

# Chapter 3: Allocating Switzerland's official development assistance

## Overall ODA volume

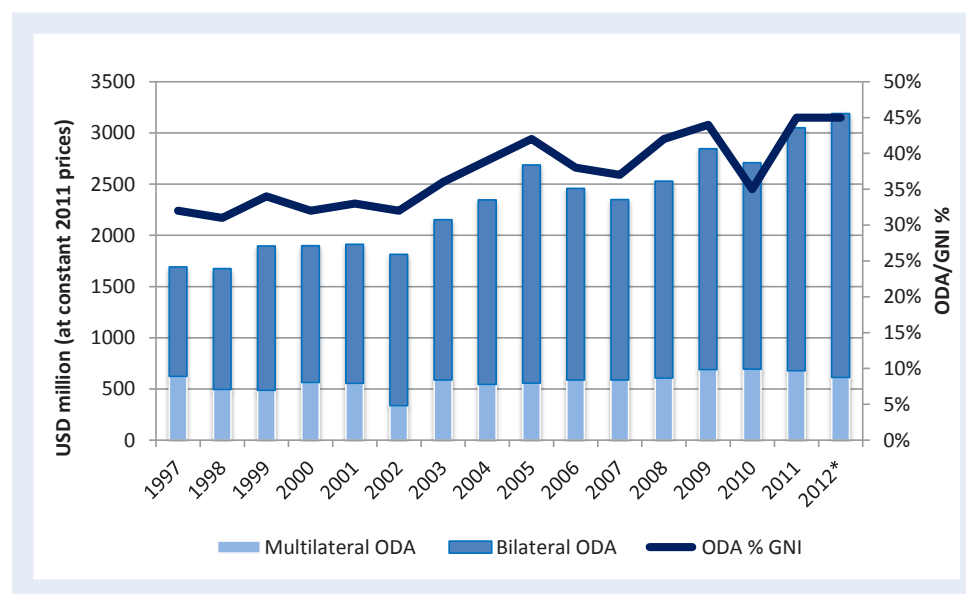
Indicator: The member makes every effort to meet ODA domestic and international targets

Switzerland is commended for its new commitment in 2011 to allocate 0.5% of its gross national income as ODA by 2015. It is on track to meet this target with a four-year credit line, approved by parliament, which sets out the necessary budget increases. Switzerland adheres to DAC statistical reporting requirements. However, it still has some way to go to meet its international commitments to provide comprehensive and rolling forward-looking data on its aid flows to partner countries.

### Commitment to allocate 0.5% of GNI as aid by 2015

In 2011, Switzerland committed to allocate 0.5% of its gross national income (GNI) as official development assistance (ODA) by 2015. This new target is a highly appreciated and welcome step towards delivering greater resources for development. Once Switzerland has met this target, it should explore how it can work towards achieving the United Nations international commitment of providing 0.7% of its gross national income as ODA.

Figure 3.1 Switzerland's net bilateral ODA, multilateral ODA and net ODA as a percentage of GNI, 1997-2012



\* based on preliminary DAC data

Source: OECD/DAC statistics

### Switzerland on track to meet its aid commitment

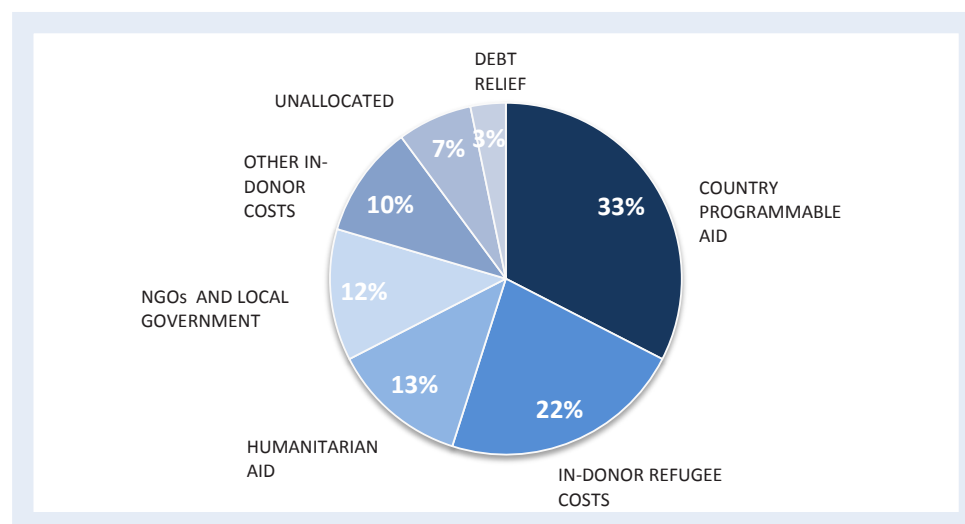
Switzerland is a medium-sized donor; in 2011 it was ranked the 11<sup>th</sup> largest development assistance provider out of 25 DAC member countries, measured in volume terms and as a ratio of gross national income. Swiss development assistance (net) has been steadily increasing since 2010 by an average 8.5% per year in real terms (Figure 3.1), and in 2012 its net ODA stood at USD 3.02 billion, representing 0.45% of its GNI (Figure 3.1, based on preliminary data).

Switzerland is on track to meet its aid target by 2015. Parliament approved in 2012, as part of the 2013-16 Dispatch, a four-year ODA credit framework (2013-16) with yearly aid increases of 9.2%. While there is a clear consensus among the majority of the political parties to scale up ODA, this scale-up is likely to be accompanied by increased scrutiny by parliament and the public.

Four major trends are apparent in the allocation of Switzerland's expanding development assistance since the last peer review:

1. Swiss bilateral aid increased as a share of total ODA from 75% in 2007 to 81% in 2012 (based on provisional 2012 DAC data).
2. The share of country programmable aid fell from 39% in 2007 to 33% in 2011 and was low relative to the DAC average, which stood at 55% in 2011 (Figure 3.2). Country programmable aid (CPA) is a measure of a donor's contribution to "core" development programmes. Switzerland's decreasing share of CPA can be explained by high levels of ODA spending on refugees in Switzerland. The share of Swiss bilateral ODA spent on refugees rose from 12% in 2007 to 22% in 2011. The DAC average was 3%. Switzerland follows DAC guidance on counting refugee costs for ODA, and the increased expenditure in this area reflects a rise in the number of asylum seekers received in Switzerland.
3. Switzerland continues to be a strong provider of humanitarian aid. Humanitarian aid has remained at approximately 13% of Swiss bilateral ODA since 2007. This is above the DAC average, which stood at 9% in 2010-11.
4. Switzerland continues to provide a high level of development assistance to and through non-governmental organisations (NGOs). In 2011, it provided USD 596 million to and through NGOs, representing 25% of its bilateral ODA (OECD, 2013).

Figure 3.2 Composition of Swiss bilateral ODA in 2011 (by percentage)



Source: OECD/DAC statistics.

Note: The category called 'NGOs and Local Government' refers to funding by local governments and all core contributions to NGOs.

### Further steps needed to ensure better reporting of aid flows to partner countries

Switzerland's four-year aid budget enables it to provide forward-looking information to partners about its planned spending (Chapter 5). However, this information is not systematically updated on a rolling basis to partner countries. Nor does it include all of Switzerland's aid (IATI, 2013; OECD, 2012). In Kyrgyzstan, for example, Switzerland did not systematically share Swiss aid spending plans with the partner government on a rolling basis. For Switzerland to meet its Accra and Busan transparency commitments by 2015 (HLF4, 2011), it will need to ensure greater transparency at the country level.

In terms of improving online aid transparency, SDC and SECO have established separate plans for moving towards providing their aid data according to a common, open standard by the 2015 target in the Busan Partnership for Effective Development Co-operation agreement (HLF4, 2011). SDC also joined the International Aid Transparency Initiative (IATI) in 2009. However, both SDC and SECO acknowledge they face problems with availability of data, confidentiality issues and timeliness. These need to be addressed swiftly, in order to enable SDC and SECO to deliver on this commitment.

Switzerland complies with the DAC recommendations on aid and the DAC rules for statistical reporting.

## Bilateral ODA allocations

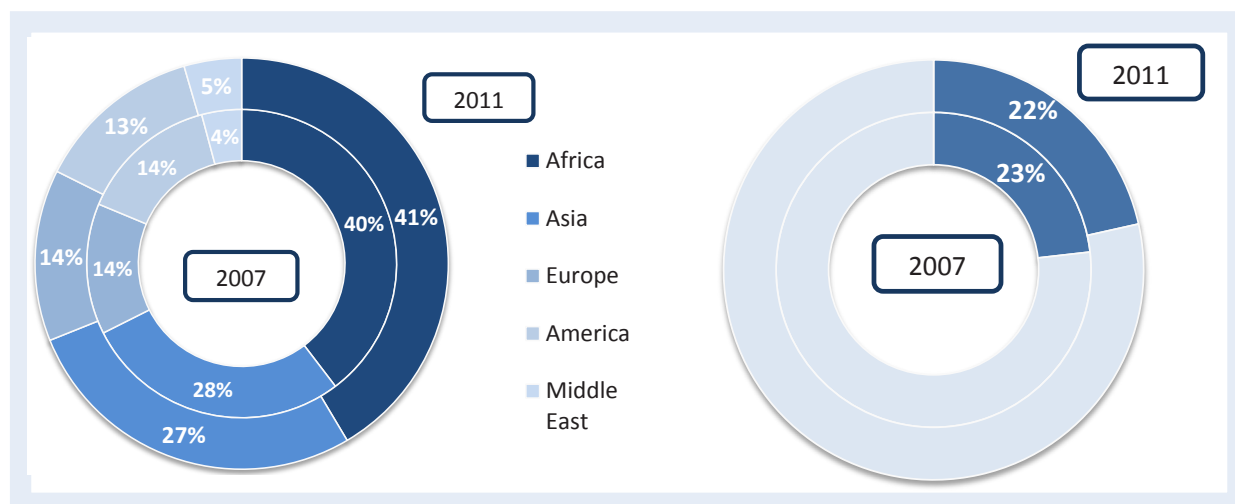
Indicator: Aid is allocated according to the statement of intent and international commitments

While the overall volume of Switzerland's aid flows to least developed countries (LDCs) has increased since the last peer review, the actual share of bilateral ODA flowing to LDCs has marginally declined. Switzerland's bilateral ODA continues to be fragmented: it is spread thinly across a large number of countries and, within countries, is spread across a large number of sectors. Switzerland appears to be addressing the need to concentrate its resources on fewer themes in priority countries, but insufficient measures have been taken to ensure greater geographical concentration. Its aid commitments to gender equality and in support of the environment and climate change mitigation and adaptation have increased since 2009, mostly reflecting improved reporting against the relevant markers.

**Rise in amount of Swiss bilateral ODA going to least developed countries, but share has not increased**

The regional allocation of Swiss bilateral ODA reflects Swiss strategic priorities and has not changed significantly since the last peer review. Africa continues to receive the largest share that is allocable by region (41%), followed by Asia (27%) Europe (14%) and America (13%) (Figure 3.3a). Compared to other DAC donors, Switzerland spends a high proportion of its bilateral allocable aid in Europe (Eastern Europe) due to its focus on assisting transition countries.

**Figure 3.3a Percentage of Swiss bilateral ODA allocable by region in 2007 and 2011 (constant 2011 USD million\*)**

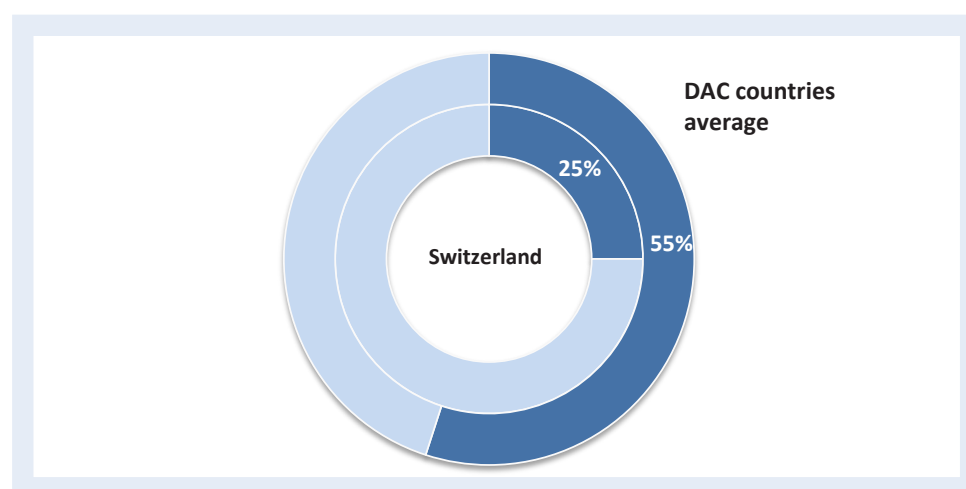


\*Oceania is not represented in the graph, as no Swiss bilateral ODA went to this region in the years assessed.

Source: OECD/DAC statistics

Since the last peer review, Switzerland increased the amount of aid it spends in least developed countries (LDCs) from USD 412 million in 2007 to USD 517 million in 2011 (constant 2011 USD). However, the share of overall Swiss bilateral ODA to LDCs fell since the last peer review from 23.2% in 2007 to 21.5% in 2011 (Figure 3.3b). It is promising, however, that the 2013-16 Dispatch has set a financial target for SDC to deliver 45% of its resources under the technical co-operation assistance credit line to Africa, an increase from the past. This target has been set with the explicit aim of increasing spending in least developed countries. With an expanding aid budget, Switzerland should work towards ensuring that not only the volume of bilateral ODA to LDCs increases over the next couple of years, but the share as well.

**Figure 3.4 Percentage of ODA to top 20 recipient countries, 2010-11 average (gross disbursements)**



Source: OECD/DAC statistics

### **Aid still spread thinly across a large number of countries and regions**

Switzerland has not managed to implement the 2009 peer review recommendation to further concentrate its aid geographically. Moreover, Swiss development co-operation is less concentrated than it was at the time of the last peer review. In 2010-11 only 25% of Swiss bilateral aid went to its top 20 aid recipients, compared to 31% on average in 2005-09. These levels of concentration are significantly lower than the DAC average to the top 20 aid recipients, which was 55% of bilateral aid in 2010-11 (Figure 3.4). Switzerland is trying to reduce fragmentation with financial targets to increase spending in its priority countries. However, the targets are relatively low and are not sufficient, especially in the case of SDC. SDC has already met its target of delivering CHF 20 million on average across its 20 priority countries/regions. According to Swiss data, in 2012 it delivered CHF 22.59 million on average to these countries (SDC/SECO, 2013a). In the case of SECO, the financial

target to allocate between CHF 15 million and 25 million should result in increased flows to its eight priority countries.<sup>1</sup> This is positive, but it should be noted that SECO is responsible for a far smaller share of Swiss bilateral ODA than SDC.

Switzerland's current geographical aid allocations hinder it from achieving its aim of concentrating its resources further in order to achieve greater economies of scale and deliver more effective aid. With an expanding aid budget, Switzerland should consider significantly scaling up its spending in fewer countries, based on an analysis of where increases would have the greatest development impact. It should also engage in division of labour discussions with other development partners. This could be achieved either by further reducing the number of priority countries or by focusing on scaling up in a subset of them.

---

**Aid still spread across a large number of sectors within countries, but some measures are being taken to address this**

Switzerland's thematic priorities are reflected, on the whole, in its current sector allocations. Swiss support to the social infrastructure and services sector accounted for the largest amount of Swiss bilateral ODA (28%) on average between 2010-11. Within this sector, there is a strong focus on water supply and sanitation (8%), a priority for SDC and SECO, which has increased compared to 2005-09 trends, and a strong focus on government and civil society (12%), a thematic priority for SDC only. In addition, 5% of Swiss bilateral ODA on average between 2010 and 2011 was spent on banking and financial services, a priority theme for SECO. While this is small share of bilateral ODA, it represents about one-third of SECO's overall budget.

However, aid to health and education, which are thematic priority areas for SDC, represented only 6% of Swiss bilateral ODA commitments on average between 2010 and 2011 (3% for each sector). According to the 2012 Annual Report for Swiss International Co-operation, SDC allocates more resources to education and health. For example, 8% of SDC's aid to sub-Saharan Africa focused on education, compared to 15% on health. In Latin America, however 5% of its allocations focus on health, while less than 1% focuses on education, and in Asia just 5% is allocated to health and education respectively (SDC/SECO, 2013b). The level of spending does not seem to reflect priority, and maintaining expertise to support a small sector can be costly. SDC should assess whether these sectors could be supported better through channels other than the bilateral.

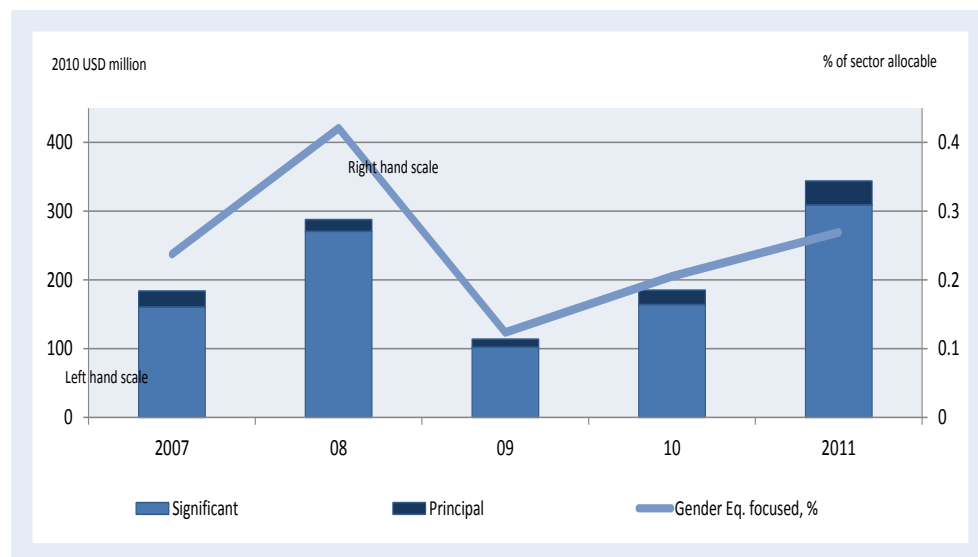
At the country level, Switzerland has not fully implemented the 2009 peer review recommendation to concentrate on a smaller number of thematic priorities, despite efforts to limit Swiss interventions to three to four themes per country/region. In 2011, according to DAC data, Switzerland provided country programmable aid (CPA) to 70 countries. On average across these 70 countries, it was engaged in six sectors per country and was only a significant donor (i.e. among the top donors that cumulatively provide 90% of support to a sector) in two of the six sectors.

This country-level thematic fragmentation is increasing transaction costs for Switzerland and its partner countries. For example, in the thematic area of government and civil society, where Switzerland has a comparative advantage, it provided support to 66 countries in 2011, but was only a significant donor in 22 of them.

It is positive that Switzerland in its 2013-16 Dispatch has set a target for SDC to ensure that 80% of funds under its financial assistance credit are committed to a maximum of three priority themes.<sup>2</sup> Looking at a selection of SDC's new country strategies for 2013-16, it would appear that Switzerland is committed to meeting this target at the country level. In the case of SECO, while the Dispatch does not set a financial target for thematic spending at the country level, all its new country strategies focus on three thematic areas. Switzerland should monitor regularly the progress made in meeting its targets and adjust them if necessary.

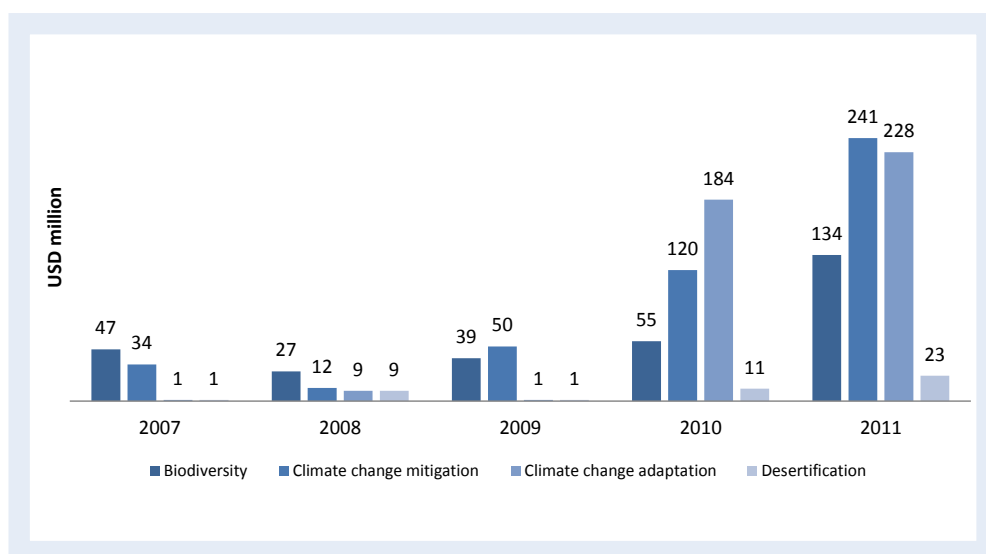
ODA commitments for activities with gender equality and women's empowerment as a principle or significant objective have increased since 2009 and reached USD 408 million in 2011 (Figure 3.5a). There has also been an increase in Swiss aid commitments in support of the environment as a principle or significant objective since 2009, and Swiss ODA commitments for climate change mitigation and adaptation have risen over the same period (Figure 3.5b). It should be noted that these increases can partly be explained by improvements in Swiss statistical reporting. However, in 2011 parliament agreed to provide an additional CH 640 million which, among other things, was used to finance bilateral projects in the area of climate change and water and to provide new and additional financing for United Nations Framework Convention on Climate Change (UNFCCC) Fast Start Finance for 2010-12.

Figure 3.5a ODA for gender equality and women's empowerment, 2007-11



Source: OECD/DAC statistics

Figure 3.5b ODA commitments targeted at the objectives of the Rio Conventions, 2007-11



Source: OECD/DAC statistics



## Multilateral ODA channels

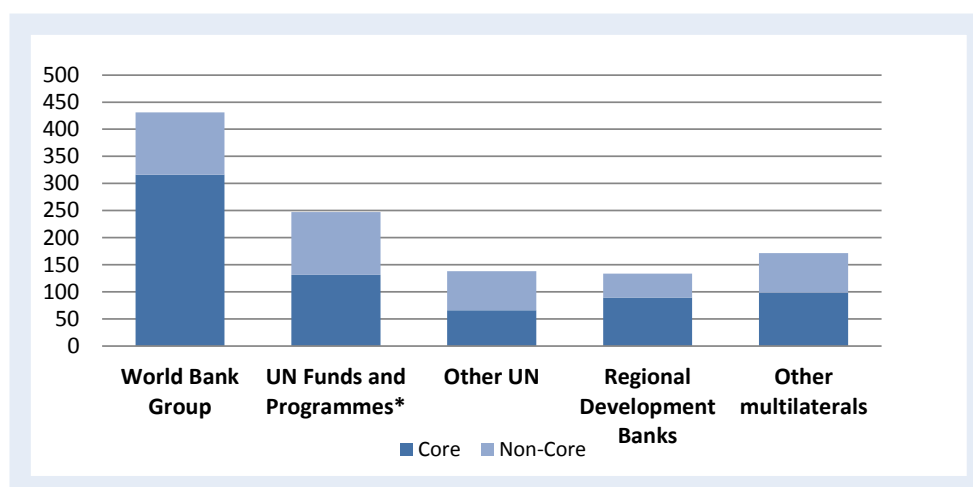
Indicator: The member uses the multilateral aid channels effectively

Switzerland has maintained a strategic and focused approach to allocating its multilateral ODA since the last peer review. In 2012, it provided 75% of its core funding to its 13 priority multilateral organisations. Switzerland is an active player in making the multilateral system more effective, working with other donors to improve the system.

### Multilateral resources are allocated strategically

Switzerland has maintained a strategic and focused approach to allocating its multilateral ODA since the last peer review. In 2011, it allocated USD 1.12 billion in ODA through the multilateral channel, the equivalent of 37% of total ODA. USD 702 million was provided as core funding, 75% of which was allocated to 13 priority multilateral organisations (SDC/SECO, 2013a). The largest share goes to the international financial institutions, and among these, the World Bank is the main recipient. (Figure 3.6) Switzerland is making efforts to move towards securing multi-year core commitments to all 13 organisations. This would be a welcome step. It would help Switzerland to become a more predictable donor, setting a good example for other donors. Switzerland steadily increased its non-core (multi-bi) contributions to multilateral organisations from USD 221 million in 2007 to USD 427 million in 2011 (in constant 2011 USD million). In 2011, non-core funding represented 38% of total aid channelled through the multilaterals.

Figure 3.6 Core and non-core allocations to multilateral organisations, 2011



Source: OECD/DAC statistics

**An active player working to strengthen the multilateral system**

Switzerland is actively engaged in trying to make the multilateral system work better. Strengthening the multilateral system and increasing its efficiency are key strategic objectives of Swiss multilateral aid. Switzerland's Core Contributions Management (CCM) system for managing its relationship with its priority organisations works to improve the development outcomes of organisations, and their management and reporting systems, as well as Switzerland's effectiveness in achieving its policy dialogue objectives with the relevant organisations. These objectives are evident in the individual strategies pursued with these organisations.

Switzerland's efforts to improve the co-ordination, coherence and effectiveness of the UN development system are positive and are welcomed by its multilateral partners. For the past ten years it has facilitated the quadrennial comprehensive policy review (QCPR), the normative instrument for reforming the UN system. Switzerland is also active in fostering better co-ordination and co-operation on the ground between the World Bank and United Nations bodies in fragile states.

## Notes

1. SECO is committed under the new strategy to ensure that each of its eight priority countries under the Economic and Trade credit line receives between CHF 15 million and 25 million. This target will require a significant scale-up of resources from SECO's budget. In 2012, according to Swiss data (SDC/SECO, 2013a), SECO priority countries on average only received CHF 6.55 million. SECO country strategies for 2013-16 are based on delivering this scale-up.
2. There is also a target for SDC and SECO shared priority countries covered by its transition assistance credit line. The target is for 80% of resources to go to four thematic areas, reflecting the fact that both SDC and SECO work in these countries. It appears that this target is being adhered to in new country strategies being produced for these countries.

## Bibliography

### Government sources

Federal Council (2008), *Message concernant la continuation de la coopération technique et de l'aide financière en faveur des pays en développement du 14 mars 2008*, Federal Council, Bern.

FOM (Swiss Federal Office for Migration) (2011), *Rapport sur la migration 2011*, FOM, Bern.

FOM (2013), *Statistique en matière d'asile 1er trimestre 2013*, FOM, Bern.

SDC (Swiss Agency for Development and Co operation) (2005), *Switzerland Multilateral Development Co-operation Strategy: An SDC-SECO Guideline*, SDC, Bern.

SDC/SECO (State Secretariat for Economic Affairs) (2013a), "OECD DAC Peer Review of Switzerland, 2013: Memorandum", SDC/SECO, Bern.

SDC/SECO (2013b), *Annual Report 2012: Swiss International Co-operation*, SDC, Bern, [www.deza.admin.ch/en/Home/Documentation/Publications/Annualreports](http://www.deza.admin.ch/en/Home/Documentation/Publications/Annualreports).

Swiss Confederation (2012a), *Message concernant la coopération internationale 2013-2016 (available in French, German and Italian)*, Swiss Confederation, Bern, [www.deza.admin.ch/en/Home/News/Close\\_up?itemID=208683](http://www.deza.admin.ch/en/Home/News/Close_up?itemID=208683).

Swiss Confederation (2012b), *Message on International Cooperation 2013-2016: Key points in brief*, Swiss Confederation, Bern, [www.deza.admin.ch/en/Home/News/Close\\_up?itemID=208683](http://www.deza.admin.ch/en/Home/News/Close_up?itemID=208683).

Swiss Confederation (2013), *Guideline Results-oriented Core Contributions Management (CCM)*, Bern.

### Other sources

HLF4 (Fourth High Level Forum on Aid Effectiveness) (2011), "Busan Partnership for Effective Development Co-Operation, HLF4, Busan", [www.oecd.org/dac/effectiveness/fourthhighlevelforumonaideeffectiveness.htm](http://www.oecd.org/dac/effectiveness/fourthhighlevelforumonaideeffectiveness.htm).

IATI (International Aid Transparency Initiative), *2013 Annual Report*, [www.aidtransparency.net/annual-report-2013](http://www.aidtransparency.net/annual-report-2013).

OECD (2009), *Switzerland: Development Assistance Committee (DAC) Peer Review*, OECD Publishing, Paris, [www.oecd.org/dac/peer-reviews/44021195.pdf](http://www.oecd.org/dac/peer-reviews/44021195.pdf).

OECD (2012), *2012 DAC Report on Aid Predictability: Survey on Donors' Forward Spending Plans 2012-2015 and efforts since HLF-4*, OECD Publishing, Paris, [www.oecd.org/dac/aid-architecture/2012\\_DAC\\_Report\\_on\\_Aid\\_Predictability.pdf](http://www.oecd.org/dac/aid-architecture/2012_DAC_Report_on_Aid_Predictability.pdf).

OECD (2013b), *Aid for CSOs*, OECD Publishing, Paris.