

SWITZERLAND

1) QUANTITY OF AID

1.1. Current/Recent Quantity Performance:

Net ODA US\$m	2,016
% of GNI	0.41%

Source: OECD/DAC, preliminary 2008 data.

Since 2001, Swiss ODA has more than doubled in absolute amount (up from US\$908m) and increased relative to GNI (up from 0.34%). However, a large part of this increase was due to a decision to include the cost of asylum seekers during their first year of residence in Switzerland (DAC, 2005, p12). In 2008, an increase in bilateral aid raised ODA levels by 6.5% in real terms (DAC, 2009).

1.2. Future Quantity Intent

In December 2008, the Swiss National Council decided to increase Swiss ODA to 0.5% of GNI by 2015. This has not yet been planned into budgets but would be equivalent to US\$2,327 million by 2010, US\$460 million more than current budget plans DAC, 2009).

2) KEY AGENCIES/MECHANISMS

2.1 Agencies and Structures

Swiss Agency for Development & Co-operation (SDC)

Part of the Federal Department of Foreign Affairs (DFA), SDC is responsible for overall coordination of Swiss aid, and for all project-related aid. SDC disbursed 60.5% of Switzerland's bilateral aid and 84.8% of multilateral aid in 2007. SDC operations in country are highly decentralised, and usually in traditionally "soft" domains: conflict prevention and democratic transformation, governance, environment (see www.sdc.admin.ch for more information).

State Secretariat for Economic Affairs (SECO)

It is part of the Federal Department of Economic Affairs (DEA). Within SECO, the Economic Development Co-operation Department is responsible for development assistance. SECO disbursed 16.7% of Switzerland's bilateral aid in 2007, limited largely to budget support and global programmes. SECO has policy responsibility for sustainable development, and SECO's primary objective with respect to aid is poverty reduction. SECO operations focus on macroeconomic issues, investment promotion, trade and basic infrastructure. SECO also plays an important role in supporting the private

sector in developing countries, e.g. support for SMEs via the Swiss Investment Fund for Emerging Markets (see www.seco-cooperation.ch for more information).

Co-operation Offices (COOFs)

They are Switzerland's country offices for aid in 49 countries worldwide. These offices are responsible for follow-up on both SDC and SECO's programmes (OECD, 2005, p59). The COOFs are part of Swiss embassies, but remain fairly autonomous. Their relatively high degree of programming independence contrasts with their relatively low level of financial autonomy. Their delegated authority is only CHF 20,000 per activity (OECD, 2005, p74). Where no COOF exists, Swiss aid is delivered via its embassy.

2.2 Key Policies and Documents

2010 Strategy: SDC (SDC, 2000)

This document guides SDC's strategy up to 2010. SDC aims to be a 'reliable partner organisation characterised by continuity and flexibility', 'anchored locally within its partner countries. The strategy identifies five areas for SDC cooperation: crisis prevention and management, good governance (focusing on the division of labour between state/civil society/private sector, the rule of law and local government), income generation and employment (focusing on economic growth, small business and agriculture), social justice (focusing on gender, empowerment and poverty/redistribution), and sustainability (focusing on biodiversity and soil/water).

2006 Strategy: SECO (SECO, 2000)

This document guides SECO's strategy up to 2006. SECO's primary objective for aid is poverty reduction. The strategy lays out an approach based on the promotion of a market-based economy and economic growth, integration of developing countries into the world economy, good governance and the mobilisation of private sector resources.

Annual Reports

Annual reports on Swiss aid (covering both SDC and SECO) with details of geographical allocations, priority areas and particular programmes /projects. The most recent is the 2007 annual report, which can be found at SDC and SECO (2007).

3) RECIPIENT COUNTRIES AND ALLOCATION CRITERIA

3.1. Recipient Countries

Top ten countries	% of total ODA gross disbursements	% of bilateral ODA gross disbursements	US\$m
Iraq	5.0%	6.2%	83
Serbia	4.5%	5.5%	74
Nigeria	3.1%	3.8%	51
Tanzania	1.5%	1.9%	25
Mozambique	1.4%	1.8%	24
India	1.3%	1.6%	22
Burkina Faso	1.3%	1.6%	21
Pakistan	1.1%	1.4%	19

Top ten countries	% of total ODA gross disbursements	% of bilateral ODA gross disbursements	US\$m
Viet Nam	1.1%	1.3%	18
Afghanistan	1.1%	1.3%	18

Source: OECD/DAC, 2005-2006 data.

The top ten recipients listed above received 25.2% of bilateral ODA in 2005-06. Switzerland gave bilateral aid to 106 countries or autonomous regions in 2007. Swiss aid has a weak concentration on low-income countries (33%).

Distribution among different groups of recipients (% total ODA):

Least Developed Countries	14.9%
Other Low Income Countries	11.6%
Sub-Saharan Africa	17.9%
South and Central Asia	9.5%

Source: OECD/DAC, 2005-2006 data.

3.2. Allocation Criteria

3.2.1. *Pre-selection criteria*

Switzerland has no pre-selection criteria for country eligibility.

3.2.2. *Allocation criteria:*

Switzerland intends to concentrate its ODA on fewer nations over the next few years.

As of 2007, **SECO** lists 20 ‘focus’ countries (SECO, 2007a): Vietnam, Burkina Faso, Egypt, Ghana, Jordan, Mozambique, South Africa, Tanzania, Tunisia, Nicaragua, Peru, Albania, Azerbaijan, Bosnia and Herzegovina, Kosovo, Kyrgyz Republic, Macedonia, Serbia, Tajikistan, Ukraine.

For SECO, there are three considerations when selecting partner countries (SECO, 2005):

- Stage of development and transition: SDC priority countries or countries strongly committed to basic economic & structural reforms; relations with the BWIs, poverty level, commitment to good governance.
- Degree of Swiss economic policy interest: the country must fall at least into Category 3 (economically-interesting) of SECO’s Country Policy department.
- The country’s political importance for Switzerland: the country has been identified by the Federal Council for specific co-operation activities (e.g. the country belongs to the Swiss constituency in the Bretton Woods Institutions and the European Bank for Reconstruction and Development).

SDC bilateral development cooperation distinguishes between 14 priority countries (Benin, Bolivia, Burkina Faso, Peru, Mali, Nicaragua, Niger, Bangladesh, Chad, Nepal, Mozambique, Pakistan, Tanzania, and Vietnam) and special programmes (West Bank and Gaza, North Korea, Southern Africa, Mongolia, Great Lakes – Africa, Afghanistan, and Cuba). Priority countries are countries where “*Switzerland pursues a long-term, bilateral engagement in the context of multi-year country programs which also include other Swiss institutions*” (SDC, 2007a).

SDC provides additional bilateral support to 7 priority regions and countries (Albania, Bosnia and Herzegovina, Macedonia, Serbia, Ukraine, South Caucasus, Central Asia) and 3 special programmes (North Caucasus, Kosovo, Moldova) in Eastern Europe. In addition, regular humanitarian aid is provided to Liberia, Caucasus, Eastern Congo, Palestine, and Sudan (SDC, 2008).

SDC allocates funds according to the following criteria (SDC, 2007b):

- Needs: General poverty, precarious resources, desperate living conditions, great vulnerability and the likelihood of crisis.
- Potential: General conditions favourable to a development policy; good governance; determination to promote the rule of law, democracy and human rights.
- Comparative Advantages of the SDC: previous anchorage in the local context, experience with similar situations; involvement of priority themes and basic expertise; opportunity to participate in formulating policy.
- Swiss Political Interests – in particular: participation in special peace programmes and processes of social transformation; help in the management of critical bottlenecks, especially in the aftermath of complex crisis situations and natural catastrophes; measures to stem migration; commitments from international memberships and global conferences.

4) AID POLICIES

4.1. Concessionalality

Virtually all Swiss aid is grants, apart from a few loans to middle-income countries.

Grant share of bilateral ODA commitments (excluding debt reorganisation)	100%
Grant element of bilateral ODA to LDCs	100%

Source: OECD/DAC, 2005-2006 data.

4.2. Types of Assistance

Breakdown of different types of ODA (disbursements):

	\$US m	% of gross bilateral ODA disbursements
Stand-alone technical cooperation (disbursements)	174.1	13.8%
General budget support	34.7	2.7%
Sectoral projects and programmes (including some technical cooperation)	655.7	51.9%
Action related to debt	98.1	7.8%
Developmental food aid	-	-
Other commodity assistance	-	-
Emergency and distress (disbursements)	168.2	13.3%

Source: OECD/DAC, 2006 data.

Note: The breakdown into different types of assistance shown in the table is taken from different OECD/DAC data sources. As such, the final column does not add to 100%.

SDC and SECO are in the process of reviewing the balance of aid instruments as part of their programme of work to implement the Paris Declaration (SDC and SECO, 2005). SECO has increased budget support considerably since the 1990s, coming to represent 31% of its allocations to developing countries (DAC, 2005, p81), whereas SDC has concentrated on sector-wide approaches (SWAPs).

The 2004 guidelines on general budget support indicate 3 crucial pre-conditions before GBS can be considered in a particular partner country: (i) a commitment to poverty reduction and to improve the management of public finances, (ii) the fostering of stable macroeconomic and institutional conditions necessary for growth and for the development of the private sector and (iii) improved access to public infrastructure and public services (SECO, 2004, p5). The guidelines further describe more detailed country selection criteria once these 3 pre-conditions are considered to be met (SECO, 2004, p8). As of 2007, SECO delivered GBS to Burkina Faso, Nicaragua, Tanzania, Mozambique and Ghana (SECO, 2007b).

The 2008 Paris survey indicator 9 shows a small proportion of countries receiving more than 50% of programme aid, including Mongolia (93%), Burkina Faso (66%) and Nicaragua (60%). According to HIPC officials, best practice is in Benin, Ghana and Mozambique which rate more than 50% of Swiss aid as being provided through Programme Based Arrangements (PBAs).

Technical cooperation is particularly important in some sectors (e.g. accounting for on average around 65% of support for education in 2000-2003). Paris indicator 4 shows that for those countries getting more than US\$ 1 m in Swiss TC, this is well coordinated with country systems in Madagascar (100%), Mali (100%), Mongolia (100%) and Bolivia (60%).

4.3. Channels of Assistance

SDC and SECO are in the process of reviewing their administrative guidelines to facilitate better use of country systems as part of their implementation plan for the Paris Declaration (SDC and SECO, 2005).

SDC relies heavily on NGOs as a means of channelling aid in states where it considers the government's track record is suspect. Switzerland's support to and through civil society organizations accounted for 26.4% of gross bilateral aid or 21.3% of total ODA in 2006. Switzerland allocates around 24% of its ODA via multilateral organisations, of which 31% goes to UN agencies and 42% to the World Bank (2006 data, OECD DAC).

Among HIPC governments, Mali, Honduras, Mozambique and Nicaragua assess Swiss development cooperation as performing best for being recorded on budget (over 75%).

4.4. Sectors and Projects

Sector	% of bilateral ODA (commitments)
Social and Administrative Infrastructure	22.1%
Of which: Education	3.8%
Health	3.3%

Sector	% of bilateral ODA (commitments)
Population	0.2%
Water supply and sanitation	2.5%
Government and civil society	11.4%
Economic Infrastructure	6.7%
Of which: Transport and communications	1.0%
Energy	2.0%
Production	8.8%
Of which: Agriculture	4.7%
Industry, mining, construction	1.2%
Trade and tourism	2.9%
Multi-sector	14.7%
Programme Assistance	2.8%
Action relating to debt	7.8%
Emergency aid	14.0%
Administrative expenses	4.1%
Unspecified	19.0%

Source: OECD/DAC, 2006 data.

SDC tends to start with a country's own strategy in determining its priorities, whereas SECO's activities are more determined by the economic instruments it has available. The Swiss Federal government encourages thematic concentration on no more than three sectors in each priority country, but this is often not the case in practice. There is willingness from the part of the Swiss to better align sectoral priorities with country PRSP processes, especially so in Ghana and Mali which give the top score for the relevant indicator of the HIPC-CBP survey.

4.5. Flexibility

On paper, the Swiss budget appropriation framework allows for reallocation between countries as need arises, however this is rarely the case in practice (DAC, 2005, p30). SDC is aiming to increase its flexibility – it aims to have 10% of funds in all operational units flexible for rapid redeployment by 2010. SECO has very limited flexibility to reallocate budget support funds among countries on an annual basis, as eligibility and procedural processes are quite cumbersome (SECO, 2004). Among HIPC governments, Mozambique indicates that Switzerland has been somewhat more flexible.

4.6. Predictability

Multiyear funding, combined with the ability to rollover funds, provides Swiss agencies with a medium-term planning horizon and significant continuity and flexibility, all of which enable the Swiss authorities to better fulfil commitments made to partner countries in terms of aid predictability (DAC, 2005, p11). As part of its plan to implement the Paris Declaration, Switzerland has committed to inform and consult national authorities about planned operations and aid flows (via COOFs). For its budget support operations, Switzerland commits to not cut disbursements 'within-year', but retains the possibility of withdrawing support when "*the fundamental conditions for the provision of budget support no longer apply*" (SECO, 2004, p11).

HIPCs analyse Swiss performance on multi-year programming to be strongest in Bolivia, Honduras and Nicaragua, while Guinea-Bissau and Mali indicate high levels of disbursement in the intended fiscal year.

4.7. Conditionality

In countries where it provides budget support, Switzerland insists on macro-economic conditionality to a moderate degree, with a particular focus on governance and public financial management issues. It does not have formal conditionality linked to an IMF programme being on-track.

According to HIPCs, Swiss conditionality is less onerous in Bolivia and Honduras, resulting in very little disbursement delay.

4.8. Policy Dialogue

Where it provides budget support, Switzerland plays an active role in the policy dialogue with the partner country, focusing on governance and public financial management issues. It does not link its disbursements formally to those of the IMF, linking them instead to compliance with conditions set in multi-donor budget support agreements with developing countries. However, the Swiss retain the possibility of another disbursement tranche not linked to a country's negotiated PAF, but rather linked to "*specific key areas of reform*" (SECO, 2004, p11).

HIPCs give Switzerland relatively high scores for its engagement in policy dialogue, especially in Ghana. Its degree of independence of the BWIs is analysed to vary considerably, performing best in countries where it does not provide budget support.

5) AID PROCEDURES

5.1 Conditions Precedent

Switzerland demands relatively few conditions precedent. Though it can request counterpart funds, it does not often do so from low-income countries. According to HIPC governments, the number and type of conditions precedent are least time-consuming to comply with in Mozambique.

Nevertheless, SDC still uses a considerable number of PIUs (though none according to the 2008 Paris survey in 12 countries, including Tanzania, Mozambique and Ghana).

5.2 Disbursement Methods

Switzerland can disburse in advance or on a reimbursement basis. Direct payment to suppliers is often the preferred method for project-type assistance. Ghana and Cameroon among HIPCs report that Swiss disbursement methods are relatively efficient.

5.3 Disbursement Procedures

Further details of Swiss disbursement procedures are still being collected.

Nevertheless, the Paris survey (indicator 5a) shows all Swiss aid making use of partner country Public Financial Management systems in Madagascar and Benin, and nearly all in Ghana (91%). HIPCs indicate that the number of disbursement procedures separated from government, are relatively low in Cameroon, the Gambia, Honduras, Rwanda and Sierra Leone.

5.4 Procurement Procedures

Virtually all Swiss aid (including all aid to low-income countries) is untied. The OECD/DAC reports 3.7% of Swiss aid as being tied in 2006.

Information on procurement can be found on SECO (2007c) for infrastructure financing, whilst DAC (2005, p82-83) gives a good overview of Swiss development procurement. For the SDC, see SDC (2007c).

The Paris survey (indicator 5b) shows best practice in Swiss aid making use of partner country Procurement systems in Madagascar (100%), Nicaragua (98%), Burkina Faso (96%), Egypt (96%) and Ghana (91%).

5.5 Coordination

Switzerland is committed to the Paris agenda on harmonisation and alignment. The COOFs have been given the mandate to improve coordination with other donors at the country level. The key policy document (SDC and SECO, 2005) on the Swiss implementation of the Paris declaration only commits only to a thorough review process of all existing policies and procedures to make Swiss aid more aligned, harmonised and focused on results.

According to the 2008 Paris survey (indicator 10a), Swiss missions are still mostly uncoordinated, with best practice reported in Burkina (all missions joint with other donors), Nicaragua (83%) and Tanzania (58%), largely due to joint budget support missions. As for analytical work (Paris indicator 10b), this is all done jointly in Honduras and Kosovo, followed by Nicaragua (90%), Tanzania (89%) and Bolivia (80%).

Key Sources *(All internet sources were accessed in October 2008)*

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