeing project implementation, thereby ensuring continued relevance and delivering on results. However, the considerable number of small projects and new regional projects managed by individual staff members increases the administrative burden on programme officers, potentially limiting the time available for adding value to individual projects and strategic planning.¹⁷

The Embassy provides a competitive employment package for local staff, and national programme officers are given significant project responsibility.¹⁸ Professional development opportunities are an important aspect of the employment package and help maintain staff satisfaction. Corporate thematic networks have proven useful in disseminating knowledge from and to local staff.

Partnerships, results and accountability

Flexible programming and partnering enhance impact in fragile contexts

Switzerland's development co-operation is valued by the Government of Ukraine, development partners and implementing partners, who view it as flexible and reliable. The co-operation section of the Embassy is in a position to identify where it can add value (e.g. in the field of mental health) and take risks to develop innovative pilots, such as e-governance (Box 4.1).

A key instrument to remain flexible, detect changing contexts and needs, and adjust programmes accordingly is the Monitoring System for Development-Related Changes. With this system, development-related changes are assessed twice a year in a retreat. Based on these assessments, the Embassy can adjust its engagement to respond to emerging opportunities and adapt to an evolving context. For instance, the Ukrainian government's low political will and continuity in the health domain prior to 2016, compared to its good progress and popular acceptance in the governance (decentralisation) domain, spurred the Embassy to rebalance SDC's portfolio in favour of governance in 2017 (SCO Ukraine, 2017_[3]). Programmatic flexibility and traditional Swiss neutrality also help HSD and the co-operation section humanitarian branch to seize opportunities allowing them to be active in areas not under government control.

A labour-intensive instrument to carry out the humanitarian programme

The humanitarian deliveries “transports” are a visible symbol of Swiss engagement in the conflict-affected area of eastern Ukraine. However, such humanitarian aid is labour-intensive (including for field staff needing to undertake local procurements) and does not progress some of Switzerland’s international commitments (like the Grand Bargain) to increase cash-based programming, aid for local responders and multi-year funding. The upcoming country strategy may provide a useful opportunity to review the future of this type of humanitarian aid.

Partners’ full potential is not used

In all domains, Switzerland engages with a diversity of partners. Given the high prevalence of corruption in Ukraine, insufficient local capacity and slow disbursements, the Embassy chiefly relies on international organisations and international or Swiss NGOs as implementing partners; it is currently seeking to broaden its partnership portfolio.¹⁹ Entering into new partnerships demands carefully identifying the right partner based on Switzerland’s partner risk assessment (Chapter 5).

Switzerland’s increasing work on the humanitarian-development-peace nexus contributes to broadening partnerships. The Embassy recently decided to engage in a livelihood support programme of the Danish Refugee Council, and to further fund existing (the United Nations Development Programme’s Recovery and Peacebuilding Programme) or emerging (the World Bank’s Multi-Partner Trust Fund for Peacebuilding and Recovery in Ukraine) multilateral platforms. These engagements will improve infrastructure and social services, promote economic recovery, and support social resilience, peacebuilding and community security.

Non-governmental organisations (NGOs) are important partners when engaging in conflict-affected areas. For instance, Switzerland works with NGOs with ties to Crimea to obtain reliable information on the human rights situation on the peninsula and to keep the situation on the public agenda, and supports NGOs’ anti-corruption activities. Switzerland’s non-governmental partners value its flexible and results-oriented small grants. Yet Ukrainian NGOs are supported as implementing partners, rather than as partners in their own right receiving programme contributions. A strong civil society at the local level is crucial to advancing and enshrining decentralisation efforts, as it holds local politicians accountable; not supporting the development of local civil-society watchdogs through programme contributions seems a missed opportunity. The forthcoming NGO policy developed at headquarters should help guide a new approach to partnerships.

Finally, the integration of the embassy and the SCO has increased the chances to engage with Swiss companies. This can lead to public-private projects, such as the existing projects with Nestlé or Geberit.²⁰ While these projects represent good opportunities, they require strong engagement from the co-operation section, to ensure stability and maintain development as the principal objective. Hence, a more strategic vision for private-sector engagement is important to mobilise additional funds for development.

Donor co-ordination boosts activities

Switzerland is helping to build a foundation for sustainable reforms in Ukraine. This approach includes engaging in donor co-ordination for development and humanitarian

actions (including EU co-ordination meetings in Brussels), convening key stakeholders to discuss sensitive political issues, and promoting country leadership and ownership.²¹

With the overall increase in ODA channelled to Ukraine, Switzerland recognises the potential to advance key issues beyond its own scope and means. In the case of decentralisation, Switzerland has been spearheading reform since the early 2000s and has paved the way for other development co-operation providers to engage in this key priority for Ukraine.²² It significantly contributed to establishing a donor board and continues to fund the donor board secretariat. In 2018 it passed the baton to the European Union to lead together with the Ukrainian Ministry of Regional Development this board, while continuing to chair the thematic working group on local governance, regional development and municipal services. Drawing from its experience and results, Switzerland encourages partners to serve the whole of Ukraine, including less accessible territories in the east. Furthermore, Switzerland is also very active in co-ordinating donors' activities in the areas of energy efficiency, agriculture and private sector development.

In addition, although the country programme does not have specific funding for nexus activities, the Embassy has partnered with the United Kingdom's Department for International Development (DFID) in a livelihood programme, financed by the Embassy's development funds and DFID humanitarian funds.

Evaluations and results information steer projects

The Embassy uses evaluations and results information to steer projects. During implementation, regular exchanges with implementing partners, as well as annual meetings convening them to review progress and results, are a good practice. Additionally, Switzerland provides support to implementing partners' results-based management systems and funds some training on evaluation. However, Switzerland does not conduct joint evaluations with the Government of Ukraine. This is a missed opportunity to support Ukraine and honour the commitments made in Busan.

Results-based management at the level of the country portfolio could improve. Current good practices include an upcoming peer review of the current strategy to inform the definition of the next strategy and the production of annual reports with a results dimension. However, the current format of these reports does not adequately reflect the results framework²³ of the country strategy. This reduces the ability to steer the programme at the domain and country levels; it also focuses the discussions between headquarters and the Embassy on processes rather than strategic decisions. The current redesign of the annual reports will make them more useful for steering and engaging in substantive discussions with headquarters.

Notes

¹ Also known as Euromaidan Revolution.

² Total ODA to Ukraine doubled from USD 703 million (United States dollars) (in constant prices) to USD 1 523 million in 2016 (OECD, n.d.^[19]). In the same period, the net ODA Ukraine received as a percentage of GNI tripled from 0.4% to 1.6% (World Bank, n.d.^[4]).

³ GDP grew by 2.3% in 2016 and 2.5% in 2017.

⁴ 6.4% at USD 5.50 per day, 2011 purchasing power parity, in 2016.

⁵ 9.4% in 2016.

⁶ Despite modest improvements in recent years, corruption remains a major concern. In 2017, Ukraine ranked 130 out of 180 countries in Transparency International's Corruption Perceptions Index (Transparency International, n.d.^[70]).

⁷ The ten most important areas for reform are: reducing corruption; the judicial system; law-enforcement bodies; state governance and decentralisation; the tax system; deregulation and development of entrepreneurship; security and defence system; the healthcare system; energy independence; and international promotion of Ukraine.

⁸ The Federal Act is the basis for Switzerland's co-operation with former communist countries in Eastern Europe and includes support to new EU Member States, with the objective of reducing disparities within the European Union. It was adopted by popular vote in 2006 and reconfirmed in 2016.

⁹ According to the initial plan, the Economic Co-operation and Development Division of the State Secretariat for Economic Affairs (SECO) was supposed to continue its activities alone in the country.

¹⁰ The current situation in Ukraine remains unchanged, prompting Switzerland to extend the current strategy, originally planned for 2015-18, to 2019 as the strategy remains pertinent. This extension is fully funded.

¹¹ Including areas bordering conflict-affected areas not under government control.

¹² The budget figures correspond to the new disbursement plans, following the mid-term review of the co-operation strategy.

¹³ The Swiss portfolio seeks to address structural gender imbalances in political participation, entrepreneurship and life expectancy.

¹⁴ Each implementing partner is required to have a gender focal point.

¹⁵ The Embassy gender focal point is only a part-time position (equivalent to 30% of a fulltime position). Given the limited time available, the focal point's activities are restricted to facilitation, rather than contributing substantive analyses to projects.

¹⁶ The integration process was well managed and included a joint team-building event, skilfully facilitated by two local NGOs, offering a good platform for informal introductory exchanges and networking between the two teams (the embassy and the co-operation section).

¹⁷ Although the 2015-18 country strategy doubled the available funds for Ukraine, the staff numbers did not increase at the same pace.

¹⁸ The Embassy seeks to offer a competitive salary for national programme officers, situated just below the salary international organisations pay to their national officers.

¹⁹ For instance, Switzerland contributed to a World Bank trust fund on health. Such action increases external monitoring, reduces corruption risks and pools limited resources to achieve greater development impact.

²⁰ The project with Geberit aims to improve vocational training in sanitary technology. The project developed a new training model, based on practical training and market needs, and tested it in pilot schools. Following the successful pilot, the project was rolled out nationwide to 25 vocational schools, with the support of Ukraine's Ministry of Education. In addition, Nestlé and the Embassy are discussing a potential pilot project to improve sustainable farming, through agricultural extension services to farmers.

²¹ At Switzerland's suggestion, the donor community in Ukraine created several donor co-ordination and thematic working groups, some of which are placed under the leadership of the Government of Ukraine. The donor community also mapped all co-operation activities against government priorities. It created a dedicated website to present activities in each sector and detail how donors co-ordinate among themselves and with the government.

²² One example of an important project is the Swiss-Ukrainian project on Decentralization Support in Ukraine. For more information, visit: <http://despro.org.ua/en/>.

²³ The 2015-18 Swiss country strategy for Ukraine included for the first time a detailed results framework.

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