



# The DAC Journal

INTERNATIONAL DEVELOPMENT



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**DAC Journal 2000**

# **Sweden Switzerland**

Volume 1 – No. 4



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

## ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

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*In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the Development Assistance Committee, whose Members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, Members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.*

*The Members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.*

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# Sweden

This part of the publication contains the Main Findings and Recommendations as agreed by the Development Assistance Committee following its review on 5 October 2000 at the OECD, and the report prepared by the Secretariat in association with the examiners, representing the United Kingdom and the United States, on the development co-operation policies and efforts of Sweden. The report is published on the authority of the Secretary-General of the OECD.

## **FOREWORD**

The Development Assistance Committee (DAC) conducts periodic reviews to improve the individual and collective development co-operation efforts of DAC Members. The policies and efforts of individual Members are critically examined approximately once every three years. Some six programmes are examined annually.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC Members who are designated as examiners. The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the Member concerned. Field visits assess how Members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

The Secretariat then prepares a draft report on the Member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the Member under review respond to questions posed by DAC Members led by the examiners. These questions are formulated by the Secretariat in association with the examiners. The main discussion points and operational policy recommendations emerging from the review meeting are set out in the Main Findings and Recommendations section of the publication.

Jean-Claude Faure  
DAC Chairman

## ACRONYMS

AfDB	African Development Bank
AsDB	Asian Development Bank
BITS	Agency for International Technical and Economic Co-operation, Sweden
BSS	Basic social services
CDF	Comprehensive Development Framework
CEECs	Central and Eastern European countries
CPLAR	Viet Nam-Sweden Co-operation Programme on Land Administration Reform
CRS	Creditor Reporting System
EC	European Commission
EDF	European Development Fund
EGDI	Expert Group on Development Issues
EIA	Environmental impact assessment
EKN*	<i>Exportkreditnämnden</i> (Swedish Export Credit Guarantee Board)
EU	European Union
GNP	Gross national product
GOT	Government of Tanzania
GOV	Government of Viet Nam
HESAWA	Health through Sanitation and Water, Tanzania
HIPC	Heavily-Indebted Poor Countries
ICT	Information communication technology
IDA	International Development Association
IDB	Inter-American Development Bank
IDG	International development goal
IFIs	International financial institutions
IMF	International Monetary Fund
ISP	National Inspectorate of Strategic Products, Sweden
LAMP	Land Management Programme, Tanzania
LLDCs	Least developed countries
MFA	Ministry for Foreign Affairs
MOE	Ministry of Education
MOF	Ministry of Finance
MRDP	Mountain Rural Development Programme, Viet Nam
NORAD	Norwegian Agency for Development Co-operation
NGO	Non-governmental organisation

## *Sweden*

OA	Official aid
ODA	Official development assistance
ODI	Overseas Development Institute
PES	Project Export Secretariat
PMU	Project Management Unit
PRSP	Poverty Reduction Strategy Paper
PSD	Private sector development
SAREC	Department for Research Co-operation, Sida (formerly the Swedish Agency for Research Co-operation in the Developing Countries)
SEK	Swedish Kronor
Sida	Swedish International Development Co-operation Agency
SIP	Sectoral Investment Programme
SWAp	Sector-wide approach
TAS	Tanzanian Assistance Strategy
TRA	Tanzania Revenue Authority
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNHCR	United Nations High Commissioner for Refugees
USD	United States dollar
WFP	World Food Programme
WHO	World Health Organization
WID	Women in development

**Exchange rates (SEK per USD) were (annual average except for 2000 where January-June was used):**

<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
7.1336	6.7071	7.6346	7.9471	8.2623	8.6352

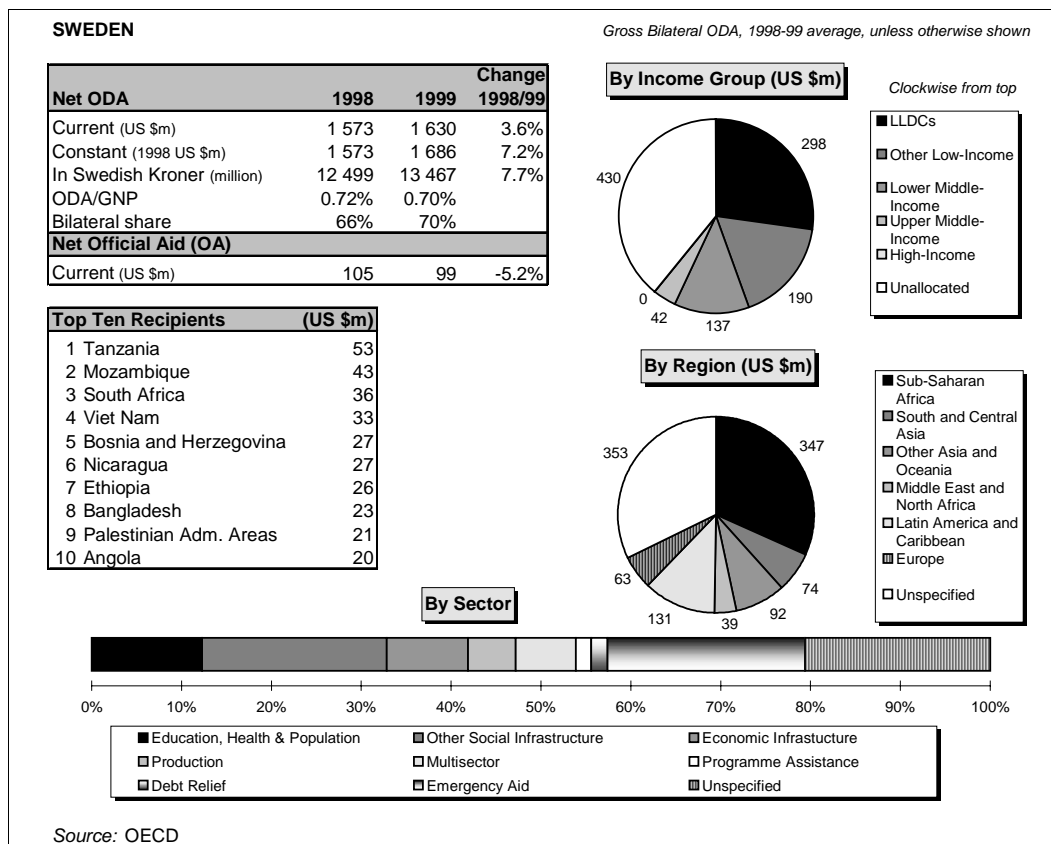
### **Signs used:**

()	Secretariat estimate in whole or 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



### Sweden's aid at a glance



Source: OECD

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## THE DAC'S MAIN FINDINGS AND RECOMMENDATIONS

### Sweden's leading role in development co-operation

Sweden has remained a leader among Development Assistance Committee (DAC) Member countries in the percentage of gross national product (GNP) devoted to official development assistance (ODA), in spite of a recent economic austerity programme. However, government-wide budget cuts implemented since 1995 have resulted in a decline of total ODA disbursements from a high of 2.0 billion United States dollars (USD) in 1992 to USD 1.7 billion in 1999<sup>1</sup>. As a result, Sweden's ODA/GNP ratio fell from a peak of 1.03% in 1992 to 0.70% in 1999. As part of the austerity measures, the parliament suspended its previous target for ODA allocations of 1% of GNP, replacing it with a floor of 0.7%. Now that Sweden's economic reforms have had their desired effect, the ODA/GNP ratio is expected to increase again to reach 0.81% in 2003. Sweden's commitment to maintaining a high ODA/GNP ratio, even in challenging economic times, is a commendable example for many other DAC Members.

Since 1962, Sweden's overall goal in development co-operation has been to raise the living standard of the poor. This emphasis is strongly rooted in Sweden's historical perspective of its own economic and social development. Poverty reduction is seen holistically and multi-dimensionally, with six objectives - economic growth, independence, equity, democracy, environmental protection and gender equality - interacting with each other in order to achieve the overarching goal of poverty reduction. The consistency of Swedish aid with this overall goal is demonstrated by the focus of its bilateral ODA, mostly extended as grants, on countries with low levels of *per capita* income. In particular, about half of Sweden's allocable bilateral ODA is directed to sub-Saharan Africa. In terms of sectoral allocation, Sweden committed 15% of its bilateral ODA to basic social services in 1997-98, compared to the DAC average of 10%. Sweden's multilateral efforts are substantial, both as a major financial contributor and as an active proponent for institutional reform.

Sweden's leadership in policy formulation relating to development co-operation and poverty reduction is well known. Sweden is also actively experimenting with new approaches in its country operations to improve aid effectiveness. For example, in all the main recipient countries, field representation of the Swedish International Development Co-operation Agency (Sida) has been merged with the local embassy to form "integrated embassies." A pilot project has also been launched to increase delegated responsibility to the integrated embassies in Nicaragua, Tanzania and Viet Nam. Although the cost and staffing implications could be substantial, the assessment of the pilots would be of interest to many DAC Members. In another trial exercise, Sida and the Norwegian Agency for Development Co-operation may represent each other in countries where they are not already present. Sweden's initiatives in creating new aid paradigms, such as developing cutting-edge modalities to ensure the accountability of budgetary support while simultaneously handing over control to partner governments to take ownership of their programmes, reflect a laudable risk-taking approach to co-operative relationships. Sweden is also in the forefront of donors trying to carry out sector-wide approaches.

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1. In 1998 prices and exchange rate.

## *Sweden*

Sweden vigorously applies lessons-learned and regularly re-assesses its *modus operandi*. Sida has strong and well-developed evaluation functions at both the department and agency levels. It has started a rigorous evaluation of its country programme in Tanzania, which exemplifies Sweden's concern for quality programming. Sida also recently completed a study to evaluate its evaluation process, which examined whether evaluations were useful and used by partners. The results of this study could be of interest to many other donors.

### **Challenges faced by Sweden**

Sweden's bilateral co-operation focuses on some 20 countries governed by long-term strategies and bilateral co-operation agreements. At the same time, Sweden has co-operation activities with approximately 100 other countries. As a result, less than half of Sweden's bilateral ODA is currently provided through specific budgets for the long-term co-operation countries. One explanation for this is the progressive establishment of budget lines for Sida's nine operational areas, which have no geographical limitation. Another reason is the increasing allocation for humanitarian assistance and conflict prevention, which now consume 20% of Sweden's bilateral ODA budget. It also reflects rising pressures for aid in a wider range of countries. Given Sweden's commitment to poverty reduction, the DAC questioned whether this dispersion of resources might not dilute its more targeted efforts in the programme countries and noted that there is an absence of well-developed phase-out or exit strategies. The DAC also questioned how Sida ensures that NGO activities - which receive a third of bilateral ODA - are in accordance with Sweden's policies and priorities.

Sweden strongly supports the development partnership strategy described in *Shaping the 21<sup>st</sup> Century: The Contribution of Development Co-operation*. Nevertheless, the DAC noted that neither poverty reduction as an overarching goal nor the international development goals (IDGs) have been specifically incorporated into Sida's strategy documents. Sweden could bring out more explicitly the linkages between the six sub-objectives set by parliament and the overarching poverty reduction goal, particularly at the country level. Examples include linkages with free-standing activities supporting human rights and democratic governance, areas of increasing emphasis in Sida's programming.

Sweden supports endeavours by the international community to define appropriate indicators to assess the achievement of the IDGs. Once defined, Sweden will consider incorporating the indicators in its aid programme to assess results. In the meantime, Sweden is encouraged to increase the focus on the IDGs in its operations, as part of its broader efforts to improve results-based management, and establish an overall monitoring system for cross-cutting issues, including gender equality.

### **Emerging need for greater policy coherence**

In Sweden, the perception of the general public and the private sector of the role of ODA is changing. While public support for development assistance remains strong enough to sustain high aid level, there are some signs of weakening. Opinion surveys show donor fatigue and a lower expectation of ODA as a catalyst in achieving poverty reduction. At the same time, the private sector believes that both Sweden and poor countries would benefit from enhanced trade relations. Therefore, there are some pressures for Sweden's own economic interests to be reflected more in the development co-operation programme. At a broader level, development co-operation is also being placed increasingly within the wide range of competing foreign policy priorities, such as relations with the Baltic Sea region and the Balkans, as well as Sweden's role in the European Union.

These competing interests reflect the acknowledged need for greater coherence among Sweden's different policies and priorities affecting developing countries. In 1995-96, major re-organisations of the MFA and Sida were carried out as part of an effort to bring more coherence to Sweden's external relations. While the objectives have mostly been achieved, the MFA is still faced with some key policy coherence issues, such as the importance of reconciling trade, environment, security, agriculture, migration, and refugee issues with poverty reduction. Efforts are also needed for Sida to complete the merger: the agency intends to integrate activities in the infrastructure sector and research co-operation more fully into its overall systems and at the country level.

Other areas where coherence could be more fully addressed are export credits, debt reduction and the untying of aid. For example, while operations by the Swedish Export Credit Guarantee Board (EKN - *Exportkreditnämnden*) on behalf of Sida follow Sida's environmental guidelines, its other operations in developing countries fall under the EKN's own environmental policy which was established recently. According to some NGOs, the effective implementation of this policy could be challenging. While Sweden's long-term and active involvement in debt relief is well known, it also remains an important creditor through its export credits, with USD 2.6 billion owed by low-income countries in 1999. The extent to which research co-operation and NGO support are earmarked for Swedish entities could also be discussed further.

Compared to several other DAC Members, parliamentarians in Sweden are involved substantially in the details of the nation's development co-operation. As a notable example, the *Parliamentary Commission of Inquiry into Swedish Policy for Global Development* was recently set up to investigate how coherent policies should be formulated in combating poverty under the new conditions created by globalisation. The Commission is expected to submit a report and comprehensive proposals for revising Swedish policy in October 2001.

## Recommendations

Based on these findings, the DAC:

- Strongly endorses Sweden's plan to increase ODA so as to reach 0.81% of GNP in 2003 and encourages it to reinstate the long-standing goal of 1% ODA/GNP within a specified time-frame.
- Urges clarification of the status of long-term co-operation countries and their appropriate share of bilateral ODA. The development of guidelines on sustainability, phase-out and exit strategies of projects and country programming would be beneficial.
- Suggests that Sweden consider, in view of their strong support for the development partnership strategy, reconfirming poverty reduction as its overarching goal.
- Encourages greater attention to the IDGs, improved results-based management and establishment of an overall monitoring system for cross-cutting issues. ODA activities assessed as having no direct or indirect effect on poverty should be reviewed to ensure consistency with the stated goal.
- Supports continued implementation of new and innovative approaches in country operations to improve effectiveness - in particular, the preparation of a plan for expanding the decentralisation and delegation of authority to field offices.

## *Sweden*

- Encourages stronger mechanisms and developing staff skills relating to policy coherence in the MFA, including linkages between other areas of external relations with poverty reduction.
- Welcomed Sida's intention to integrate activities in the infrastructure sector and research co-operation more fully into the overall system and at the country level.
- Appreciates Sweden's strong support for multilateral institutions and endorses the continuation of such efforts.
- Suggests that Sida pursue appropriate ways to follow-up on the findings and recommendations in its recent study on the usefulness of evaluations.



## CHAPTER 1

### OVERALL FRAMEWORK AND NEW ORIENTATIONS

#### Sweden's national experience in development co-operation

Sweden's commitment to development co-operation is firmly rooted in its own national experience, particularly from the late 19th and early 20th centuries. Sweden was then a poor, isolated, and agrarian society, with bad harvests and starvation inducing one million citizens to emigrate to North America. Today's older generation still remembers the struggles, and the younger generation is aware of this period from family history, literature and movies. Subsequently, the government focused its domestic policies on poverty reduction, rural infrastructure, a comprehensive social security system, as well as on an export-oriented industry based on foreign direct investments. These elements transformed Sweden to a modern, democratic, and economic power, in which the fruits of economic growth were equitably distributed.

Development assistance in Sweden was established more than 40 years ago, with churches, popular movements and non-governmental organisations (NGOs) being the main driving forces. The shared national experience has created a stance of solidarity and sympathy towards poor people in developing countries, particularly towards those with common socialist principles. Sweden maintains a strong belief that poor countries can lift themselves out of poverty if they are provided with support. It also believes that democracy and strong participation from civil society are essential in the developmental process.

Unburdened by the legacy of colonialism, Sweden has a long tradition of church-sponsored missions, particularly in Africa and Asia. This has led to a vibrant civil society committed to the concept of assisting those in need. Furthermore, Sweden avoided both world wars and considers itself fortunate to have kept its infrastructure and socio-economic systems intact. It therefore maintains a policy of neutrality, which has strengthened the perception among developing countries of Sweden as an "honest broker" and committed "peace-maker". Sweden also remains as a strong supporter of the United Nations (UN) and other multilateral institutions.

These factors, *inter alia*, form the basis of political and popular support for Sweden's development co-operation programme, which has one of the highest official development assistance (ODA)/gross national product (GNP) ratios among DAC Member countries. At the same time, Sweden also acknowledges that simple analogies cannot be made with its national experience and that more analytical thinking is needed in what is applicable in today's open and integrated global economy.

## Parliament and foreign policy priorities

In Sweden, overall goals and objectives are established by parliament, based largely on policy initiatives generated by the Ministry for Foreign Affairs (MFA) with analytical backing from the Swedish International Development Co-operation Agency (Sida). Parliament also has a strong role in determining budgetary frameworks for development agencies. The Parliamentary Committee on Foreign Affairs is responsible for a broad range of development co-operation issues, including monitoring the aid programme of the European Union (EU) to developing countries and Central and Eastern European Countries (CEECs) (see Chapter 5).

Sweden remains among the top performers in its aid efforts and it plans further increases in its ODA contribution (see Chapter 2). However, compared to the peak years when more than 0.9% of GNP was spent on ODA, the budget for development co-operation, particularly with non-CEECs, has recently declined. Development co-operation has also increasingly been placed within a wider range of competing foreign policy priorities, elaborated in *The Government Policy in the Parliamentary Debate of 9 February 2000*, and broadly categorised as: a) “a good neighbourhood” (among the Nordic and Baltic states), b) “Sweden in Europe” (its role in the EU), and c) “Sweden in the world” (global security through multilateral and bilateral relationships).

The policy clearly shows the new features of Sweden’s foreign relations, which is centred around the Baltic states and its role in the EU. In particular, Sweden’s ambitions for its EU presidency from January to July 2001 are expected to preoccupy the public administration as well as the nation’s interests. As part of this new policy direction, development co-operation is placed within the context of global security, whose main themes include: democracy and human rights, poverty reduction, free trade, a sound environment and disarmament. Referring to the development partnership strategy described in *Shaping the 21<sup>st</sup> Century Strategy*, the policy paper states that development co-operation alone cannot achieve the agreed international development goal (IDG) to halve the number of people living in extreme poverty by 2015, and that all policy areas must be mutually supportive.

Sweden has recognised that development co-operation in this broader foreign policy context requires a greater degree of coherence among different programmes. It is therefore committed to enhance coherence of policy areas such as trade, environment, security, migration and refugees with development co-operation policies. In addition, Sweden is aware that aid can often have only a limited role in the socio-economic development of poor countries. To promote policy coherence, the MFA has been reorganised (see Chapter 5), while the government has recently appointed the Parliamentary Commission of Inquiry into Swedish Policy for Global Development to investigate how coherent policies should be formulated in combating poverty in the new conditions created by globalisation (see Chapter 4).

## Overall development co-operation goals and objectives

Since 1962, Sweden’s overall goal in development co-operation has been to raise the standard of living of people in poor nations, i.e. sustainable poverty reduction. The six specific objectives adopted by parliament in order to achieve this overarching goal - the last one being established in 1996 - have remained unchanged since the last DAC Peer Review of Sweden. These six objectives are stated to be of equal importance and should interact with each other in order to achieve poverty reduction. They are: 1) economic growth; 2) economic and political independence; 3) economic and social equality; 4) democratic development in society; 5) the long-term, sustainable management of natural resources and the protection of the environment; and 6) equality between men and women.

For co-operation with CEECs, there is no overarching goal related to poverty reduction. Parliament has established four non-hierarchical goals, which are ends in themselves: 1) promotion of common security; 2) deepening of the culture of democracy; 3) supporting a socially sustainable economic transformation process; and 4) supporting environmentally sustainable development. Until recently, these had also been applied to poor countries such as Albania, Bosnia-Herzegovina, Macedonia, the former Yugoslavia and others, which are categorised as ODA recipients. However, the budget bill for 2000 stipulates that these countries are to have the same goal and objectives as the other ODA countries.

## **Recent developments and new orientation**

### ***Re-emphasis on poverty reduction***

Among DAC Members, Sweden is among the leaders in policy formulation relating to development co-operation and poverty reduction. Sida established a Task Force on Poverty Reduction in 1994 to critically analyse Swedish poverty reduction efforts. As a result, it produced in 1996 a report titled *Promoting Sustainable Livelihoods*, which identified problems and trends in Swedish co-operation. An outcome of the report was the production of a government document entitled *The Rights of the Poor: Our Common Responsibility*, endorsed by parliament in 1997. This report presents the range of Sweden's policies and prerequisites to combat poverty. It proposes ways of strengthening Sweden's external anti-poverty efforts, in terms of strategy, methods and channels at different levels, through both multilateral and bilateral co-operation. It emphasises the need for a holistic approach with better co-ordination based on a long-term perspective in achieving sustainable results. The need of ownership over policies, programmes and projects by the recipient government and the empowerment of poor people permeates the report.

The report states that Sida should strengthen the anti-poverty profile of development co-operation through, *inter alia*: establishing a permanent task force on poverty within the agency; continuing to concentrate on the poorest countries, particularly those that pursue an active anti-poverty policy; basing country strategies on in-depth poverty analysis; considering the impact on poverty in all future evaluations; having a highly qualified field representation in important co-operating countries; paying special attention to certain groups of poor people; and focusing dialogue with governments and other donors on poverty issues and appropriate anti-poverty policies. Although the document mainly sets out broad orientations and is limited in operational guidance, the principles that are laid out are generally supported by Swedish aid workers including NGO staff.

Sida management initiated in October 1999 a project called "An Internal In-depth Process with Poverty in Focus" or in short, "Sida's Poverty Project," to be completed by June 2001. The Project is intended to facilitate a learning process in poverty focus which includes Sida's own experiences, as well as knowledge and processes of other national and international institutions. The aim is to result in the development of new methods and operational guidelines for poverty reduction. The timing intentionally coincides with the DAC Poverty Network's task of producing the Guidelines on Poverty Reduction. Through endeavours such as these, Sweden is continuously fine-tuning the poverty focus in order to improve its aid programme.

### *Aid dependency*

Sweden has devoted considerable efforts to reflect on the issue of aid dependency and has commissioned several studies on the topic.<sup>2</sup> They examine causes, symptoms and remedies and discuss how aid relations must change in the future in order to avoid negative side effects to the recipient countries. In general, the conclusions suggest that large amounts of aid may reduce local ownership, accountability and democratic decision-making, while fragmenting budgets and lowering domestic efforts in tax collection. Some specific findings include, *inter alia*: the more aid is received, the farther the country moves away from self-sustained growth; dependency increases passivity on the recipient side; over-reliance on foreign expertise discourages local ownership; and human resources development and enhanced agricultural/industrial production will result in greater public savings and increased export earnings, which will reduce the need for foreign aid.

The recommendations to combat aid dependency include, *inter alia*: reward the quality of programming as opposed to quantity of disbursements; introduce a programme approach with pooling of resources; decentralise decision making to the field offices; support domestic resource mobilisation; provide assistance to export promotion; and remove obstacles related to trade policy that hinder developing country exports. Sweden is taking these findings and recommendations seriously, particularly for countries such as Tanzania, which has been a major recipient of Swedish aid [over United States dollar (USD) 2 billion since 1965]. It is particularly concerned with side-effects of “mental dependency” more than the financial aspect itself, as this is the key for partner countries to regain ownership and leadership over their own course of development. Conversely, in the context of the recent increase in the number of partner countries (see Chapter 2), it seems that Sweden still faces a challenge in defining clear guidelines on sustainability and exit strategies. Linking the remedies to reduce aid dependency with well-conceived exit strategies is an area in which Sweden could further develop and implement in its aid programme.

### **International development goals and results orientation**

Sweden strongly supports the development partnership strategy described in *Shaping the 21<sup>st</sup> Century: The Contribution of Development Co-operation*. Nevertheless, it appears that neither poverty reduction as an overarching goal nor the international development goals (IDGs) have been specifically incorporated into Sida's strategy documents, particularly at the country level. The IDG of halving poverty by 2015 is not explicitly the basis of Sweden's programme nor is it often referred to. This may partly be explained by the focus on the six parliament-mandated objectives, which have tended to become ends in themselves rather than parts of a coherent approach to an overall poverty reduction strategy. Like other donors, Sweden has yet to develop a theoretical model for understanding the causal relationships involved in poverty reduction, which is often treated as one among the other action programmes - gender, environment, democracy, and so on (see Chapter 6). Sweden is encouraged to incorporate the IDGs in its aid programme to sharpen the focus on monitoring poverty reduction.

Results-based management and setting quantitative or qualitative indicators could also be enhanced. Country analyses and strategies lack method and data for measuring and analysing impact. The report on *Swedish Aid for Poverty Reduction: A History of Policy and Practice* concludes that, “there is a significant gap between policy and practice. Judging from what we can see from the practice, it would

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2. *Aid Dependency: Causes, symptoms, and remedies*, Sida, 1996; Deborah Bräutigam, *Aid Dependence and Governance*, EGDI, 2000.

be much more correct to say that Swedish aid policy has a clear welfare orientation. It is difficult to see the supreme objective of poverty reduction clearly and consistently reflected in Swedish aid practice.”<sup>3</sup> In response, Sweden states that this “should be set in the perspective that Sweden did pull itself out of poverty by creating a welfare state. There is thus no material difference between the concept of welfare creation and addressing poverty.”

Sweden further maintains that it is trying to shift away from the simplistic approach of improving the economic living standards of the poorest people. Sweden takes a holistic perspective of the issue of being poor; that it should not only - or in some cases principally - be seen as having low material consumption, but as being excluded, unprotected, denied participation and voice, deprived of security and access to decent services. Therefore Sweden tries to ensure that its efforts in development co-operation does not become only charitable handouts to poor individuals and groups. In this regard, Sweden recently introduced the human rights approach to poverty reduction, which is also reflected in the increasing allocations towards human rights and democratic governance (see Chapter 3). The Minister for International Development Co-operation emphasised that “The eradication of poverty is not merely a question of a fairer distribution of resources. It also involves the distribution of power. When all human beings relate influence both on their own lives and developments in their country, this results in stable, secure and just societies. This is a prerequisite for global survival, and it calls for democratic, responsible forms of government, respect for human rights and effective judicial systems.”<sup>4</sup>

Thus, in addition to working directly to benefit poor groups, Sweden works indirectly to create better economies and societies which are to the benefit of all. The latter, more “indirect” work thereby includes the dimensions of macro-economic and macro-political dialogue and reform as well as co-operation in policy development. Sweden firmly believes that poverty will never be substantially and sustainably reduced without extensive work being done at the macro-economic and macro-political level of society.

In this context, Sweden states that one cannot support democratisation, macro-economic stability, or economic growth only in projects directly aimed at the poor. There is an inherent value in working for these more macro-level objectives, which should not be ignored. Sweden does not believe that if a nation becomes more democratic or attains higher economic growth, this will automatically reduce poverty. It believes that, on the other hand, it will make a society that is more pleasant in some of its most important dimensions for the poor, as well as everyone else, to live in.

Sweden is therefore trying to introduce the “rights” based approach to poverty reduction in the donor community, but some donors are expressing reservations, stating that such an approach is merely semantics and not philosophy. Critical remarks were also made by stakeholders during the field visits to Viet Nam and Tanzania for this Peer Review, stating that “rights” and “entitlement” are not intrinsic and that each partner country needs to define, prioritise, and respect them within its own developmental and social context. Even in *The Rights of the Poor*, the term “rights” is not explicitly defined, and Sweden itself admits that more conceptual work needs to be done in this area.

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3. Carlsson, Jerker. *Swedish Aid for Poverty Reduction: A History of Policy and Practice*. ODI Working Paper 107, 1998, p. 56.

4. *Sweden’s International Development Co-operation Yearbook 1999*, p. 4.

## *Sweden*

Sweden values and typically demonstrates mutual respect *vis-à-vis* partner governments and is often an attentive listener to the voices of the poor by being involved in various household surveys and promoting participatory approaches. However, recipient countries sometimes have different views and priorities regarding Sweden's six objectives of development co-operation in specific social, cultural and economic context (see Chapter 6). Therefore, Sweden could take more advantage of its bottom-up approach by showing the poor and the society of the partner countries how democracy, human rights, gender equality, or meeting basic human needs could lead to what they themselves define as poverty reduction and a desirable society to live in. In this regard, the IDGs - common denominators endorsed by all member countries of the UN - are a useful basis for the discussions.

## CHAPTER 2

### AID VOLUME, CHANNELS AND ALLOCATIONS

#### Official development assistance volume

Sweden remains a leader among DAC Member countries for the large share of GNP it provides as ODA. It has surpassed the UN's 0.7% ODA/GNP target each year since 1975 and has been above the DAC average for three decades. A brief account was given in the last Peer Review and recent record is shown in Table I.1 in Annex 1. The latter shows that Sweden's ODA performance has continued to decline in recent years. As with other items of public expenditure in Sweden, ODA has been affected by moves to correct major fiscal imbalances. In 1995, Sweden embarked on a stringent budget cutting exercise to halt definitively large deficits and to reverse the build-up in public debt. As part of these measures, the parliament suspended its previous target for 1% ODA/GNP allocations and replaced it with a floor of 0.7%. Another consequence has been the fixing of annual expenditure ceilings on Sida's disbursements of ODA in 1999 (see Chapter 5).

These measures resulted in Sweden's net ODA disbursements declining from the peak of USD 2.0 billion in 1992 to USD 1.7 billion in 1999.<sup>5</sup> Expressed as a share of GNP, this corresponded to a fall from 1.03% to 0.70% - its lowest level since 1974. To prevent the ODA/GNP ratio in 1999 from falling below the UN's target, the government exceptionally agreed to additional expenditures towards the end of the year for emergency assistance in Kosovo and Turkey and for advance payments to some multilateral agencies. This demonstrated Sweden's strong commitment to international assistance, despite the serious economic challenges it faced domestically.

Sweden's economic reforms have had their desired effect and the fiscal situation has now been turned around, recording budget surpluses. The OECD's latest Economic Survey assesses that the Swedish economy is in a more balanced situation than at any time during the past decade. The MFA has an ambition to reinstate its 1% target and Sweden's public finances appears to make this possible. Substantial increases in ODA disbursements are already expected in the near future with the government forecasting the ODA/GNP ratio to rise to 0.72% in 2000, 0.73% in 2001, 0.74% in 2002, and 0.81% in 2003. This will be funded by both increased allocations - despite the overall public budget decreasing - and the disbursement of Swedish Kronor (SEK) 3.6 billion (USD 400 million) of unspent ODA. While Sweden sees a challenge in spending funds effectively once the increases come on stream, this expansion is welcome news for the development community as it represents additional resources becoming available to developing countries and the maintaining of a high standard for other donors to emulate.

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5. In 1998 prices and exchange rate.

## ODA bilateral channel: policies and allocations

### Grants

Sweden's bilateral ODA is mostly extended as grants. Approximately 85% of Sweden's bilateral ODA directly finances activities for developing countries, with the rest being administrative costs (8%) and maintaining refugees in Sweden (8%). Of the direct bilateral aid, around one third is channelled through NGOs (see Table I.2) and a fifth is channelled through multilateral agencies as multi-/bilateral assistance.

The destination of Sweden's bilateral ODA indicates a clear focus on countries with low levels of *per capita* income, consistent with the poverty reduction objective of Sweden's development co-operation. Approximately three-quarters of Sweden's allocable bilateral ODA benefits least developed and other low-income countries, which is well above the DAC average of about 55%. Accordingly, 15 of Sweden's 20 largest recipients in 1998-99 were least developed or other low-income countries. Very little Swedish ODA is directed to upper-middle income and high-income countries.

One way Sweden tries to achieve its objective to reduce poverty is by aiming to devote approximately half its bilateral ODA to Africa. In 1998-99, about half of Sweden's allocable bilateral ODA was directed to Africa (mostly to sub-Saharan Africa), well above the DAC average of 36% in 1998. Sweden's co-operation activities in Africa are now guided by the government's 1998 policy statement, *Africa on the Move: Revitalising Swedish Policy towards Africa for the 21<sup>st</sup> Century*, which provides for an increase in Africa's share of aid. On the other hand, a relatively small share of Sweden's bilateral ODA is directed to Asia - 23% in 1998-99 compared to the DAC average of nearly 40%. Although poverty rates are higher in Africa, the absolute number of people living in poverty is considerably larger in Asia. In particular, nearly half the world's poor live in South and Central Asia.

For many years, most Swedish bilateral ODA was channelled to approximately 20 long-term co-operation countries through specific "country frames" approved by the government. However, according to DAC data, over the last decade, the number of recipient countries has increased markedly, from 72 in 1988-89 to 120 in 1993-94 (see Table I.4). A long-term objective set when Sida was created in 1995 is to reduce the number of countries and to concentrate efforts where the best results can be achieved. With 112 countries in 1998-99, some reduction in the number of co-operation partners has occurred. Nonetheless, Sweden's development assistance continues to become more diluted with the share of allocable bilateral ODA directed to its 20 largest recipients falling from 92% in 1988-89 to 72% in 1993-94 and 68% in 1998-99.

One explanation for this is the progressive establishment of budget lines for Sida's nine operational areas (see Chapter 3). These funds are disbursed without any geographical limitation. Today, more than half of Sweden's bilateral ODA is provided through these budget lines; and the share of bilateral ODA channelled to long-term co-operating countries through country frames has fallen to nearly 40%. In 1999, one third of Swedish ODA to these countries was provided outside the country frames.

Sweden currently has 20 countries where there exists comprehensive long-term country strategies/guidelines, a field representation and normally agreements covering several years: a) 11 least developed countries: Angola, Bangladesh, Cambodia, Eritrea (no field representation), Ethiopia, Guinea-Bissau, Laos, Mozambique, Tanzania, Uganda and Zambia; b) five other low-income countries: Bolivia, Kenya, Nicaragua, Viet Nam and Zimbabwe, and c) four lower/middle-income countries/territories: Namibia, South Africa, Sri Lanka and West Bank/Gaza. In



1998-99, two-thirds of Sweden's allocable bilateral ODA was directed to these countries, with fourteen of them being among the 20 largest recipients.

Guinea-Bissau and India were also long-term co-operating countries until recently. The country strategy for Guinea-Bissau has now been incorporated into the regional strategy for West Africa. Sweden's co-operation agreement with India was terminated in 1998 as a direct consequence of its nuclear weapon tests, and bilateral contributions are thus being phased out. Some non-core countries have a particular status within the Swedish aid system: co-operation with Burundi and Rwanda is regulated by a special government decision even though there is no specific country frame; country strategies have been finalised for China, Indonesia, Thailand and the Philippines; guidelines for Kosovo and the surrounding area have been developed; and co-operation with the western Balkans has the character of a regional approach. In addition, the government has decided to step up aid activities in West Africa, particularly in Burkina Faso and Mali. Hence, the classification "long-term co-operating country" no longer has the same significance within the Swedish aid system that it once had. However, the importance of this designation may increase again as Sweden intends to collapse some specific budget lines into the country and regional frames.

### *Loans*

Sida manages a small loan programme that primarily finances infrastructure activities. According to Sida's annual report, from 1997 to 1999, approximately USD 64 million was disbursed as credits, guarantees, and loans. The programme consists of: a) concessionary credits (tied and untied), for which only the grant element is financed from the aid budget and reported to the DAC; b) ODA loans with a high grant element corresponding to IDA terms, normally untied; c) quasi-equity loans, in most cases extended in collaboration with Swedfund to joint ventures; and d) a freestanding guarantee facility, which has been set up on a trial basis for three years.

Some recipients of these credits, guarantees, and loans have been low-income countries, such as Angola, Eritrea, Ethiopia, Mozambique, Namibia, Tanzania, Uganda, Zambia, Bangladesh, the Philippines, India, China, Sri Lanka, Viet Nam, West Bank and Gaza, Nicaragua, and Bolivia. The details of these activities, including conditions and tying status, are not reported to the DAC nor clearly spelled out in Sida and MFA annual reports. Providing more public information on these activities, particularly regarding how they fit in to the main strategic priorities of country strategies, is strongly encouraged.

### **ODA multilateral channel: policies and allocations**

Over the last decade, Sweden has provided approximately 30% of its ODA multilaterally, which is in line with the DAC average. Sweden's multilateral share has not increased substantially despite its accession to the EU in 1995, as contributions to the European Development Fund (EDF) did not start until 1999 and contributions to some UN agencies were cut back in order to lower its overall ODA volume. While more of a guiding principle than an explicit goal, Sweden aims to provide a third of its ODA as multilateral assistance.

Sweden's multilateral ODA consists mainly of:

- Funding to more than 15 UN agencies (disbursements in 1999 of USD 222 million), with the largest contributions going to the United Nations Development Programme (UNDP), the United Nations High Commissioner for Refugees (UNHCR), and the United Nations

## *Sweden*

Children's Fund (UNICEF). Contributions to the World Food Programme (WFP) were previously large but have declined substantially.

- Contributions to international financial institutions (IFIs) (USD 169 million), in particular the International Development Association (IDA) of the World Bank and the African and Asian Development Banks (AfDB and AsDB).
- Contributions to the EU's development programmes (USD 90 million).

Sweden's strong support for the UN reflects an acknowledgement of its role as a global forum. Sweden is a significant contributor to several agencies - UNICEF, United Nations Relief and Works Agency for Palestinian Refugees, UNHCR, UNDP, the United Nations Population Fund and the World Health Organization (WHO). Sweden nonetheless takes a critical attitude to the UN's work and has been - and is - an active proponent of reform. Sweden promotes greater integration and co-ordination of UN activities in the field, such as by funding and monitoring tests of the United Nations Development Assistance Framework procedure. For Sweden, the world conferences held during the 1990s were important for clarifying the work of the various UN agencies and reducing duplication.

Sweden is also a strong supporter of IFIs, but sees a need for further clarification of the respective responsibilities of the World Bank and the International Monetary Fund (IMF), as well as introduce reforms at each institution. Sweden has worked with the World Bank on the implementation of the comprehensive development framework (CDF), to try to bring practice in the field closer to advocated policies. In countries where the CDF and Heavily-Indebted Poor Countries (HIPC) initiative are being piloted, the Nordic countries are sharing responsibility in respect of the work of the Board of the World Bank so that each focuses on monitoring developments in a limited number of countries. Nordic co-operation also functions in relation to the regional development banks, where one donor takes lead responsibility on behalf of its Nordic partners on a rotation basis - Sweden is currently responsible for the AsDB and Inter-American Development Bank (IDB). Particular Swedish concerns in relation to the development banks include their need to elaborate clearer visions for their activities as well as raise the prominence given to gender and environment issues.

Sweden's annual contribution to the EDF commenced at USD 8 million in 1998 and will rise progressively. Sweden sees membership of the EU as an opportunity to work collaboratively with other European donors to influence one of the world's largest aid programmes. However, to date, Sweden finds its influence to be limited, even if it has identified bottlenecks in the system, particularly by highlighting difficulties in the areas of policy coherence, protectionism, fragmentation in activities and insufficient co-ordination. Sweden's longer term objective is to work towards ensuring that EU programmes contribute to poverty reduction as an overriding objective, pay greater attention to quality and efficiency, and collaborate more with other actors, particularly the UN agencies. Sweden is also encouraging a comprehensive EU annual report to be prepared, covering all its development co-operation activities and easily accessible statistics.

Sweden takes over the six-month revolving presidency of the EU on 1 January 2001. During this period, the UN Third World Conference on the Least Developed Countries and the five-year follow-up to the Conference on Human Settlements are scheduled. Preparations will also commence for the summits on development finance and the follow-up to the children's summit. Sweden has already distributed to its EU partners a document on the follow-up to world conferences, stressing the need to integrate these activities, possibly through a single follow-up mechanism for all UN conferences. It intends to pursue these proposals during its presidency.

## Non-governmental organisations: policies and allocations

Roughly USD 380 million<sup>6</sup>, or around one third of Sweden's direct bilateral ODA, is channelled through mostly Swedish NGOs, particularly to finance activities in humanitarian assistance, conflict prevention, human rights, and democratic governance. A question that could be asked here is how does Sida ensure that such a large portion of aid being spent by NGOs is in accordance with Sweden's policies and priorities. Of this amount, about USD 272 million, or two-thirds, is disbursed to NGOs to directly implement Sida's programmes (see Table I.2). The remaining third, or about USD 105 million, is channelled through a cofinancing scheme to "framework" or "umbrella" NGOs. Under this modality, applications for funding are not assessed on the merits of individual projects but based on NGOs' entire portfolios. This results in an assessment of the NGOs' systems for ensuring quality in the delivery of development co-operation activities. Sida's NGO cofinancing is not programmed by country or sector, and thus the geographical and sectoral distribution of this type of funding reflects the NGOs' own priorities. Sida's cofinancing is normally provided on an 80/20 basis.

The objective of the NGO cofinancing programme for developing countries is to promote the development of a vibrant and democratic civil society and to strengthen local partners. In 1999, cofinancing was provided through 13 framework organisations to 380 Swedish NGOs implementing some 2 000 projects with 1 500 partner organisations in developing countries. Activities were primarily in the social sectors (49% of all NGO cofinancing) and in the area of democracy and human rights (23%), with 44% of funds directed to Africa, 25% to Asia and 22% to Central and South America.

The policy framework within which NGO programmes should be implemented is described in the *Guidelines for Sida's Support to Development Programmes of Swedish NGOs*. These guidelines were revised in April 1998 to increase the focus on local ownership, capacity building and organisational development. Sida uses two methods to enhance co-ordination with Swedish NGO activities in its country programmes: Swedish NGOs provide inputs when Sida develops its country strategies, and in-country consultations are held between the Sida offices and Swedish NGOs who may, on occasion, be joined by their local partners.

## Official aid to CEECs

Sweden also has a substantial OA programme to support transitional CEECs. This programme is funded separately from the budget allocation for ODA to developing countries. Sweden's total net OA disbursements amounted to USD 99 million in 1999. In 1998, Sweden had the fifth largest official aid/GNP performance in the DAC, behind Austria, Denmark, Finland and France.

Sweden's bilateral OA mainly benefits six priority countries, for which country strategies have been prepared: a) Estonia, Latvia, Lithuania and Poland, where activities focus on facilitating their candidacy for EU membership; and b) Russia and Ukraine, where the primary focus is on furthering their integration into European co-operation frameworks. In 1999, these six countries received 95% of Sweden's allocable bilateral OA, with the largest recipients being Russia (USD 19 million), Lithuania (USD 10 million) and Latvia (USD 10 million). Sweden's OA includes the cofinancing of projects with the World Bank and joint initiatives with the European Bank for Reconstruction and Development. Sweden anticipates the phase out of its direct bilateral support to Estonia and Poland.

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6. In 1998 prices and exchange rate.

## *Sweden*

Sweden's multilateral OA mostly consists of support through the EU's Phare and Tacis Programmes. This support totalled USD 45 million in 1996 and USD 50 million in 1997. Sweden has not notified any multilateral OA in 1998 and only USD 6 million in 1999, although support through EU programmes certainly continued.

Sweden's OA also cofinances NGO activities in the CEECs with an objective to deepen the culture of democracy. Funding of USD 9 million was provided in 1999 through 11 framework organisations (two of which work exclusively in this region) to 170 Swedish NGOs implementing projects with some 250 partner organisations. The policy framework within which NGO programmes should be implemented is described in the *Guidelines for Contributions to Development Programmes of Swedish NGOs in Central and Eastern Europe*. These guidelines were revised in September 1998 and now have essentially the same focus as the guidelines for NGO cofinancing in developing countries.

## CHAPTER 3

## POLICIES AND ALLOCATIONS FOR KEY SECTORS AND CROSS CUTTING AREAS

Sida's operational areas include the following: human rights and democratic governance; social sectors; infrastructure, private sector development and urban development; natural resources; economic reforms; research co-operation; humanitarian assistance and conflict prevention; non-governmental organisations; information, recruitment and development of the Swedish resource base; and co-operation to CEECs. In terms of expenditures, Sida's largest operating area in 1999 was humanitarian assistance and conflict prevention (20%), followed by the social sectors (18%) and human rights, and democratic governance (15%). See Table 1 below.

Table 1. Sida's disbursements (excluding administrative costs)

USD million

Operational areas	1997		1998		1999	
	Amount	%	Amount	%	Amount	%
Human rights and democratic governance	133	13	130	15	136	15
Social sectors	222	22	174	20	167	18
Infrastructure, private sector and urban development	174	17	110	13	125	13
Natural resources	94	9	76	9	84	9
Economic reforms	44	4	31	4	52	6
Research co-operation	58	6	58	7	61	7
Humanitarian assistance and conflict prevention	133	13	147	17	186	20
NGOs	110	11	113	13	100	11
Information, recruitment and resource-based development	40	4	17	2	19	2
<b>Sub-total</b>	<b>1 008</b>	<b>100</b>	<b>857</b>	<b>100</b>	<b>931</b>	<b>100</b>
Co-operation with Central and Eastern Europe			69		66	
<b>Total</b>	<b>1 008</b>		<b>925</b>		<b>997</b>	

Source: Sida.

### Human rights and democratic governance

Democratic development in society is one of the objectives in Swedish development co-operation. Sweden believes that developing and transitional countries need democracy, participation and a broad based political system in order to achieve socio-economic progress. This principle is founded on the belief that democracy and participation were well-anchored in Swedish society in its own process of nation-building. The government thus states that the promotion of democracy and human rights should be an essential feature in Swedish development co-operation. It also states that, however, poverty reduction is the over-arching goal and that democracy and human rights are not targets in themselves.

## *Sweden*

The government report, *Democracy and Human Rights in Sweden's Development Co-operation*, endorsed by parliament in 1998, describes the approaches and tools to be used, the need for co-ordination between foreign policy and development co-operation and the principles of partnership in pursuing the mandate. It states that Sweden will promote democratisation and respect for human rights by: basing its initiatives on six international human rights conventions; acting on the basis of strategic analyses; developing forms of co-operation which are in demand and are supported by the recipients; applying a long-term, process-oriented approach based on a holistic perspective; and reinforcing national institutions and capacity. For these, Sweden will use a combination of: political dialogue; activities directly focused on democracy and human rights; and mainstreaming in other programmes which can promote these areas.

Democracy and human rights issues are to be analysed and addressed in country strategies. For some countries, a detailed analysis has been made regarding the way in which Sweden could promote these issues, as was the case for Laos, Mozambique, Tanzania, Viet Nam and Zambia in 1998. These analyses are based on a work-in-progress document entitled *Guide for Country Analysis of Democratic Governance and Human Rights*. Recent activities in this area aim to promote popular participation and to help increase efficiency, fairness, transparency and accountability of the public sector. Growing focus is said to be made in efforts to counter corruption, although Sweden has publicised very few practical guidelines on this topic. The specific areas in good governance include reinforcing central and municipal administration in financial control, resource management and the judicial system.

Sweden acknowledges that it faces several challenges and dilemmas in pursuing this area. First, the gap between the country strategy and implementation must be closed by developing methods with an emphasis on analyses and understanding of the local context. Second, mainstreaming of human rights and democratic governance in all activities, especially in the larger programmes, is needed. Third, Sweden recognises that, in countries where it is a relatively small donor with a small budget, there is a limit to its influence. Lastly, these projects require staff-intensive implementation and monitoring, particularly to ensure quality control.

Sweden's financing in the area of human rights and democratic governance has continuously increased and amounted to 15% of Sida's budget or SEK 1.1 billion (USD 136 million) of disbursements in 1999 (see Table 1). Accordingly, three new positions for regional advisors have recently been created in Nairobi, Harare and Bangkok. Sweden is planning to further augment activities in this area - by 2003, it tentatively plans to disburse around SEK 2.1 billion (USD 254 million) for approximately 1 300 projects in 85 countries and post 30 designated staff in the field. In light of this trend, there are two questions that merit further discussion: first, whether Sida and MFA staffing is sufficient to effectively monitor these highly complex areas carried out mostly by NGOs, and second, how Sweden could show partner country stakeholders that all these activities would support the overall goal to reduce poverty, as opposed to becoming an end in themselves.

### **Social sectors**

Sweden's disbursements in the social sectors have been relatively large, but have recently decreased both in terms of amounts and proportions of the budget (see Table 1). Sweden defines the following as social sectors: education, health, sexual and reproductive health and rights, drinking water, sanitation, and culture and the media. The aim to support these areas has been to reinforce the ability of partner countries to establish the prerequisites for social development, particularly by focusing on better education and high quality health care, something to which Sweden believes everyone should have access. Sida is increasingly taking on a sector-wide approach in the social sectors and has participated in the development of sectoral or sub-sectoral programmes for health and education in six

countries (Bangladesh, Ethiopia, Mozambique, Tanzania, Uganda and Zambia). The following are some examples of Sweden's focus areas: a) education: education policy and reform, teachers' education and development of teaching materials; b) health: healthcare reforms, pharmaceutical issues, reproductive health with a special emphasis on young people, networking and HIV/AIDS (see Box 1); c) drinking water/sanitation: development of systems to recycle nutriment from latrines to the natural environment; and d) culture and the media: promotion of democratic processes, culture and cultural diversity. Some activities in education and health in Viet Nam and Tanzania are referred to in Chapter 6.

### Box 1. Sweden's response to HIV/AIDS

Around 34 million people in the world are currently infected with HIV/AIDS, of which over 95% live in developing countries. Sub-Saharan Africa is the worst affected region of the world, with 24 million people infected. In Botswana, Swaziland, Zimbabwe and Lesotho, one out of every three to four adults are living with HIV. In large towns of Central, Eastern and Southern Africa, the HIV prevalence rate among pregnant women can exceed 50%. While rates in Asia remain relatively low (approximately 8 million), infection is beginning to spread rapidly through the vast populations of India and China. In Eastern Europe, Latin America and the Caribbean, infections are concentrated in marginalised groups, though clearly not limited to them.

AIDS has never posed a bigger threat to development. HIV/AIDS mostly affects young adults who would normally be in their peak productive years. The multiple repercussions of these deaths are reaching crisis levels - deteriorating child survival, diminishing life expectancy, overburdening of health care systems, increasing orphanhood, declining profits for businesses and crumbling public services. Governments in countries such as Malawi are almost paralysed as a high proportion of civil servants are either infected or absent by caring for others and attending funerals. HIV/AIDS is not just a health issue, but cuts across all aspects of socio-economic development. Capacity building, education, and other investments in human resources by donors towards the nation-building of these countries will be lost, if the survival of skilled young people cannot be better assured.

Sweden's initiative to deal with this major crisis has been the development of a cohesive strategy against HIV/AIDS, which is articulated in a booklet entitled *Investing for Future Generations – Sweden's International Response to HIV/AIDS*, published in 1999. It describes the increased efforts that Sweden will make to prevent and mitigate the impact of the disease. The strategy confirms Sweden's intention to take a more active role internationally to ensure that a concern for HIV/AIDS is made more central to development programming. With the multilateral institutions, Sweden will work actively with UNAIDS and the European Commission (EC) to promote greater dialogue on the developmental effects of HIV/AIDS. In the bilateral programme, there will be a shifting of focus from a mainly health approach to a broader, multi-sectoral approach. Three regional AIDS specialist posts have been recently created in Harare to implement the strategy in sub-Saharan Africa. Efforts will especially be concentrated on the following four strategic goals: HIV prevention; political commitment; care and support; and the alleviation of long-term effects. Development and implementation of training for all staff across sectors and geographical areas will inevitably be required to mainstream this strategy. Sweden could also assist the partner countries and muster support from other donors to either develop or effectively implement national HIV/AIDS programmes. In view of the rapid infection rate in many of Sweden's partner countries, speedy mainstreaming of the strategy and the establishment of an effective monitoring system are strongly encouraged.

Sida's Department for Research Co-operation has also developed a separate strategy for research co-operation in the area of HIV/AIDS. This strategy stipulates that Swedish research co-operation in this area has an important role to play, both internationally and nationally, and particularly in developing countries. For example, support has been directed to Tanzania through a collaborative research programme, with, according to the Department, satisfactory outcomes. Considering the constrained resources that these countries have in proportion to the magnitude of the crisis, it is important to ensure that research activities are an integral part of a country's priorities in dealing with HIV/AIDS and that the results are planned from the outset to be integrated in Sweden's country programming or the country's sectoral programme for the actual prevention or care for the disease.

## *Sweden*

According to DAC statistics, Sweden committed USD 102 million, or 15% of its total bilateral allocable ODA to basic social services (BSS) in 1997-98 (see Annex II). BSS includes non-tertiary social sectors such as basic education and health, population programmes and poverty oriented water supply and sanitation systems. While the accounting of BSS still has limitations across all DAC Members, this data shows that Sweden's aid to BSS is clearly ahead of the DAC average of 10%.

This leads to the topic of the Copenhagen 20/20 Initiative, which encouraged interested donors and recipients to allocate 20% of aid and 20% of national budgets to BSS, respectively. If Sweden's imputed multilateral commitments to BSS (USD 68 million) is added to its bilateral commitments, its overall aid to BSS amounts to USD 170 million, or 17% of total ODA. This is higher than the DAC average of 11%. Sweden, however, has taken an ambiguous position on the 20/20 Initiative. While agreeing to its broader principles, it has not committed itself due to lack of domestic support. Sweden is nevertheless encouraged to continue allocating sufficient resources to BSS, especially since many of the IDGs, which Sweden has committed to - increasing school enrolment rates, reducing infant, child and maternal mortality rates and providing reproductive health services - are affected by increased donor funding towards BSS.

### **Infrastructure and private sector development (PSD)**

Table 1 shows that Sweden disbursed USD 125 million or 13% of Sida's budget for infrastructure, private sector and urban development in 1999. The proportion of disbursements to this area is generally decreasing in recent years (Table I.5).<sup>7</sup> According to Sweden, infrastructure includes areas such as energy, roads, transportation and telecommunications. In 1999, the largest recipients of infrastructure assistance included Bosnia-Herzegovina, Tanzania, Bangladesh, Mozambique, South Africa, Viet Nam, Laos and West Bank/Gaza. As mentioned in Chapter 2, some infrastructure projects are financed through loans and credits. Recent examples include soft loans of SEK 185 million (about USD 22 million) for a transmission line in Gaza, and a concessional credit of SEK 94 million (USD 11 million) for the improvement of public transport in Dhaka. In early 2000, Sida adopted a new credit policy that stipulates what should be financed by loans as opposed to grants.

A new feature of Swedish support in infrastructure is to enable increased initiatives and involvement by the private sector for both physical investments and technical support. In particular, Sweden is phasing out of the telecommunications sector [except in information, communication and technology (ICT), (see 3.5 Research Co-operation)], though this used to be a priority area in Swedish co-operation. Sida, on the other hand, is increasingly supporting soft areas such as sectoral reforms, rural development and capacity building. In consultation with EKN, Sida proposed an independent guarantee system to provide new solutions for the financing of private sector infrastructural investments and the utilisation of local capital markets. However, the Asian crises restricted the level of infrastructural investments in 1998. Sweden is also strengthening further the linkage between economic growth and poverty reduction, particularly in the road and energy sectors. For example, in Tanzania, Sweden states that it is trying to reinforce the link between rural infrastructure and market development for the poor.

Urban development, PSD and promoting trade are also important features in Sida. Disbursements for urban projects increased from USD 7 million in 1998 to USD 18 million in 1999, due to the greater emphasis on improving the situation of poor people in the cities. Sweden is also focusing on PSD in

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7. Reporting on the DAC Questionnaire may vary slightly from reporting of individual aid activities due to differences in categorisation.



six to eight of its 18 long-term co-operation countries. Initiatives in 1998 predominantly concentrated on: development of institutional frameworks, reform of government-owned companies, company alliances, human resource development and trade policy. There is a special development programme budget for PSD, but activities are increasingly being funded from country frames as they are now being fully integrated into country strategies. In the meantime, studies have been carried out on PSD in Bangladesh, Tanzania, Uganda and Viet Nam to feed into the respective country strategies.

There are currently 75 staff in the Department for Infrastructure and Economic Co-operation, which is one of the largest units in Sida. The Department admits that the activities in these areas are to a large degree still a heritage from the period before the organisational merger in 1995 (see Chapter 5). In particular, the firewall between ODA activities with a clearly identified objective to reduce poverty and loan/credit related activities with an objective to promote Swedish industry and institutions seems somewhat blurred. While Sida's credit policy states that credits are governed by the poverty reduction objectives, Sida states that "there is definitely no 'firewall' between ODA activities and loans/credits. The latter are assessed according to the same criteria as grants. The difference is that normal ODA activities are identified and prepared by Sida in a proactive manner while the mixed credits are of a reactive type, i.e. Sida has to assess the projects when they are well advanced in terms of preparation. Sida will, thus, in such cases have fewer possibilities to influence the project design and will have to make a decision of approval or rejection of an already advanced project." How this constitutes as a cohesive programme that brings together the various instruments for the infrastructure area and is coherent with the overall objectives and priorities of Swedish development co-operation could be further clarified.

### **Natural resources, environment and sustainable development**

Long-term, sustainable management of natural resources and the protection of the environment is one of the objectives of Sweden's development co-operation. Although Sida has a special budget for natural resources and environment (9%, see Table 1) to implement specific activities such as information-sharing on global warming and bio-diversity, the environment is not regarded as a one-dimensional sector, but more as a cross-cutting area that has linkages with poverty, development, risk of conflict, population, sustainable energy and so on. Hence, environmental perspectives are to be included in, *inter alia*, all country analyses, projects, programmes and work of all Sida departments. Integration of environmental impacts in economic analysis will also be carried out to the greatest extent possible.

Sweden has had a series of Action Programmes for Sustainable Development, with the latest version encompassing 50 sub-goals and 153 action points for 1998-99. As a result of these Action Programmes, several pertinent policies have been developed: sustainable energy, water resources, agriculture, forestry resources, rural development, urban transport, trade and the environment, and environmental education. There is also a new guideline for environmental impact assessments (EIAs) - compulsory for all Sida projects in certain sectors - with a supplement to be added that will give guidance on how to conduct EIAs in Sector-Wide Approaches (SWAs).

Sida's Environment Policy Division is co-operating in multilateral activities related to environment in close co-ordination with the MFA, Ministry of Environment, the National Environment Protection Agency and other relevant groups, especially in follow-up work to the UN Conference on Environment and Development and related international environmental conventions. Since 1997, Sida has participated in a programme of co-operation with the AsDB with the aim of promoting the sustainable use of resources in marine and coastal areas in the South China Sea. Sida has also been

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heavily involved in the Secretariat of the Global Water Partnership and facilitated the development of a framework for implementing its global water vision in 1999.

The division is also responsible for general policy and method development, as well as providing advice and support to other divisions and the field. The responsibility for actually integrating environmental matters in Sida activities is decentralised to the programme officers. Heads of departments must also ensure that sufficient competence exists within their respective departments. All new Sida staff are trained in environmental issues and on-the-job training is occasionally carried out for incumbents, including those posted in the field. The Department for Evaluations and Internal Audit systematically assesses the extent to which the environmental guidelines have been observed.

The current thinking stresses the importance of local ownership and responsibility to work towards environmentally sustainable development. Therefore, Sweden tries to help the recipient countries develop their capacity to analyse and manage their own environmental problems. Thus, it will use the existing environmental norms and guidelines of the partner country to the greatest extent. Based on the principle of enhancing ownership, it tries to place the responsibility of EIAs on the partner country, with Sida mostly carrying out the assessment of the EIAs. Sweden is, however, self-critical in this area and admits that it can do more to help partner countries formulate a sustainable development strategy, in accordance with one of the IDGs. It also faces a challenge in incorporating proactive environmental considerations into different sector strategies and project portfolios of the partner countries.

### **Research co-operation**

Upon the merger, the former Swedish Agency for Research Co-operation with Developing Countries (SAREC) became Sida's Department for Research Co-operation, although it still retains the former acronym. Eight new posts were created in 1999, and the Department currently has a staff of 40, of which 26 have PhDs. The Department's 1999 budget was about SEK 506 million (USD 61 million), or 7% of Sida's budget, which has continuously been augmented and is expected to reach SEK 700 million (USD 85 million) in 2001. The Department oversees more than 500 projects in international, regional and bilateral co-operations. These include organisations such as the WHO, Consultative Group for International Agriculture Research, and African Economic Research Consortium. In accordance with the Guidelines for Research Co-operation adopted in 1998, bilateral research co-operation with poor developing countries has increased, and now involves Bolivia, Eritrea, Ethiopia, Mozambique, Nicaragua, Sri Lanka, Tanzania, Viet Nam and Zimbabwe. The range of co-operation is vast: natural resources in arid regions, solar and renewable energy, chemistry, physics, pumping water, reproductive health, biotechnology, biological diversity, HIV/AIDS, democracy and human rights, and so on. In 1998, Sida supported activities of 50 institutions in developing countries and 90 Swedish university faculties for bilateral research.

Sweden has also started to support ICT projects. Believing that poor countries should share the benefits of ICT, it has commissioned a study in 1999 on ICT in development co-operation. The study subsequently served as a background for the formulation of Sida's strategy in this area. *Swedish Support to ICT Projects in Developing Countries – ongoing and planned activities* shows that Sida has launched a programme for the provision of internet connectivity to all its supported research institutions and universities in Mozambique, Sri Lanka, Tanzania and Zimbabwe. Preparatory activities are underway in Ethiopia, Nicaragua, Uganda and Viet Nam. This programme includes training of staff, engineers and technicians in ICT.

Aside from assisting developing countries to develop research capacity and produce new relevant knowledge, one of the main objectives for the research activities is to promote Swedish research

co-operation. Sida indicates that research is important in the fight against poverty and that it should be a priority and integral part of development assistance. It states that its research activities are concerned with ownership, capacity building, cultivation of knowledge, long-term commitment and not least, poverty reduction. For example, research on renewable energy could find ways for a poor country to save resources. The 10-12 years of joint research on flora and fauna of the East African coast has resulted in a book that has mapped coastal resources and factors responsible for their degradation. Sida mentions that ministers in the region have met to discuss such findings and have agreed to take joint action. Sida also states that it assisted a Mozambican scientist to earn a PhD in nuclear physics as “capacity in nuclear physics is essential in preprospecting for minerals in general. In-country capacity for understanding such analyses is important when negotiating with foreign mining companies”.

Sida intends to integrate the activities in research co-operation more fully into its overall aid system and at the country level. In particular, while the topics in international co-operation such as globalisation and global public goods may be timely, some of the bilateral research activities may need more justification. For example, research on access to health centres in Mozambique showed that the lack of rural roads was the main obstacle to access. Sida maintains that such skills are important for the country’s chances of making strategic choices in their planning. However, unless these findings are actually followed-up by the country with concrete plans and activities to address the specific problems in poverty - in this case, building rural roads - the research becomes merely an academic exercise. Furthermore, as research co-operation diverts limited human and financial resources of partner countries that could otherwise be invested elsewhere, particularly for direct poverty reduction measures, activities must fall within the partner country’s national and sectoral priorities. In other words, bilateral research co-operation needs to be integrated more into country programming as part of a cohesive strategy to tackle poverty. Other challenges for Sweden include, first, to show whether it concentrates its research activities in areas where it actually has a comparative advantage, and second, to reconcile this type of assistance with Sweden’s promotion in the international arena of untied and cost effective aid.

### **Humanitarian assistance and conflict prevention**

Although Sweden’s geopolitical security concerns related to developing countries may not be as imminent as those of some other DAC Members, public opinion towards emergency assistance is nevertheless strong and cannot be deferred. In the multilateral field, Sweden maintains its traditional position of non-political neutrality, and has stepped up its effort in this area after entering the UN Security Council (1997-98). Sweden funds humanitarian programmes of international organisations such as, *inter alia*, the UNHCR, WFP, UNICEF, and EC, as well as international NGOs such as the International Committee of the Red Cross, which it granted SEK 212 million (USD 26 million) in 1999.

For bilateral aid, Table 1 shows that humanitarian assistance and conflict prevention has steadily increased between 1997 and 1999 and reached USD 186 million, or 20% of Sida’s budget in 1999. DAC data (which includes in-country refugees) also shows that Sweden’s disbursement towards emergency/distress relief totalled USD 271 million, or 24% of its bilateral ODA for 1999, and 20% in 1997-98, while DAC average was 6%. It is therefore evident that Sweden’s large contribution to humanitarian assistance has become a major feature of its bilateral programme. The operational areas include the following: emergency humanitarian assistance; disaster relief; early reconstruction in connection with armed conflicts and natural disasters; and conflict prevention. The major proportion of assistance involves post-conflict reconstruction which includes provision of food, water, sanitation, health care service and housing in Rwanda, Liberia, Sudan, the Democratic Republic of Congo, Angola, Somalia, Cambodia, Afghanistan, Iraq, Georgia, Bosnia-Herzegovina, Croatia, and the Balkan

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States. However, in 1999, major support was also provided to countries in Central America affected by Hurricane Mitch.

Bilateral funds are channelled mostly to Swedish public authorities, universities and NGOs such as the Swedish Red Cross, Church of Sweden Aid and PMU Interlife. Sida has prepared new guidelines for the application procedures by NGOs, which includes, *inter alia*, a description of the disaster, problem analysis, goal analysis, target groups, risks and strategies. Aside from national and local NGOs, Sida funds other NGOs, such as Norwegian Aid and Oxfam. Save the Children United Kingdom (UK) has also been contracted to examine military expenditures of several countries using World Bank data.

Sweden is facing several dilemmas in this area, such as the implications and usage of the military expenditure analyses. In Sri Lanka, the share of the defence budget is extremely high, but since many households have some family member working in the military, a massive re-employment scheme must be proposed in order to promote demilitarisation. Another dilemma that Sweden is facing is how to give support to the general public without indirectly subsidising the military, e.g. transportation and roads in Ethiopia may benefit the army. Furthermore, although Sida has a strategy on conflict management, it admits that the strategic approach needs to be emphasised. It sees an enhanced need to examine the causes of conflict and not only the consequences in order to find the opportunity for prevention. Sweden is trying to mainstream conflict prevention and conflict management, but recognises the necessity to have a presence in the partner country, obtain knowledge of the situation and identify local initiatives. The difficulty and dilemma is that Sweden does not necessarily have embassies in countries that require these types of activities. On the other hand, Sweden professes that it pursues a humbler approach than some of the larger donors and considers that, in the long-run, the promotion of democracy and human rights is one of the most effective ways for conflict prevention.

For many DAC Members, tension and tradeoffs exist between the choice of financing humanitarian and emergency assistance instead of long-term development co-operation. Sweden's partial response is the concept of "developmental humanitarian assistance," which is emphasised in *Swedish Humanitarian Assistance – Annual Report 1998/99*. The concept endeavours to focus on the long-term effects of humanitarian assistance in order to reach a higher degree of sustainability and effectiveness. To implement this concept, the MFA's regional departments make longitudinal analyses of conflicts in order to grasp the latent antagonisms of different parties, which can flare into open conflicts. Sida's Division for Humanitarian Assistance also builds in a long-term perspective in humanitarian intervention. According to Sweden, assistance used to meet the devastating consequences of Hurricane Mitch succeeded in incorporating long-term developmental measures based on explicit directives, active co-ordination and organisational flexibility. Nonetheless, there still remains the issue of country selection, and Sweden needs to ensure that long-term development co-operation and poverty reduction in Sweden's programme countries do not lose out in the increasing trend towards supporting humanitarian aid and conflict prevention.

### **Gender equality**

In 1996, Sweden added gender equality as another objective for all Swedish development co-operation. Sweden takes the strong view that promoting gender equality is both a means for poverty reduction as well as a goal in itself. Sweden has conceptually moved away from a purely women in development approach to mainstreaming gender equality in all aspects of development co-operation. Nonetheless, Sweden takes a dual approach to ensure that the objective is carried out, i.e. mainstreaming, as well as paying special attention to women or men. Sida has also developed a Gender Action Programme for 1997-2001 and has a small budgetary allocation for this area. Sweden has selected five countries - Estonia, India, Namibia, Nicaragua and Tanzania - with special focus on

gender equality and is also evaluating mainstreaming in Bangladesh, Nicaragua and South Africa. The report is expected to be issued in 2001.

The manual on *Gender Equality between Women and Men in Development Co-operation* by the MFA emphasises what Sweden can do to empower women in the decision-making and democratic processes, both in general and in relation to Swedish aid. It stipulates that Sweden must promote gender equality and ask for sex disaggregated statistics in the multilateral forums such as the UN, the development banks, the DAC and the EC. The efforts related to gender by Sweden in the international community are globally recognised and are highly valuable. The manual also states that country strategies should contain basic facts on, *inter alia*, women's and men's legal and economic conditions, analysis of the benefits from gender equality in development co-operation, partner country's commitment and gender aspects in policy dialogue. On policy dialogue, however, the manual is not clear as to what extent Sweden should push gender equality when partner countries give incompatible responses, for example, when Sri Lanka does not accept special attention to girls in education programmes. As a medium to specifically target women, Sweden particularly encourages co-operation with civil society, selected NGOs and universities. Activities in Viet Nam and Tanzania are described in Chapter 6.

Mainstreaming primarily consists of incorporating gender concerns in analytical processes, planning, and implementation in all sectors. In 1999, approximately 10% of all Sida disbursements were allocated to projects with a direct gender equality focus. Specifically, in Bangladesh, India, South Africa and Tanzania, 75% to 95% of the disbursements were made to projects that had gender equality as a main purpose or a sub-purpose. Sweden carries out stakeholder analysis using the logical framework to link gender issues with poverty and to identify different target groups, such as girls in schools, young women and men with HIV/AIDS, women subject to violence, women and men in conflict situations and so on. There are gender experts who assist staff to fulfil the mainstreaming objective and suggest necessary adjustments. Sida points out that gender equality training is carried out for all development co-operation personnel, including consultants, although these training courses may not be a recurrent phenomenon.

Sida admits that there are challenges in mainstreaming gender equality, particularly in the following areas: full incorporation in country strategies; integration in major political declarations and policy dialogue on development co-operation; allocation of sufficient budget; development of quantitative and qualitative indicators for analytical use; collection of data to develop statistics on gender roles; enhanced training for all staff; and establishment of effective accountability systems, including monitoring and evaluation. Furthermore, Sida is concerned that staff are being overloaded and are undergoing "mainstreaming fatigue", as they are responsible for multiple and complex cross-cutting areas including poverty, environment and democracy and human rights (see Chapter 5).



## CHAPTER 4

### OTHER POLICIES AND INSTRUMENTS

#### **Policy coherence**

The 1996 re-organisation of MFA was intended to integrate the hitherto compartmentalised Swedish administration on aid, security, trade, environment, agriculture, refugees, migration and others. From an institutional standpoint, the reorganisation has improved the internal cohesion of the aid system; however, for policy coherence in key areas regarding developing countries, Sweden admits that it has yet to determine effective mechanisms for enhancing policy analysis and internal processes, as well as making decisions more transparent. In addition, Sweden sees that there is still a lack of capacity in integrating EU trade policy within development co-operation of the MFA and Sida, and that co-ordination on pertinent issues with other ministries is still weak. Although regional studies have already been carried out on policy coherence by the MFA, further work is needed to build political consensus and to translate the recommendations into reality. On the other hand, the collegiate nature of Swedish society seems to make the new arrangements work better than they might in some other countries. Furthermore, there are areas that Sweden is relatively advanced in trying to ensure coherence, such as on arms exports (see Box 2).

As referred to in Chapter 1, a Parliamentary Commission of Inquiry into Swedish Policy for Global Development was established in December 1999. The Commission will attempt to determine how Swedish policy for sustainable development should be further developed at a time of ever-increasing global interdependence. The coherence of all Sweden's policies that could impact developing countries would consequently be of central concern. The Commission consists of representatives from all political parties, NGOs, labour/trade unions, business associations, different ministries and Sida, which will consult academics on specialised topics. The review will evolve around four main themes: poverty, democracy and human rights, the environment and gender equality, and will be cross-analysed from different policy areas such as aid instruments, migration, trade, promotion of exports, and security. It will also synthesise: agreements to enhance policy coherence; the role of development co-operation in conflict prevention and management; partnerships in both bilateral and multilateral co-operation; and Sweden's commitment to the development partnership strategy. The Commission is expected to submit a report and a comprehensive proposal for Swedish policy in October 2001.

#### **Involvement of the Swedish private sector**

Table I.1 shows that Swedish net investments to developing countries have generally increased since 1983-84 - despite some fluctuations - and reached USD 2.5 billion in 1998. In 1994, the Project Export Secretariat (PES) was established in the MFA to enhance Swedish exports. The PES maintains that Sweden's self-interest and own economic interests could be reflected more in development co-operation, which would benefit both the recipient country and Sweden. It hopes to pursue this

through the shift in the climate of foreign policy reflected in the following directions: a) from development assistance to economic co-operation (to have more equal relationships and partnerships with developing countries); b) from aid flows to mobilisation of private capital (to increase private flows bilaterally and through IFIs); c) from a compartmentalised to an integrated foreign policy (to integrate trade, aid, security, migration issues, etc., and to be more geographically based); and d) enhanced involvement of Swedish industry and services (to reflect Swedish self-interest by supporting Swedish industry in specific areas of co-operation).

### Box 2. Policy coherence: the case of Sweden's arms exports

Sweden has been an important arms producer and exporter since the 1950's, and is still one of the top fifteen. However, Swedish arms exports have considerably decreased over the past 15 years, both in terms of volume and percentage of total national exports. In 1988, exports of military equipment amounted to USD 1 billion, or 2% of total exports, but dropped to USD 425 million or 0.5% in 1999. In the mid 1980's, a scandal in which a Swedish firm allegedly bribed Indian officials on arms exports triggered extensive public debate and reinforced the need for increased transparency and accountability. Since 1985, the Swedish government has been presenting an annual report on arms sales to parliament, which is also available to the public.

Top recipient countries are mainly in Western Europe and North America. In terms of percentage of total arms exports in 1999, 18% went to ODA-eligible countries, though mostly concentrated on Brazil and Venezuela. The breakdown was 0.3% to other low-income countries, 8% to lower/middle-income countries and 10% to upper/middle-income countries. In 1999, for the first time in 20 years, no exports have occurred to the least developed countries (LLDCs). Arms exports to India and Pakistan - countries that recently conducted nuclear testing - were USD 605 000 and USD 617 000 in 1999 respectively, which accounted for less than 0.2% of Sweden's total arms exports.

Swedish arms exports are governed by the 1992 Law on Exports of Military Equipment. This requires that any export of military equipment would need a special permit to be issued on a case-by-case basis by the National Inspectorate of Strategic Products (ISP). The guidelines state that a permit can be granted if arms exports do not contravene the principles and objectives of Swedish foreign policy. No formal poverty criterion is stipulated in these guidelines. Interpretation is done *ex ante* in consultation with an advisory body, the Export Control Council, consisting of representatives from all parties in parliament, which has a strong advisory position in the decision-making process. The Chair of the Council is the Director of the ISP. Considering the make-up of the Council and Sweden's strong parliamentary base, the government has always followed its recommendations on the rejection of applications.

The institutional process to ensure coherence of arms exports with Sweden's foreign policy consists of three actors that represent different interests presenting each case before the Council. The ISP presents the export situation and relevant interpretations of the guidelines; the Ministry of Defence assesses the long-term supply of military equipment to Sweden's own armed forces, which is dependent on the sustainability of its arms industry; and the MFA produces a country analysis. If the potential export destination is a developing country, the country analysis includes relevant facts concerning levels of development and the Swedish aid programme. It is, however, unclear as to whether the analysis includes issues such as the recipient country's resource allocation to BSS, defence spending, debt servicing, and others, or how these exports are coherent with Sweden's stated foreign policy on promoting disarmament.<sup>8</sup> Swedish government representatives maintain that the present treatment of exports to developing countries represent a *de facto* observation of the poverty criterion in the EU Code of Conduct on Arms Exports. The aforementioned Parliamentary Commission could, however, consider a recommendation to stipulate a formal poverty criterion in arms exports to developing countries.

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8. Statement of Government Policy in the Parliamentary Debate on Foreign Affairs, Wednesday, 9 February 2000.



The Swedish private sector points out that Sweden and the poor countries need economic relations with trade existing in both directions. It argues that this is the most important and sustainable relationship between Sweden and the developing countries - ties that extend beyond one or two contracts. However, to have active trade relations, the poorer countries must create an enabling environment for PSD and build appropriate infrastructures. Especially in the neighbouring CEECs, new laws such as in banking, financing and other areas related to investment must be established. The private sector thus states that Swedish co-operation should first assist in establishing an environment conducive to trade. It also wants Sida to support them with funding and guarantees, as these countries are risky and unpredictable. To these, the private sector says it wants at least some portion of Sida funds to be in the form of tied aid.

The private sector also states that it has become easier to obtain Sida contracts and to work with the agency. Recently, the private sector is not only aspiring to get a bigger piece of the pie from Sweden's bilateral funds, but is increasingly lobbying to participate in technical assistance as well. Sida is currently formulating a private sector development strategy in development co-operation and has been involving the private sector in seeking new models of interaction. Sida also discusses with, for example, automobile manufacturing companies on how they can participate in some programmes. In addition, the private sector is participating in the formulation of country strategies for CEECs, and hopes to be involved in those for other countries. Moreover, it wants a special section on industrial/trade/business development in country programmes as well as an enhancement in Sida's expertise in this area.

A major concern with the PES and the private sector is the low rate of procurement by Sweden in IFIs, EC and the UN, compared to Sweden's financial and policy support to these institutions. Sweden contributes 3% to the EC, but only wins 0.5% of procurement contracts. Even Finland, which acceded around the same time, has been more successful in winning contracts. Particularly with regional banks such as the AfDB and ADB, the PES and private sector want to increase their share. As large infrastructure projects are becoming less significant in IFIs, the Swedish private sector is increasingly finding difficulties in participating in the activities of these institutions, and hence, turning to Sida for more support.

### **Swedfund International**

Swedfund International is a risk capital public company owned by the Swedish government whose overall mission is to provide capital and know-how for investments in developing countries and CEECs. Its core business is to invest in joint ventures in partnership with Swedish companies. Swedfund was established in 1979 and is still 100% government-owned. Swedfund offers risk capital in the form of equity or loans and provides expertise on how to invest profitably in these countries. In addition, it invests in local and regional venture capital funds in co-operation with IFIs.

In 1999, Swedfund made 11 investments totalling USD 23 million. Current book value is USD 36 million, which is disbursed to 64 projects across 33 countries. The operational level, with a staff of 20, is relatively small compared to similar institutions in Denmark and Finland. Forty-nine percent of investment is directed to Africa, 27% for CEECs, 18% in Latin America and 6% in Asia. There are geographical requirements by the Swedish government, such as focusing on poor countries with a per capita GNP of under USD 3 000 (with a few exceptions), the CEECs and the Baltic region. A 30% limit of the total amount of investment is maintained, as Swedfund avoids becoming the single largest financier.

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Guidelines developed by the IFIs, particularly of the International Financial Co-operation, are adopted in EIAs, risk analysis and others; however, Swedfund admits that it is difficult to monitor how well, for example, labour and environmental standards are actually adhered to. Gender equality issues are raised by the board members consisting of the MFA, Sida, the labour union and the private sector, but the investments are not required to fulfil gender based quotas or other conditions. Negative list of projects includes breweries, tobacco and arms except civil explosives. Of the applications, around 25% are approved, 10% are implemented and 5% become profitable. Foreign direct investments generally have 30% losses, and a cumulative of USD 36 million has been written-off. Sweden could consider the question of Swedfund having access to private capital, given the stated intention of the private sector to play a more prominent role.

### **Export Credits Guarantee Board and mixed credits**

EKN administers development aid guarantees for Sida. These guarantees are issued in conjunction with concessional export credits granted to certain developing countries on terms made favourable with the use of development aid funds. EKN comments on individual guarantee cases, primarily on risk of loss, but the chief responsibility for such guarantees lies with Sida's Department for Infrastructure and Economic Co-operation. If this underwriting results in a deficit, EKN states that the loss is charged to aid allocations and declared as ODA, although Sida claims that this is not a correct description of reality. At year-end 1999, EKN's total guarantee offer and commitment exposure reached USD 16.5 billion, including India at USD 238 million, China at USD 217 million and Thailand at USD 67 million. Total new guarantee commitments assigned for 1999 reached USD 2.7 billion. However, new development aid guarantees substantially declined from USD 86 million in 1997 to USD 19 million in 1999, possibly due to the Asian crisis. Table I.1 also shows that the amount of Swedish net export credits is currently low and has not recovered from its sharp fall in 1996.

While operations by EKN on behalf of Sida follow Sida's environmental guidelines, its other operations in developing countries fall under the EKN board's own environmental policy which became effective in April 2000. The policy specifically states that EKN shall: develop guidelines for environmental requirements in export financing; observe the environmental laws of the import country; and ensure that the larger export projects complies with EIAs where the risk of negative environmental impact is significant. A comprehensive environmental review on EKN is scheduled for 2001.

EKN proposed this year that an EIA would be demanded systematically for projects that cost SEK 100 million (USD 12 million) or more and for guarantees lasting more than five years. The EIA would be mainly limited to the Swedish component. However, the proposed guidelines have been strongly criticised by the Swedish Society for Nature Conservation and other NGOs for being lenient and vague and for providing various loopholes. Some of the NGO criticisms and recommendations include: EKN should not issue any guarantee until an EIA has been carried out and considered by the board; there is lack of transparency and very little access to information, particularly during the decision-making process; and there are no concrete criteria for environmental standards. The fact that in recent years EKN has been involved in some controversial operations (e.g. Three Gorges Dam in China and Ilisu Dam in Turkey) implies that the effective implementation of the environmental policy for EKN could be challenging.

## Untying and procurement

According to DAC data, Sweden's gross disbursements on tied aid have been increasing from USD 106 million in 1996 to USD 164 million in 1997 and USD 151 million in 1998. These figures do not include research co-operation or NGO support, which are to some extent earmarked for Swedish entities, or technical assistance contracts whose bidding procedures are not always of international competition. Furthermore, Sweden's procurement guidelines on goods stipulate that Open Competitive Bidding be carried out for contracts of USD 250 000 or more, which does not mandate advertising in the international media as required under International Competitive Bidding. Therefore, it is not clear as to what extent Swedish aid programme as a whole is *de facto* untied. Sweden is encouraged to further the discussion in this area, and in particular, obtain a broad consensus from the public, including the private sector, NGOs, consulting firms and research institutions on the pros and cons of untying aid to developing countries.

## Debt relief

Sweden's long term and active involvement in debt relief is described in the last Peer Review. In particular, as early as 1978, Sweden wrote-off most ODA loans to LLDCs worth SEK 1.2 billion (USD 178 million). Furthermore, during the period 1986-99, almost SEK 5 billion was disbursed in the form of debt relief and support for economic reforms in poor countries. *Sweden's Debt Policy for the Poorest Countries* states that *inter alia* Sweden will also give rapid and generous contributions to countries in difficult crisis situations and that it attaches great importance to countries that are pursuing sound economic policies. As for the way forward, Sweden advocates that ODA loans to HIPC countries should be entirely written off and that the link between debt relief and poverty reduction must be strengthened. Sweden is also prepared to consider giving extra support to, *inter alia*, economic reform process through balance of payment or budget support and the re-purchase of commercial debts. The policy states that Sweden's ambition is to develop partnership with countries that pursue poverty reduction and democracy, as well as to commit to international trade liberalisation.

Sweden continues to play an active role in the Paris Club's debt relief negotiations and other multilateral forums. The following are some measures taken since the last Peer Review: a) HIPC Initiative: Sweden's first contribution to the HIPC Trust Fund was USD 28 million, plus another USD 20 million that was pledged through the EU and USD 35 million in the framework of the Nordic Group, bringing the total to USD 83 million; b) ODA debt cancellation: in 1998, Sweden's debt relief amounting to USD 8 million was granted to Ethiopia, Madagascar and Mozambique; c) IDA debt reduction facility:<sup>9</sup> Sweden provided USD 19 million to help buy back up to ten times the amount of World Bank debt by Mozambique, Zambia, Nicaragua and Bolivia; and d) SEK 1 billion (USD 116 million) for economic reforms and debt relief in nine poor countries.

On the other hand, although Sweden has been supportive of ODA debt relief, it is an important creditor of developing countries through its export credit activities, as referred to the above. At the end of 1999, the total amount outstanding by DAC List Part I borrowers was USD 5.8 billion, of which USD 2.6 billion was owed by low income countries<sup>10</sup>. It must also be noted that this total amount of

9. This fund capitalised with USD 300 million from World Bank net income between 1989 and 1996, facilitates the buyback of low income countries' commercial debt by providing a maximum USD 10 million grant when combined with additional donor grant cofinance.

10. Countries include: Angola, Bangladesh, Bhutan, Bosnia-Herzegovina, Cameroon, Cape Verde, China, Democratic Republic of Congo, Cote d'Ivoire, Ethiopia, Ghana, Honduras, India, Kenya, Laos, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mozambique, Nicaragua, Nigeria, Pakistan, Senegal, Sri Lanka, Tanzania, Togo, Uganda, Viet Nam, Yemen and Zimbabwe.

## *Sweden*

outstanding debt by Part I borrowers is actually equivalent to more than three times Sweden's net annual ODA flows.

### **In-country refugee assistance**

Migration, asylum and refugee issues have been integrated into the MFA since the new reorganisation and are now administered by the MFA's Unit for Migration together with the Swedish Immigration Board. Every year, the government and parliament shape the refugee/asylum policy and issue guidelines on quota. In 1999, Sweden spent USD 86 million or 8% of its bilateral ODA on in-country refugees and asylum seekers - a decrease from a level of USD 114 million in 1996. The estimated breakdown was 12 000 asylum-seekers and 1 800 quota refugees. Arrivals peaked in 1992 culminating in 84 000 asylum-seekers, mostly from the former Yugoslavia. In 1997, 9 623 people applied for asylum, mostly from Iraq, the former Yugoslavia, Bosnia-Herzegovina and Somalia.

Overall, Swedish refugee/asylum policy is rather generous and is based on humane values and solidarity. The Swedish Aliens Act, amended in January 1997, sets out the categories of people who are entitled to protection in Sweden. Swedish refugee and asylum policy is comprehensive and also prescribes Sweden's efforts in the international forums to contribute to the prevention of international conflicts. It also states that Sweden is to accept refugees other than those stipulated by the 1951 UN Convention. Furthermore, support will also be given to refugees who wish to leave Sweden on their own accord and return to their home country. Government-financed municipality reception and resettlement programmes facilitate the refugees' integration into Swedish society.

The former Minister of Development Co-operation and Migration stated that there was a rise in xenophobic influences as in all situations when there was an increased level of domestic unemployment. Sweden could therefore analyse more the effects of in-country refugees on public opinion regarding relationships with developing countries. Furthermore, Sweden could also examine the coherence of its asylum policies with its policies in promoting democracy and human rights in developing countries.

### **Public opinion and information**

Sweden has been carrying out annual opinion surveys on development co-operation since 1975. From these, it is clear that public support to development assistance remains very high. In 1999, a survey commissioned by Sida indicated that 83% considered it important for Sweden to contribute to development in developing countries and that 77% supported ODA. In fact, almost half those surveyed had given money to NGOs themselves in 1998. Education level, gender and age are closely correlated to support, with people of higher education, women and younger people inclined to be more positive towards development co-operation. Responses show that NGOs are considered most efficient in ODA delivery, followed by the UN, Sida and then the EC. Debt relief and disaster relief also have a solid backing.

There are, however, some signs of weakening in long-term support - public opinion shows donor fatigue and a lower expectation of ODA as a catalyst in achieving poverty reduction. In particular, the rate of those who advocate decreasing or abolishing ODA may be increasing. According to Sida's Information Department, "65% of Swedes are convinced that no main development has occurred in the developing countries since the 1960s."<sup>11</sup> Sweden's strong focus on Africa, which is a continent with little results, may be contributing to this pessimistic view. Swedish authorities speculate that there is

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11. *Development Today*, Vol. 9, Nos. 16-17, 8 October 1999. p. 12.

some correlation between opinion and the ODA budget, namely, that budget cuts coincides with lower support.

Opinion polls show that the image of Sida improved after its reorganisation. Especially since 1998, Sida has been making efforts to reach the general public, for example, by establishing a special forum called the Development, Education and Communication Academy for Human Resource Development and Experience-Sharing. In 1999, Sida's budget to carry out public information activities was USD 19 million, or 2% its total budget (see Table 1). Of this amount, about one third is utilised by Sida and two-thirds are used for funding NGOs. In Sweden, aside from the operational ones, there are numerous NGOs that carry out public education programmes designed and implemented by themselves. Sida has developed new guidelines for NGOs to carry out these information activities and holds regular meetings. Each year, a theme is chosen, for example "the environment" starts in August 2000, followed by "poverty" in the following year.

Sida is not complacent and sees that there is still ample room for the Swedes to become interested and learn about development co-operation. For this, they acknowledge that some rethinking must be done and a new information strategy needs to be developed. Sida agrees that issues of substance such as goal orientation, SWAps, untied aid and aid dependency are also not yet addressed. In particular, untying national involvement for the benefit of partner country ownership and cost-effectiveness is a dilemma for all DAC Members. Sweden's public opinion surveys could henceforth include questions regarding untying aid. It is necessary for the Swedish aid programme to be backed by a wide public consensus regarding these real and difficult issues that are currently being discussed and explored with partner countries and in the international forums. Participation, transparency and accountability also need to be ensured at home.



## CHAPTER 5

### ORGANISATION, STAFFING AND MANAGEMENT SYSTEMS

#### Overall organisational structure

Sweden's MFA is led at the political level by three ministers and four state secretaries who share the range of foreign affairs responsibilities. In addition to the Minister for Foreign Affairs, aid to developing countries is handled by the Minister for Development Co-operation, Migration and Asylum Policy, who is assisted by a state secretary. Responsibility for aid to CEECs was recently transferred from the latter Minister to the Minister for Trade and Nordic Co-operation, who is also assisted by a state secretary.

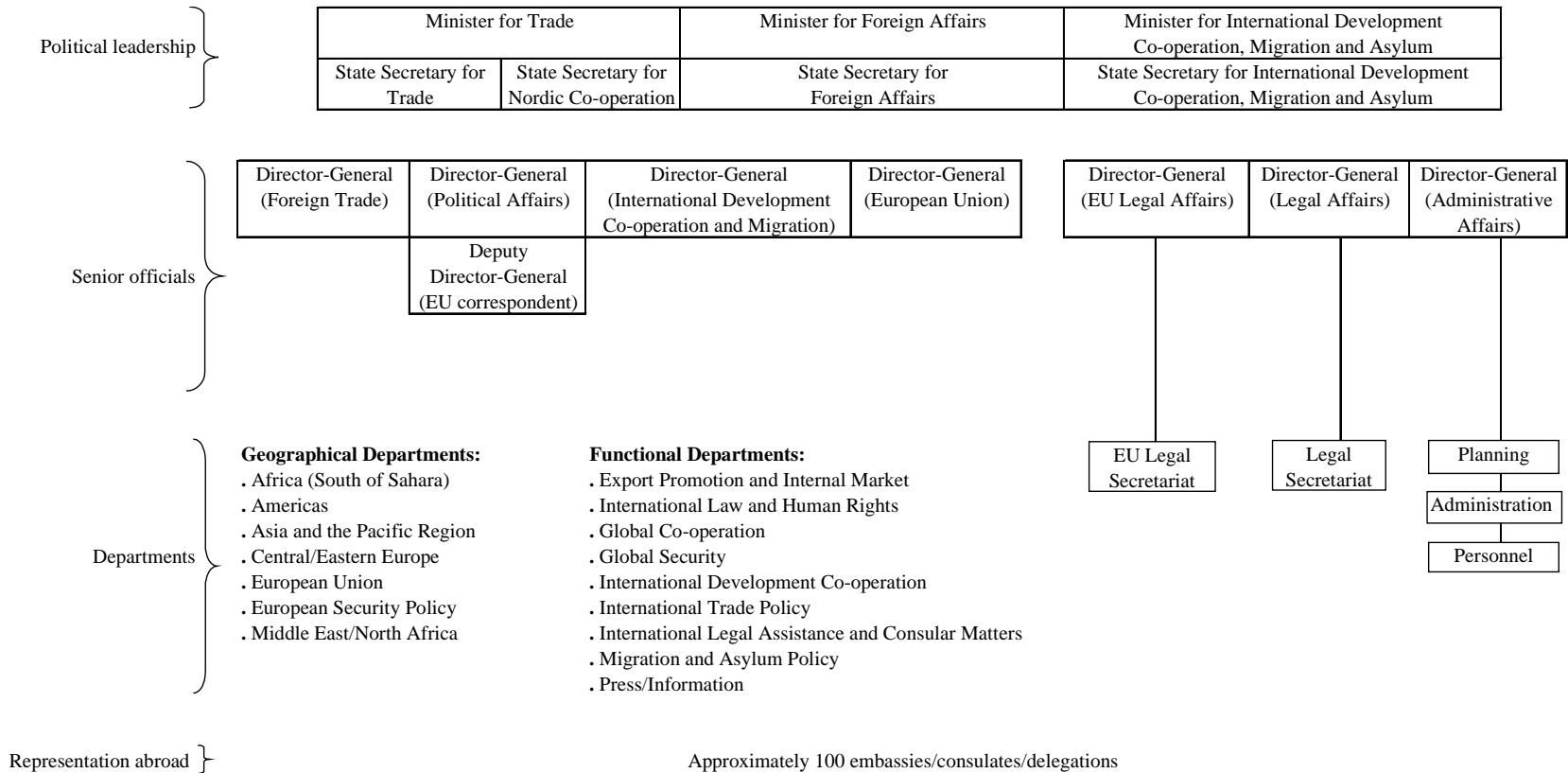
In development co-operation, general aid policy is defined by the MFA, while the bilateral programme and some multilateral assistance is implemented by Sida, an executing agency with a high degree of autonomy. Nevertheless, the ministry and Sida work closely together on many issues, such as the preparation of country strategies, setting of sector policies, humanitarian assistance and the formulation of positions in multilateral forums. Responsibility for issues is also sometimes moved from one organisation to the other. For example, the ministry was previously responsible for all core contributions to UN agencies, while Sida took charge of multi-/bilateral assistance. However, Sida is currently in the process of taking over responsibility for some UN agencies, with the ministry setting broad policy on Sweden's participation. Mobility of staff between the ministry and Sida is another manifestation of their close and collaborative working relationship.

As described in Chapter 4, several smaller agencies are involved with Sweden's development co-operation efforts: the Swedish Immigration Board assists refugees in Sweden; Swedfund International invests in joint-venture companies in developing countries and in CEECs; EKN administers development aid guarantees with Sida; the Swedish Institute provides scholarships; and the Nordic Africa Institute sponsors research.

#### *Ministry for Foreign Affairs*

The MFA underwent a major reorganisation in 1996, following Sweden's accession to the EU. Today, the ministry includes both geographic and functional units (see Chart 1). Seven integrated geographic departments with country/regional desks take responsibility for Sweden's bilateral relations in the areas of foreign policy, trade, development co-operation and migration, thus having a central role in the promotion of coherence in Sweden's external policies. Nine functional departments back up these departments. Among these, the Department for International Development Co-operation is responsible for bilateral assistance and development-related activities of the EU and IFIs; the Department for Global Co-operation is responsible for humanitarian, environmental and gender issues, as well as relations with the specialised UN economic and social agencies; and the Department for International Law and Human Rights is responsible for democracy and human rights issues. The geographic and functional departments report to four director-generals, responsible for trade, political affairs, international development co-operation, migration and EU affairs.

Chart 1. Ministry for Foreign Affairs, Sweden



Source: Sida.



The new structure was designed to enable Sweden to respond more effectively to the wider range of issues that the MFA would address, following the accession to the EU. An additional aim was to reduce the compartmentalisation of issues that characterised the previous organisational structure. By all accounts, these objectives have mostly been achieved. Nonetheless, concerns remain regarding the country/regional desks: these desks potentially report to and take instructions from a total of 11 ministers, state secretaries and director-generals, which constitutes an unwieldy degree of administration; staff on these desks need to master a wide range of complex issues during the limited period they are on rotation there; there is an artificial divide between non-CEECs and CEECs which include poor countries; and, in the case of development co-operation, the contribution that these desks are able to make is not clear in a structure where expertise already exists within other parts of the ministry, Sida, and increasingly, embassies in developing countries.

### ***Swedish International Development Co-operation Agency (Sida)***

To increase the focus and adaptability of Sweden's development co-operation programme, parliament decided to form Sida in 1995 by merging five executing agencies for Sweden's aid. Today Sida has a matrix structure with four regional (Africa, Asia, Latin America, and CEECs) and five sector departments (Democracy and Social Development, Infrastructure and Economic Co-operation, Natural Resources and the Environment, Research Co-operation, and Co-operation with NGOs and Humanitarian Assistance) (see Chart 2). The regional departments take responsibility for programmes within their geographic area and prepare country strategies or delegate this responsibility to Swedish embassies in select pilot countries (see Swedish Representation in Partner Countries). The sector departments analyse and assess project proposals and provide expert support. All these departments report to the Director-General of Sida.

As explained in the last Peer Review, the executing agencies merged to form Sida were:

- Swedish International Development Authority (SIDA)<sup>12</sup>, which focused on the implementation of aid activities in programme countries, disaster relief, humanitarian assistance and the co-financing of Swedish NGOs.
- Swedish Board for Investment and Technical and Support (BITS), which focussed on aid activities outside of programme countries, including in CEECs, as well as the strengthening of economic and commercial links through the involvement of Swedish institutions and enterprises.
- Swedish Agency for Research Co-operation in Developing Countries (SAREC), which focussed on research co-operation.
- Swedish International Enterprise Development Corporation (SwedeCorp), which was responsible for assistance to enterprise development. SwedeCorp itself had been formed in 1991 from the merger of three former entities.
- Swedish Centre for Education in International Development (Sandö), which conducted training related to international co-operation, mostly for development workers.

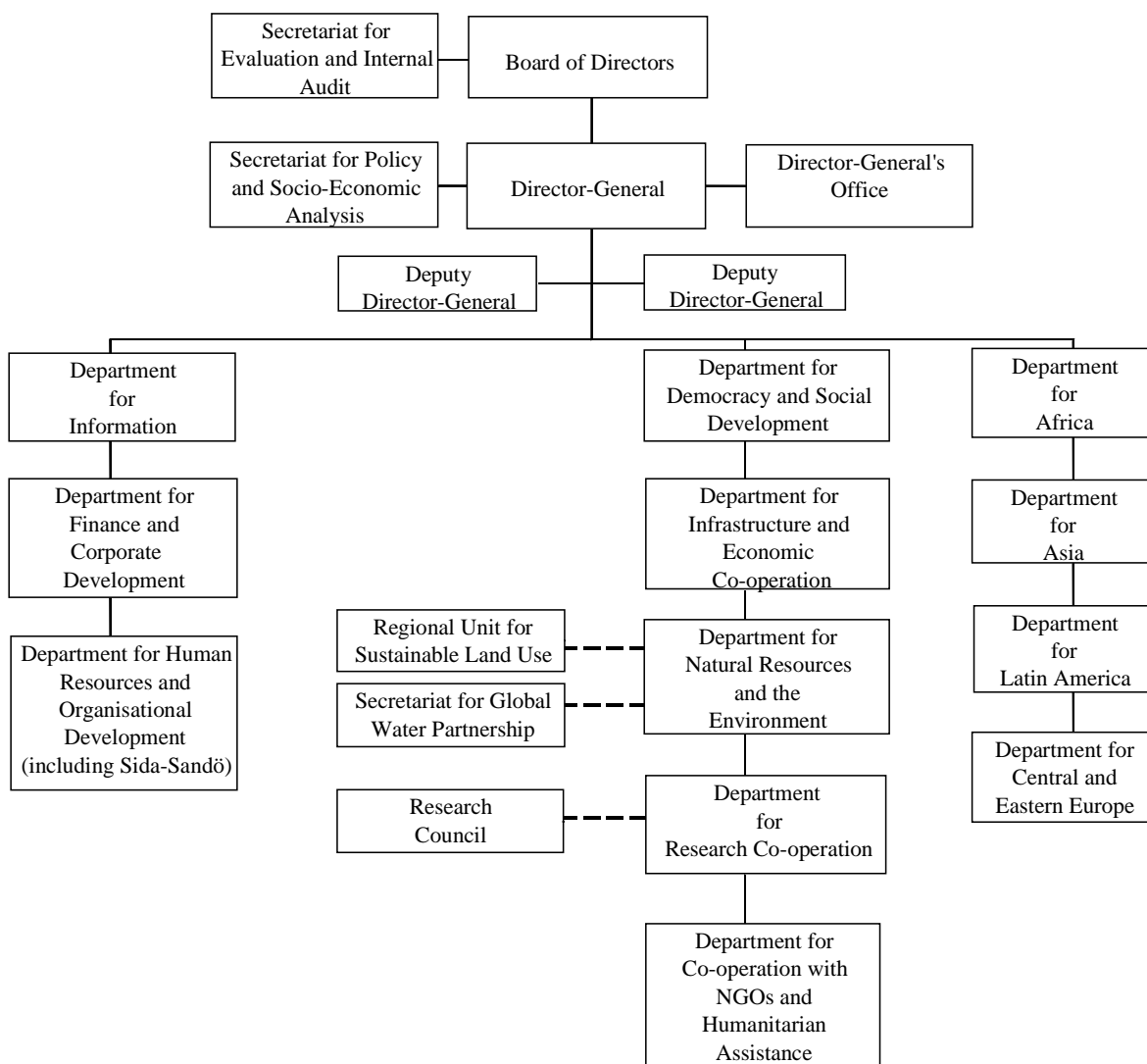
These former entities have been affected differently by the merger. SAREC still exists as a department within Sida with the same name and could still better integrate the research activities and its staff into the rest of the agency, as touched upon in Chapter 3. Sida's Department for Infrastructure and

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12. All in capital letters, as opposed to "Sida".

Economic Co-operation, which comprises the former BITS, SwedeCorp and the Infrastructure Unit from SIDA, has been the most affected by the merger. Considerable efforts have been made in this department to integrate personnel and cultures from the former entities, such as by staff rotations. Nonetheless, the distinct characteristics of the former entities still exist and are regarded as such throughout Sida: i.e. financing from BITS, sectoral work in programme countries from SIDA and sectoral work in non-programme countries from SwedeCorp.

Chart 2. Swedish International Development Agency (Sida)



Source: Sida.

Efforts are consequently still needed to see the merger through to fruition. The adoption of consolidated regional budget lines in lieu of individual budgets will help establish Sida as a single agency with a variety of aid mechanisms at its disposal. The substantial staff recruitment expected in future years to replace retiring staff members would also contribute to the complete merger, as new staff will not perceive the association of instruments with former entities. Finally, the linkages and synergies between Sida's ODA activities and aid to CEECs could still be more fully developed.

### *Swedish representation in partner countries*

Since 1995, Sida's field representation has been merged with the local Swedish embassy. These "integrated embassies" have now been established in all the main recipient countries of Swedish aid. Sida currently has field representation in 34 countries, which should rise to 39 by 2003. In 1998, a pilot project was launched to increase delegated responsibility to the integrated embassies in Nicaragua, Tanzania and Viet Nam. This enables the embassies to approve up to SEK 50 million (USD 6 million) per project. These embassies also have the authority to take strategic decisions on country programming, in consultation with headquarters. Project preparation is initiated in-country while Sida headquarters provides consultants and performs evaluations upon request.

These decentralisation pilots are mostly viewed as successes. The Vietnamese government appreciates the convenience of decentralisation as decisions can be taken and problems resolved locally and expeditiously, which enhances partnership. Local staff at the embassy have also been able to take on major project management responsibilities. In Tanzania, the presence of social sector specialists in the embassy coupled with increased local authority is seen as enhancing the efficiency of programme implementation. Nonetheless, while micro-management from headquarters has been substantially reduced, embassies are still required to satisfy capital-led policies, which can be a source of potential tension.

It is not yet clear how far Sweden intends to push for decentralisation. Estimates suggest that Sweden's decentralised embassies could, on average, cost three times more than other embassies. The costs involved and staffing implications could ultimately limit the replicability of these pilots unless there will be more reliance on local staff and use of ODA budget to finance such costs. Sweden will assess the decentralised embassies in due course, whose results will be of interest to many DAC Members.

In another trial exercise, Sida and the Norwegian Agency for Development Co-operation (NORAD) may represent each other in countries where they are not already present. Initially, NORAD will represent Sida in Malawi where Sweden intends to step up its activities. Taking advantage of similar aid policies, values, cultures and languages between Sweden and Norway to pool resources and harmonise procedures could lower transaction costs and benefit both recipient countries as well as other donors.

### **Staffing**

Within the MFA in Stockholm, the number of people working predominantly on development co-operation issues remains comparatively modest - some 30 professionals in each of the Departments for International Development Co-operation and for Global Co-operation, as well as the staff in the geographic departments, whose responsibilities include development co-operation. The ministry finds that it currently lacks sufficient capacity to deal with aid and trade issues and so is giving priority to recruiting staff with this background. Given the greater role of Sweden's ambassadors in development

## *Sweden*

co-operation matters in integrated embassies, these staff are expected to have appropriate experience and expertise. Sida is now consulted about such appointments.

Sida's permanent staff totalled 602 at the end of 1999, 119 of whom were stationed in the field. Many current Sida staff will retire over the next decade - 39% of staff were aged between 51 and 60 years at the end of 1999 and, on current projections, 72 people will retire between 2000 and 2005, with a further 222 people between 2006 and 2011. To respond to this dramatic loss of skilled personnel, Sida has been focussing on recruiting younger people and endeavouring to create a working environment, which will encourage staff to remain with the agency. In particular, Sida is aiming at motivating its experienced staff in actively sharing their expertise with younger staff. Sida has also been seeking to recruit staff with knowledge and experience in programme aid, in order to strengthen its capacities in this area.

Sida considers its staff to be its greatest asset and so maintaining and improving the high level of professionalism is a central concern for its own development as an organisation. Sida consequently devotes substantial resources to developing staff and fostering a process of continuous learning within the agency. Sida's 1999 *Human Resources Report* dedicates considerable space to detail Sida's learning and staff development activities. It estimates that Sida spent at least 5 779 working days on training in 1999, 4.4% of total working hours. Sida has identified five types of skills it considers necessary to create a learning environment - strategic, professional, learning, relation and functional. These are summarised in a "skills star". While the *Human Resources Report* concludes that Sida departments are highly aware that learning for achieving good results in operations is important, it regrets that the learning programmes undertaken by departments focus mainly on professional skills.

The roles and responsibilities of Sida's managers and staff have also been extensively analysed and documented. *Sida's Management Policy* defines the main task of managers as creating the conditions necessary for staff to develop, implement and follow-up on operations. The manager is seen as having six roles: explorer, communicator, coach, agent of change, creator of learning opportunities and decision-maker. These are summarised in a "management flower." The policy also describes the quality assurance process for ensuring that managers fulfil their ascribed role. *Being a Member of Staff at Sida* discusses the five roles staff need to play to enable the Agency to achieve the best results: producer, member of the team, communicator, developer and bearer of values. These are summarised in a "staff flower". For both managers and staff members, the policies indicate the skills from the "skills star" needed for fulfilling each of their roles. Sida's human resource policy documents could be usefully consulted by other aid agencies and replicated where applicable.

The level of knowledge expected of staff within the Swedish aid system is high. Staff are expected to mainstream numerous issues in their daily work, including gender equality, environment, human rights, democracy, and good governance. Sida has calculated that implementing the poverty reduction objective requires know-how in 28 combinations of subject areas. To help raise and maintain knowledge levels, training courses are organised regularly for people from both the MFA and Sida. While the choice to mainstream important issues may be optimal from the perspective of development impact, for generalist staff, the accumulation of such approaches may be leading to "mainstreaming fatigue" and a consequential reduction in efficiency and development impact. In response, Sweden has continued to support some specific activities in pursuance of main objectives, such as gender equality, but the increasing number and complexity of issues addressed may also point to a need for greater professionalism within some parts of the Swedish aid system. This issue will become more acute as staff renewal within Sida starts to accelerate.

## Management procedures

### *Objective and target setting*

Sida could improve results-based reporting and establish an overall monitoring system for cross-cutting issues, in particular gender equality. Sida's apprehension to these is based on a concern that there needs to be a clear distinction made between the agency's own performance and development within partner countries. On the other hand, impact analyses and isolating the results of individual donors can be difficult, and too simplistic an approach would also be inappropriate. Furthermore, since the objectives for Sweden's development co-operation are long-term, and while annual reports can describe activities undertaken towards achieving those objectives, results cannot necessarily be expected on a short-term basis.

Nevertheless, as a step towards a greater focus on results, Sida has been documenting examples of the results of its activities in its annual reports and has introduced a system for classifying activities *ex post* in terms of whether they addressed its four action programmes - environment, gender equality, democracy and human rights, and combating poverty as a main goal or a sub-goal. Since 1999, the combating poverty classification has been further developed to show those activities which have i) a direct effect on poverty reduction; ii) projects and programmes which include the poor; iii) an indirect effect on poverty reduction through policies and institutions; iv) an indirect effect on poverty reduction through providing support at the national level; v) no effect on poverty reduction; and vi) not yet classified.

According to this assessment, over 10% of Sida's disbursements and 20% of its activities "have been classified as not having any effect on poverty"<sup>13</sup>. Although Sida intends to investigate the reasons for this, it states that some projects may have been in specific circumstances explicitly exempted from the poverty reduction objective, particularly regarding the support towards preserving bio-diversity and conserving nature. Furthermore, it mentions that its OA activities do not have a poverty reduction objective, and thus projects may have been classified as having no relation to poverty reduction - which is the assessment made when registering projects, not that they will have "no effect". The rather mechanical approach implicit in the classification of Sida's interventions has some obvious limitations. Nevertheless, it provides at least a partial response to the question of how Sida is or is not paying attention to target group identification and to the mechanisms needed to reach the poor. It is a reminder that the poverty reduction orientation of country programmes remains an important challenge and progress will have to be achieved in setting clear and measurable objectives and monitorable targets. Sida could also extend its focus on results by establishing explicit links between its activities and the IDGs.

### *Budgetary procedures*

Sweden's country strategies establish an indicative multi-annual budget framework of its programmes for major partner countries. The approval of these frameworks was previously made by the parliament but has now been delegated to the MFA. Each year, Sida receives a Letter of Appropriation, which specifies allocations for approximately 11 budget lines. Until recently, separate budgets were established for some activities, such as research co-operation and infrastructure activities, but in future these will be collapsed into the overall budgets for Africa, Asia, Latin America and Europe. On the

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13. *Sida 1999 Annual Report*, p. 10.

## *Sweden*

other hand, separate budget lines will remain for NGOs, humanitarian assistance, support for economic reforms, global programmes, and information.

In the context of Sweden's recent efforts to correct fiscal imbalances, the government has been imposing annual ceilings on total aid disbursements and on Sida's expenditures. As a result, USD 85 million of invoices were held over from December 1998 to January 1999; USD 169 million in programme aid and credits were held over from April 1999 to 2000.

Although Sida considered that holding over the payment of invoices was manageable in the short term, the imposition of the second expenditure ceiling in April 1999 had a more dramatic effect. To manage the situation, Sida drew up an action plan to limit negative effects on its long-term development activities through avoiding the cancellation of agreements, postponing disbursements, exercising restraint when making new commitments and withholding activities as far as possible until 2000. Sida management can be commended for responding rapidly to minimise the disruption to its programmes following the imposition of the expenditure ceilings. However, managing aid programmes with the sort of "stop-start" adjustments that Sida had to contend with recently could be disruptive to long-term development activities and affect aid quality.

### *Guidance, direction and screening procedures*

Sida's activities are guided by objectives and targets set at a broad level by the parliament, at more specific level by the government and in some detail by the MFA. An example of this is the government's new strategy for Africa, which Sida has translated into its own action plan. Boards of Directors have been set up for Sida and Swedfund International which help the Director-General or Managing Director ensure that the decisions of parliament and government are implemented. While the Sida Board has a mainly consultative role, the Board of Swedfund has a decision-making role. A separate Research Committee whose tasks are to allocate research grants and to guarantee the quality of Sida's support to research guides SAREC's activities.

Sida projects with a value of less than SEK 50 million (USD 6 million) are approved by the relevant Sida regional department, except in the three decentralised embassies where local project approval committees, chaired by the ambassador, have been established for this purpose. Larger projects are submitted to Sida's Project Appraisal Committee, which examines the project assessment before making a recommendation to the Director-General.

At another level, Sweden's development co-operation is influenced and guided by the work of the Expert Group on Development Issues (EGDI), formed in 1995, and to some extent replaced the former Secretariat for Analysis of Swedish Development Assistance. EGDI initiates studies, which will contribute to development thinking and policy making, ideally identifying and addressing major emerging issues. In this way, EGDI's work should contribute to an increased understanding of development issues in a global context and to the enhanced effectiveness of development co-operation policies. A recent study initiated by EGDI and of particular interest for the Swedish programme is *The Sustainability Enigma: Aid dependency and the Phasing Out of Project - The Case of Swedish Aid to Tanzania* while another study of more general interest is *Aid Dependence: Issues and Indicators*. The Group aims to be international and independent from the MFA - six of its 15 members are non-Swedish academics. However, official Swedish participation is substantial, consisting of the State Secretary as chair, the head of the Ministry's Department for International Development Co-operation and three senior staff from Sida.

### ***Monitoring and evaluation systems***

Sida's adherence to rules and regulations is audited regularly by the internal Sida auditor. Sida management, co-ordinated by the controller, responds to the reports prepared, describing what actions will be taken and how implementation will be followed up. Annually, the Sida auditor submits to the Board a synthesis report of audits undertaken and follow-up actions. Sida is also audited annually by Sweden's National Audit Office, which submits its own report to government.

In a similar structure, Sida's sectoral and regional departments carry out evaluations within their own area of responsibility, while a separate Evaluation Department, reporting directly to Sida's Board of Directors, is primarily concerned with more comprehensive and strategically important evaluations. Each year, following a period of internal consultations and discussions, a list of planned evaluation activities by both the Evaluation Department and operational departments is submitted to the Board of Directors. The board approves the Evaluation Department's plan while the Director-General approves those of the operational departments. The results of evaluations are presented in a report - those issued since 1995 are available on Sida's internet site. Since 1999, a management response and action plan made in response to the evaluations conducted by the Evaluation Department is also formulated, normally within six weeks. The Sida Controller reports to the Director-General every six months on the results of the follow-up of the action plan. In addition, the Controller, in co-operation with the Evaluation Department and operational departments undertakes a comprehensive analysis of the findings and lessons learnt of all Sida evaluations.

Sida consequently has a strong and well-developed evaluation function operating at both the department and agency levels. *Sida's Evaluation Plan* for 2000 lists 23 evaluations to be undertaken by the Evaluation Department and another 87 to be carried out by operational departments. This represents a substantial amount of time and resources and raises the issue concerning the value and impact of this investment. The Evaluation Department commissioned a study in 1999, which considered whether evaluations are being useful (see Box 3). Although the findings were not altogether flattering, the fact that Sweden was ready to evaluate its evaluation process is refreshing and stimulating. It also shows the full extent of the Evaluation Department's mandate and that Sweden is considering more than its narrowly-defined evaluation policy. Since such studies are not common, the exercise could be of interest to other donors seeking to improve their aid performance.

### ***Accountability procedures***

With its system of mandatory referral, the principal vehicle for parliamentary oversight of Sweden's development co-operation is its Committee on Foreign Affairs. This committee has at least 15 members and includes representatives of all parties elected to parliament. Its role includes debating and preparing a recommendation on matters within its domain for transmittal to the full chamber of parliament for consideration before a vote is taken. The committee is also responsible for two areas of national expenditure: contributions to some international organisations and ODA/OA for CEECs. In addition, the committee has been placing increasing emphasis on following up and evaluating activities within its domain. In recent years, it has examined Sweden's membership of international organisations and Sweden's participation in UN conferences during the 1990s. The committee can summon experts to discuss issues and receive representatives from relevant organisations and visitors. Committee members travel abroad and the Chair and Vice-Chair often represent the committee at international meetings. Compared to some other DAC Members, Sweden's parliamentarians consequently have a strong interest in Sweden's development co-operation, and become involved substantially and proactively.

### **Box 3. Are evaluations useful?**

Sida commissioned a study in 1999, which aimed to answer the question of whether evaluations are useful. The report focused on perceptions of the evaluation process by various stakeholders in the field, as well as their assessment of the usefulness of evaluations. Nine evaluations/projects in five sectors in five African countries were selected for the study.

The study concluded that although current Swedish aid policy revolves around the two basic concepts of “ownership” and “partnership”, Sida’s evaluation system is not adhering to these concepts because of the agency’s dominance over the process. Specific findings and recommendations included:

- The purpose of evaluations needs to be made clearer as evaluations are rarely planned and designed with utilisation in mind.
- Terms of reference for evaluations are normally drafted at Sida. Sida should assist in building evaluation capacity in partner countries by giving counterparts access to resources that will enable them to initiate and conduct evaluations independently.
- Decisions on which evaluators to contract are also generally taken by Sida. An increasing use of competitive bidding would be cost-effective and could increase the quality of evaluators.
- Evaluations rarely provide new information, and technical recommendations tend to require new investments or an expansion in operational costs beyond the means of the counterparts.
- Evaluations are a concern for a limited proportion of those involved in a project or affected by its outcome. An evaluation is most useful when stakeholders find something that they can put to use according to their own interests and needs. Transferring the notion of ownership in evaluations is problematic as Sida has a “responsibility to exercise control.” The stated aim of evaluations is to serve the Swedish public, the Government of Sweden and Sida’s Board of Directors. Therefore, participation in evaluations is not really seen as a right of the collaborating partner.
- Evaluation results can be made more accessible. The further away from the centre of the decision making over a project, the less information is received on an evaluation’s recommendations and findings.

A supplementary and interim accountability mechanism for Sweden’s development co-operation is the Parliamentary Commission of Inquiry into Swedish Policy for Global Development, as mentioned in Chapters 1 and 4. The commission’s establishment is in response to some political pressure for a wide-ranging review of Sweden’s aid, which is also timely as it follows the preparation of separate studies on poverty reduction, Africa, Asia, human rights and trade. A comprehensive review of Sweden’s development co-operation was last undertaken some 25 years ago, and while the work of the new commission may not have the same longevity, a profound and lasting impact on Swedish aid is to be expected.



## **CHAPTER 6**

### **COUNTRY OPERATIONS**

This chapter highlights Sweden's activities and endeavours in country operations such as innovative approaches, harmonisation, multi-bilateral partnerships, civil service salary supplements, human rights and democratic governance, gender equality, poverty focus and country-level evaluations. Most of the examples are drawn from the missions to Viet Nam and Tanzania carried out by the Examiners for this Peer Review and the Secretariat.

#### **Innovative approaches in supporting country ownership**

Sweden believes that donor projects should be eventually phased out and become part of a sector-wide programme. In order to carry this out, it considers that budgetary support is desirable and ideal, but in reality, challenges remain. First, there is often scepticism by the field-based staff regarding the capacity of partner governments to effectively manage the funds. Second, some partner governments or individual officials prefer to set aside their own donor funds to maintain better control. For example, in Viet Nam, Sweden is reluctant to carry out extensive budgetary support due, not only to the lack of transparency and accountability, but also since the Government of Viet Nam (GOV) earmarks donor funds vertically within sectors instead of integrating them into its national budget. Consequently, aid in Viet Nam is highly project-based and very little pooling of resources is actually realised.

At the same time, Sweden is carrying out limited budgetary support in various sub-sectors or for local administrations. In Tanzania at the national level, it is supporting the Tanzania Revenue Authority (TRA) for its capacity building and the Ministry of Education (MOE) in its textbook development and teachers' training. For certain district administrations, it is supporting water and sanitation through the Health through Sanitation and Water (HESAWA) programme and natural resources management through the Land Management Programme (LAMP). The challenge for Sweden is how to transfer ownership by the country and simultaneously ensure effective accountability of its funds without micro-management.

The example of Viet Nam is illustrative. To assist the GOV in the implementation and the management of funds, Swedish consulting firms are contracted as technical advisers and a national execution modality is partially adopted. The embassy assists in the preparation of the consultants' shortlist, which consists of predominantly Swedish experts, but the GOV takes a leading role in the selection and the contractual agreement processes. After the appointment, the consultants report directly to the GOV with few formal linkages to the embassy. In fact, there is a clear guideline instructing the consultants not to organise meetings with embassy officials without their national counterparts. Consequently, these consultants often identify themselves with the counterpart and are even free to criticise the embassy. As the administrative capacity of the GOV is adequate, Swedish consultants do not control or make decisions on behalf of their counterparts, but instead, contribute by

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co-ordinating and carrying out technical transfers of know-how. Similar modalities have been adopted in Tanzania as well.

There are two noticeable drawbacks to this approach. Firstly, this type of technical assistance tends to be tied to Swedish firms, although there are exceptions. The Government of Tanzania (GOT) states that though Sweden's procurement of goods is untied, it further wants progress in untying technical assistance, as there is lack of transparency in the nomination or short-listing of firms. Swedish consulting firms, however, claim that the system is changing and that there is more competitive bidding with EU firms. Either way, it is conceivable that to untie these types of technical assistance would be difficult for Sweden if it wants the advisors to be in accordance with broad Swedish values and policies and to have undergone Sida training on its development co-operation guidelines and modalities. Non-Swedish firms would have disadvantage in competing in this respect, particularly if they are of developing country origin.

Secondly, technical assistance is expensive and thereby possibly reduces the net transfer of the programme budget to the partner country. Of the USD 7 million programme budget for the Viet Nam-Sweden Co-operation Programme on Land Administration Reform (CPLAR), USD 2.6 million, or 37% of the total budget for five years is disbursed to technical assistance. Sweden states that this is an exception and thus is not a very representative example. In the HESAWA Programme in Tanzania, the consultants estimated that approximately half the programme budget is transferred within Stockholm as technical assistance fees.

These drawbacks are indeed predicaments for Sweden. Nevertheless, by engaging these consultants in an arms-length manner, Sweden is showing willingness to use cutting-edge modalities in delivering high quality technical assistance and in taking risks to implement programmes. It is the result of extensive analysis and discussions on how to ensure the accountability of budgetary support and simultaneously enable partner governments to take over ownership of their programmes. Until a better alternative is proposed by the entire donor community, this could be one of the most reasonable compromises that Sweden could offer to partner countries.

### **Strategies, harmonisation, and coherent efforts for multi-/bilateral partnership**

The need for working towards a common set of goals and giving ownership to a partner country is widely recognised. However, the degree of viability, appropriateness and usefulness of such an approach varies from country to country. Moreover, its implementation is complex and time-consuming. For example, the GOV claims that the CDF of the World Bank is difficult to apply since, first, the government does not consider that it owns the framework, and second, the donors themselves are maintaining diversification. In fact, the GOV thinks all donors' country strategies are "their strategies" and that, while it may review or even countersign them, they remain basically the strategy of the donors. This includes Sweden's strategy, although the GOV acknowledges that Sweden makes more effort in consulting with them than some other donors.

In Tanzania, reaching a common goal in the CDF approach is taking a considerable amount of time. Meanwhile, with encouragement from the donors, the GOT started preparing the TAS (Tanzania Assistance Strategy) to bring all donors to work together with the government. The Strategy was to be based on the GOT's own Vision 2025, Poverty Eradication Strategy and other strategy documents. A group of senior GOV officials was taking the lead in the development by co-ordinating inputs from research institutions, other ministries and donors. Sweden promised at the *Workshop: Making Partnership Work on the Ground* it hosted with the other Nordic countries and the World Bank in August 1999 that its new country strategy to Tanzania will be in line with the TAS and that it will wait

for its development. Sweden also encouraged the GOT to take a stronger leadership role in co-ordinating the donors in strategy development.

However, the IMF and the World Bank subsequently required Tanzania to prepare a Poverty Reduction Strategy Paper (PRSP) for the country to access the enhanced HIPC debt relief facility. Since a tight deadline was prescribed, the need to fulfil this process absorbed most of the GOT energies that might have otherwise gone into the TAS development. As consultants for the Overseas Development Institute (ODI) state (see Chapter 7), “the worry is that the IFI processes will be so overpowering and deadline driven that they will elicit little consultation of the thorough-going sort required, the big issues will be avoided and there will be nominal, instrumentally motivated compliance with many of the conditions. In other words, less will be achieved than might have been achieved by a more relaxed process with less weighty external actors and agendas.”<sup>14</sup> The PRSP also required household surveys to be carried out to obtain poverty data, which stretched the capacity of the GOT even further.

Many locally-represented bilateral donors raised objections to the World Bank and the IMF offices in Dar es Salaam regarding the PRSP timing, asserting that it should not precede the TAS, but should be based on it. The Swedish embassy led the like-minded group in sending letters to DAC Member capitals in the hope of mustering support to allow Tanzania to link the TAS and the PRSP processes. However, this did not materialise because Ministries of Finance (MOFs) of the Member countries who represent the Boards of the IFIs did not concede. On the other hand, the IFIs’ acceptance of a “floating completion point” not tied to specific measures in the PRSP was to some extent a result of the dialogue pursued by the bilateral donors.

Based on this example, the Swedish Ambassador in Dar es Salaam aptly pointed out that “since DAC Members are the largest contributors to the Bretton Woods institutions, their digression is attributable to some degree of incoherence by the DAC Members themselves.” This then implies that “we need to put our own house in order first.” Sweden’s MFA in Stockholm is said to be making an effort to ensure greater coherence with its MOF, but clearly more needs to be done in its partnership efforts and in handing over ownership to recipient countries. A difficulty that Sweden is aware of is its relative small size and representation as an IFI-shareholder, and even smaller voting power in the UN system.

Another area that concerns multi-/bilateral partnership is in harmonising procedures and SWAps. It is well known that Sweden is in the forefront of donors trying to carry out SWAps. In Tanzania, Sweden is particularly vocal in the principles of harmonisation of donor procedures and untied aid. Other like-minded donors present in Tanzania during the field mission, for instance, Ireland, Denmark, the Netherlands, Norway and Switzerland, were also in favour of the idea of putting down flags. In April 2000, four ministers of development co-operation from Germany, the Netherlands, Norway and the UK (the so-called Utstein Partners) visited Tanzania and jointly stated: “We believe that a concerted effort is needed to promote more effective joint working. This should build on existing co-ordinating systems. A more coherent and action oriented agenda is required to reduce transaction costs and increase effectiveness by strengthening joint programming, and harmonising appraisal, procurement, funding arrangements, accounting, auditing, monitoring, and evaluation. This would have clear benefits for all.”<sup>15</sup> Sweden was supportive of the ministers’ call.

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14. David Booth *et al*, *Evaluation of Swedish Tanzanian Development Co-operation: Revised Inception Report*, p. 8, ODI, 7 March 2000.

15. Ministerial Declaration by Germany, the Netherlands, Norway, and the UK on *More Effective Working by Donors*.

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What Sweden and other donors do not seem to sufficiently consider in harmonising procedures is the role of the multilateral institutions such as the World Bank, the regional development banks and UN agencies. What the bilaterals are striving to achieve with one harmonised administration is one reason multilateral institutions were set up to begin with. The question that could then be raised is why is Sweden trying to reinvent the wheel and develop another multi-donor system instead of using the existing multilateral structures more. While pursuing the area of harmonising procedures, Sweden could, at the same time, explore the options of increasing participation in Sectoral Investment Programmes (SIPs) or multi-/bilateral funding and enable the multilaterals to administer the funds under one procurement, accounting, auditing, monitoring, and evaluation system that the board members have already agreed on. In specific priority countries, Sweden could also lead the discussion among the donor community to identify and define the merits and roles of bilateral aid in the multi-/bilateral partnership context.

In Tanzania, Sweden argues that the multilaterals are sometimes putting up their own flags, particularly the UN agencies, and are not always effective in programme implementation or co-operative in donor co-ordination. As the prevailing situation in other countries may be different, and more favourable, the pros and cons of multi-/bilateral partnership merits further discussion in Stockholm. The MFA admits that it has yet to address the issues concerning roles of multilateral institutions in SWAPs, or its own role in SIPs. Furthermore, MOF officials reveal that their representatives in IFIs do not usually like to micro-manage and prefer to leave country operational issues up to the management of these institutions. Sweden nonetheless started recently a system of requiring its embassies in partner countries to report to Stockholm on the performance of multilateral institutions in the field. This commendable practice shows that Sweden is trying to do more in feeding back country-level issues. Sweden is encouraged to continue its leading role in the multilateral forums to promote a more coherent partnership between multi and bilateral donors at the country and international levels.

### **Project management units and civil service salary supplements**

The detrimental effects of donor-sponsored Project Management Units (PMUs) and civil servant salary supplements are well-known. In Viet Nam for example, the fact that the donor community is relatively new and yet there already exists a proliferation of several hundred PMUs is a source of concern. Donors claim that they are left with very little choice but to create PMUs because they can implement their projects better, more efficiently and quicker. In addition, most recipient country governments are not entirely adverse to PMUs, as many officials personally benefit from them. However, the problem generated by PMUs is that a whole new structure with separate administration, budget, accounts and an implementation system is created outside of and usually more powerful than the regular civil service. In effect, the “ownership” tends to be taken over by the PMUs instead of the particular ministry or public institution. The enhanced remuneration, benefits and other incentives provided for PMU staff can lead to inequity, as in some countries, development co-operation has become a business in itself. A senior official in the regular civil service of Viet Nam may be receiving a monthly salary of USD 40 plus some fringe benefits, whereas a UN Project Co-ordinator could be receiving USD 1 200. Such disparities cause major deterioration in morale among those who are left in the civil service. They also create a distorted incentive for officials to seek recruitment by the donors and leave the civil service, thereby generating an internal brain drain phenomenon.

The Report *Changing Aid Relationships in Tanzania* also states that the “existence of parallel implementation and staffing arrangements for projects has seriously undermined Tanzanian ownership, accountability, and capacity” and “the subject of public sector pay reform and capacity-building (and retention) in key governmental positions remains absolutely fundamental to the

sustainability of the Tanzanian development effort and the efficacy of its ownership programmes. Donor policies continue to be at variance with one another, creating confusion, inequity, and inefficiency.”<sup>16</sup>

Like other donors, Sweden has also contributed to the creation of PMUs and salary supplements. In Tanzania, some donors mention that, although the District Based Support for Primary Education Project itself is well-designed, Sweden and other donors are paying excessive salary for the MOE officers or Tanzanian consultants who are in charge of the project and who are supposed to be under the supervision of the Director of Planning. As a consequence, the PMU has become independent and isolated from the rest of the Ministry. Sweden is now, however, making efforts to address the challenges. In the absence of effective and all embracing SWAs that could possibly eliminate PMUs, other measures are taken in the meantime. In Viet Nam, Sweden has voluntarily put a USD 350 cap on the monthly supplementation to seconded government officials, in accordance with the EU’s preliminary guidelines.

In the workshop *Making Partnerships Work on the Ground*, participant donors wondered what the alternatives were if critical tasks were to be implemented in a timely manner. Most donors are constrained by their annual budgetary and accounting systems, disbursement projections and output requirements. Sweden is in an advantageous position because of its multi-year budgetary system that allows it to carry over unspent balances. It can also easily shift from one budgetary line item to another. Although excessive carry-over balances are still undesirable, the flexibility exempts Sweden from being over-concerned with disbursing funds within a fiscal year.

Sweden is also trying to remedy the situation in a more comprehensive way. In Tanzania, Sweden, along with several other donors, is supporting the capacity building of the TRA through training and computerisation of the accounting system. This has enabled the TRA to steadily increase revenues by 150% in three years. Although the project is presumably not intended solely to resolve the issue of civil service salaries, it enables the GOT to increase its resource base to pay for its civil servants, which is the minimum condition of reducing PMUs and top-ups.

With its increased revenues, the GOT has started preparation for a Selective Salary Enhancement Scheme, which is intended to reduce the *ad hoc* topping-up by the donors. The plan is to have each ministry identify key positions, which will be filled on a competitive basis, and then bind the staff to a results-based management system under a contractual arrangement. The pay scale will be enhanced for these positions, and donor contributions to a basket fund will be sought on a five-year diminishing scale. The GOT states that almost all donors are part of the discussion group for this scheme, including Sweden. It is evident that work still needs to be done, including further analysis and better estimation for the sustainability of such a scheme - required resources must tally with projected revenues minus donor contributions for five years and beyond.

To the question of who drove up the salaries of project officials, the UNDP claims that it was the private sector that offered higher wages to grasp the small cadre of skilled Tanzanians, which in turn caused donors to offer more for their project-related local officials. Considering the high ODA/GNP ratio and the relatively small foreign direct investment in Tanzania, this is rather unconvincing. It is more likely that donors themselves have contributed in competing with each other and thereby collectively undermined the civil service. As the report: *Changing Aid Relationships in Tanzania* suggests, donors need to maintain “discipline, in the form of self-denying ordinances against undercover topping up (including subsidised housing)” and “to resist the temptation to return to the

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16 . Helleiner, G. Annex p. 4 and p. 20.

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practices they have formally foresworn.”<sup>17</sup> Sweden, as well as other donors, is encouraged to continue joint-efforts in helping restore the public administration of partner countries.

### **Promotion of human rights and democratic governance**

In Viet Nam, aside from the objective of poverty reduction, the other objective of equivalent hierarchy articulated in Sweden’s country strategy is the promotion of human rights and democratic governance. Based on this, Sweden is supporting the capacity building of the Office of the National Assembly (with respect to parliamentary supervision and information), the Human Rights Research Institute of the Ho Chi Minh Political Academy (human rights legislation and training of parliamentarians and senior officials such as the police, prosecutors and judges), Justice Ministry (legal sector development) and Viet Nam Women’s Union (participatory approaches and information dissemination of economic rights of women). Most of the co-operation is carried out through twinning arrangements with Swedish organisations. As a basis for its country strategy, Sweden commissioned a report entitled *Viet Nam’s Democracy and Human Rights*, which analysed and recommended areas to help Viet Nam strengthen, such as development of the mass media, judicial system, legal assistance, public information strategy, modern business legislation, and economic reform. It also suggested that political dialogue should be carried out not only with central authorities but also at local and rural levels.

The process that took place in conducting the study is somewhat surprising. Sweden states that the consultants contracted to carry out the study were given a detailed terms of reference, which included analysis on areas such as human rights and gender equality. However, in order to acquire visas for the consultants’ entry and to use as an introductory document when making appointments and holding meetings with GOV officials, Sida took out the sensitive areas and made a short version of the terms of reference, leaving only six general areas of the report. This became the “official” terms of reference which did not refer to issues such as gender equality, ethnicity, children, torture, death penalty, and so on. Not even the word “democracy” appears anywhere in the terms of reference. The consultants’ work was, nevertheless, to investigate and write a report in accordance with the full instruction.

This case exemplifies both the predicament that Sweden faced and the compromise that it came up with when the priorities of a partner government did not agree with its own. However, this raises questions regarding Sweden’s approach to transparent relationships and open dialogue with its partner governments in pursuing the area of human rights, democratic governance, and gender equality. It also touches upon the fundamental issue of how Sweden defines as good partnership and promoting ownership of partner countries over their own course of development.

### **Gender equality mainstreaming**

Sweden demonstrates a robust approach in officially integrating gender equality in its country programmes. However, in practice, results are mixed. In Viet Nam, visible and positive illustrations of gender mainstreaming can be seen in the Mountain Rural Development Programme (MRDP), which aims to achieve gender balanced development in the mountainous regions by including gender-awareness and training components. The Viet Nam-Sweden Health Co-operation programme has addressed some gender equality issues by: consulting women on their health priorities and needs; generating and using sex-disaggregated data on illness and reproductive health; and ensuring that some gender-specific needs are reflected in project activities, such as building special delivery rooms

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17. *Ibid.*, p. 21.

and regularising visits by health workers for pregnant women. Indeed, the figures reported by Sweden to the DAC on the gender policy marker for 1998 show that 65% of Sweden's activities in Viet Nam have some degree of gender mainstreaming (and 3% with gender equality as a main goal). This is a high score among the Viet Nam country programmes of all DAC Members, whose average is only around 30%.

In the LAMP of Tanzania, Sweden encourages each district council to appoint a gender focal officer to work on gender issues by e.g. promoting female participation in businesses and village initiatives such as committee formation. Furthermore, 200 Masai legal workers were trained in the programme on gender issues concerning land ownership, police treatment, domestic violence and so on. Sweden is also the only donor financing the Gender Section of the GOT's Public Service Reform Programme. The objective is to help the section mainstream gender issues in the civil service. This is done by, *inter alia*: establishing a gender focal point in each ministry; reviewing and revising personnel policies to include rules on equal opportunity; carrying out gender related surveys; conducting gender training; establishing gender indicators; and developing codes of conduct including a paragraph on sexual harassment. Sweden also assisted the MOE in analysing gender stereotypes in school textbooks.

These mainstreaming efforts by Sweden to pay attention to gender issues are commendable. However, monitoring and reporting on gender equality take place on an *ad hoc* basis for individual activities and are not collated to provide an overall picture, neither in the field nor in Stockholm. There is a lack of systematic approach, with mainstreaming largely depending on individual champions and initiatives. The Swedish aid programme does not have a standardised system that ensures attention to gender equality, despite it being one of the six objectives in its overall development co-operation policy. For example, neither the *Semi-Annual Report: April-September 1999* of the embassy in Hanoi nor Sida's 1999 Annual Report provide information on gender mainstreaming.

Due to the absence of a checks-and-balances system, there are several observable cases where gender mainstreaming has not been carried out. For example, gender related analysis is deficient in the document *Viet Nam Democracy and Human Rights*, which served as a basis of the country strategy for Viet Nam. In the CPLAR, it is not clear as to whether Sweden sufficiently addresses the issue of equal land rights for women, as sex-disaggregated figures on land tenure are not being collected. In Tanzania, although Sweden is supporting teachers' training, it is not monitoring the number or proportion of female teachers in primary education or the ratio of female teachers being trained. In the enterprise/business co-operation activities in Viet Nam, there is no specific criterion for ensuring that women entrepreneurs are included in the activities of funded projects. This is also seen in the PSD promotion in Tanzania where few plans seem to exist on how to incorporate gender equality measures in the activities.

Part of the challenge in mainstreaming could be that, in reality, gender equality is a sensitive issue that may be met with resistance in partner countries. According to the Vietnamese staff in the embassy in Hanoi, women's land rights are a delicate issue in certain provinces, and thus are not openly discussed. In the MRDP, villagers revealed that it is only women who attend gender training and that men are not really interested. In Tanzania, the Swedish technical advisor in the LAMP mentioned that although people are at least talking about gender issues and that things are generally moving in the right direction, there is still a long way to go. The GOT official in the Gender Section stated that although gender equality is now less driven by the donors in the Tanzanian civil service, there was total resistance to the idea at first. The Swedish embassy also mentions that DAC gender guidelines are fairly accepted by the GOT but not in Tanzanian society, which is still considerably male oriented in terms of inheritance rights and other privileges.

People of developing countries, including representatives of partner countries, may argue that gender equality is not a necessary condition for development but that it is more of an outcome of development, demonstrated by the fact that many donor countries themselves did not have gender equality *per se* as their means for poverty reduction when they were at an equivalent developmental stage with today's developing countries. To be a convincing donor partner, Sweden may want to show better analysis on the linkages between gender inequality and poverty in the country analysis. It then could map out and explain to the stakeholders how gender equality actually leads to the overall goal of poverty reduction within the recipients' contexts, which is an end that many partner countries agree to. Rather than pursuing gender equality activities that appear as an end in itself, thereby giving the impression of introducing a supply-driven ideology, stakeholders would benefit from learning how gender equality - or even simply gender targeting - could actually lift them out of the day-to-day poverty, hunger and disease with which they are struggling. Targets and indicators should be agreed on together with the stakeholders, with baseline data to be collected before the intervention. Finally, a systematic monitoring and reporting system, both at the field level as well as in Stockholm, could provide a basis of lessons-learned and help in the process of understanding the inter-relation between gender equality and development for both Sweden as well as its partner countries.

### **Poverty reduction focus and results orientation**

Sweden is a donor making serious efforts to focus on poverty reduction in the field. In Viet Nam, Sweden's active involvement in this area is appreciated by the GOV, which is committed to elevating the living standards of its poor. In particular, Sweden co-financed two Viet Nam Living Standards Surveys with the UNDP in 1993 and 1998 (summarised in the report by the GOV-Donor-NGO Working Group, *Attacking Poverty*) and worked actively with the World Bank, other donors and the GOV in the analyses. The GOV currently seeks and relies on Sweden's advice in the development of its poverty reduction strategy.

In Tanzania, Sweden is actively supporting the TAS and the PRSP, and particularly in mobilising other donors to help the GOT link the two, as stated earlier. Sweden also hosted the DAC's Poverty Network's consultative meeting in Tanzania in March 2000. The HESAWA Programme aims at outputs that have a clear poverty reducing impact by fighting malnutrition and providing rural areas with clean water and proper sanitation facilities. The LAMP also has a direct poverty reduction focus by concentrating on sustainable use of natural resources, targeting the vulnerable groups and distinctly poor districts.

On the other hand, while poverty reduction is the stated overriding goal of Swedish development co-operation, it is not clearly reflected in the country strategies for Viet Nam and Tanzania. For Viet Nam, aside from poverty reduction, it is stated that the promotion of democracy and human rights is an equivalent main objective, as mentioned earlier. For Tanzania, the country strategy does not describe poverty reduction as Sweden's overriding concern, around which all other strategic issues are centred. The priority order of these considerations is not clear, which includes economic growth, intensified democracy, increased gender equality, good public administration, improved social services and poverty reduction.

Poverty focus could be sharpened in actual operations. For example, the Mid-Term Review of the MRDP in Viet Nam states that one of its major shortcomings is the lack of clarity in the objectives and verifiable indicators. The review also assesses that the relevance of the project to the poor in midland areas and the poor and less poor in mountain areas are not high. The HESAWA Programme and the LAMP in Tanzania do not make a distinction between the poor and the not-so-poor when defining its target group. Moreover, large programmes, including infrastructure, balance of payment support,



research co-operation, and Swedish NGO support does not have obvious poverty reduction focus. Therefore, the extent to which they would have an impact on Tanzania depends on the strength of the trickle-down effect, i.e. the GOT policies and the effectiveness with which it manages to implement them.

Another example is the CPLAR (USD 7.2 million for 1997-2001), in which one of the projects required a Swedish consulting firm to assist in cadastral surveying and mapping by using new technology, introducing guidelines for land use planning, organising overseas training, and establishing a modern land registration system. One of the activities include Swedish cartography experts to assist local Vietnamese authorities in taking aerial topographical photographs and using computer technology to convert them into maps and digital data so that the authorities could issue accurate land registration certificates to citizens. While the project's benefits appear quite clear, it is not evident as to how the objective of the project, stated as "by the end of the co-operation, the capacity of the Land Administration Branch in Viet Nam will comprise methods, rules, and procedures that will be able to satisfy the requirements of society" leads to poverty reduction or the overall objective of the programme, which is not stated in the Mid-Term Report. If better land ownership means improved democracy and human rights, it still merits an explanation of how that leads to poverty reduction as opposed to being an end in itself.

Sweden states that poverty is multi-dimensional and that poverty reduction is not simply a matter of improving the economic living standards of the poorest people. The difficulty that this premise may face is how to apply it to the precise poverty reduction goal of the IDGs, which is to halve the number of people living below the poverty line of USD 1 a day by 2015. Despite Sweden's stated commitment to the development partnership strategy, this goal has not yet been operationalised at the country level and is not the guiding principle for monitoring its aid programme, as mentioned in Chapter 1. Nor are the other IDGs targeted for 2015 explicitly referred to in Sweden's country programmes.

There are mainly two challenges in targeting IDGs. First, one donor alone cannot achieve these goals in each partner country and that a concerted effort by all donors who are committed to the IDGs is needed. However, in both Viet Nam and Tanzania, very few donors refer to the development partnership strategy or the IDGs, indicating that they are not the guiding principles for the aid programmes in these countries either. The World Bank stated that Viet Nam's poverty has halved since 1990 and therefore has already met the first goal anyhow. Second, a systematic and quantifiable assessment of impact is indeed challenging at a country programme level. Given the long timeframe and complex cause-effect linkages between aid and changes at the country level, it is practically impossible to attribute changes to a specific donor, as also mentioned in Chapter 5.

Nevertheless, if the international community is to show commitment and political will to meet the targets, further efforts are needed by all donors - not only Sweden - to show how aid programmes are contributing to them. Giving the IDGs a more operational focus by each donor would be a useful step. Sweden is thus encouraged to gear its activities to a more results-oriented programme where possible. The starting point of country analyses and strategies could be more focused on poverty reduction, as defined by the country and stakeholders themselves, with specific and agreed target groups and qualitative or quantitative indicators, which could be monitored and assessed. The appropriate instruments - grants, loans, NGOs, research co-operation, budgetary support, etc. - could devolve from the particular needs and be chosen as the specific means towards poverty reduction rather than as a supply-driven response. In this respect, the country programme should be comprehensive, coherent, and reinforcing each instrument. Especially the specific activities in gender equality and democracy and human rights that Sweden has chosen need to show the stakeholders and others in developing countries how they could clearly link to poverty reduction and a defined outcome. By doing so, it could help Sweden re-evaluate whether some of the activities are in fact the most relevant and

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cost-effective way to achieve the state of democracy and gender equality of these countries. Furthermore, as Sweden has earned respect and trust from the international community by dedicating itself to donor co-ordination and multilateral activism, it is also encouraged to continue leading the discussions among donors in better focusing on obtaining concrete results from the collective efforts in poverty reduction.

### **Country-level evaluations**

Sweden has an ongoing approach to lessons-learned and is continuously reassessing its *modus operandi*. Evaluations, studies and workshops are constantly carried out at the country, regional, headquarters and international levels. Not all of them are necessarily of notable quality or seem to influence operational thinking, but Sweden's ceaseless approach to reflection and self-improvement is impressive. In Viet Nam, for example, Sweden commissioned two evaluations on the flagship Bai Bang Paper Production Project (1969-96, total investment approximately USD 1 billion ODA) by the Christian Michelsen Institute of Norway and the Centre for International Economics of Australia. Other evaluations and studies for Viet Nam include: *Fostering High Growth in a Low Income Country*; *Swedish Programme Aid to Viet Nam*; *Swedish Support to the Power Sector in Viet Nam*; *Viet Nam and the Asian Crisis: Causes, Consequences, and Cures*; and *Viet Nam Results Analysis*. There are also frequent and strict internal and external audits to ensure adequate use of resources by the GOV, NGOs and the embassy.

For Tanzania, Sweden recently commissioned an evaluation of its country programme by ODI. This exercise is the first of its kind for Sweden, and will be followed by a series of others, such as for Mozambique. Its purpose is to examine the relevance and coherence of Sweden's current country strategy for 1997-2001. The evaluation is expected to make concrete recommendations to Sida on how to improve Swedish-Tanzanian development co-operation in the next strategy period. However, it will not make any assessment on impact of the programme nor be concerned with individual country programme components *per se*. The two subsidiary outputs for the evaluation include suggestions on how to concentrate on fewer sectors and projects and on increasing the total value of the country programme in line with the GOT's absorptive capacity, while bringing more activities - PSD, economic policy reform, NGOs and democracy and human rights, which are currently financed by special appropriations - into the country frame.

On relevance and coherence, the evaluation will examine, first, how relevant the Swedish aid programme is to poverty reduction in Tanzania. This will be done mainly by reviewing the country analysis that formed the basis of the strategy to see whether Sweden made adequate analysis of poverty and the causal linkages. It will particularly examine whether Sweden: prioritised which dimensions of poverty to address; identified which were the important causes of poverty; and selected the best mix of measures to address the causes. The Revised Inception Report notes that Sweden may have been paying attention to relevant aspects of poverty for its strategic thinking, such as intra-household distributional issues, social consumption and nonmaterial assets, evidenced by the fact that a significant proportion of researches on these topics are funded by Sweden.

Second, the evaluation will examine how the strategy is relevant to the goals laid down by the Swedish government and whether the objectives are logically related to each other in a coherent way. The Inception Report notes that the strategy does not treat poverty reduction as an overarching objective, as also referred to in this chapter. The report questions whether Sweden used the logical framework approach as a basis for the strategy, particularly in carrying out strategic thinking in close collaboration with partners.

The evaluation will examine operational issues concerning, for example, the criteria that were used in deciding different alternatives of aid financed activities, including whether adequate cost/benefit analysis were made. The alternatives, however, will be compared within the same types of interventions, ranging from “poverty targeting (targeted),” “measures that include poverty reduction (inclusive),” or “measures that create enabling conditions for poverty reduction (enabling).” It will nevertheless ask how Sweden thought through the expected outcomes from particular activities, including whether or not baseline studies were used. The assessments will also be considered against the macro-economics of poverty reduction in Tanzania - whether there was clear evidence of the relationship between economic growth and poverty reduction or the efficacy of the “trickle down” effect.

Third, it will examine how the strategy and the country programme are relevant to the reality of the weak GOT capacity. The Report states that it is questionable whether Sweden had incorporated the insights on this subject into operational thinking to a sufficient degree. It will also examine whether the programme is coherent with GOT priorities - though taking into consideration the fragmented policy making environment - and whether processes are coherent with country ownership according to international partnership principles and guidelines.

Sweden has taken on a rigorous and exhaustive evaluation of one of its major country programmes. The evaluation report is expected to be completed by the third-quarter 2000, and Sida intends to share it as widely as possible. This self-critical and open attitude to improve exemplifies Sweden’s seriousness towards the quality of its country programmes.



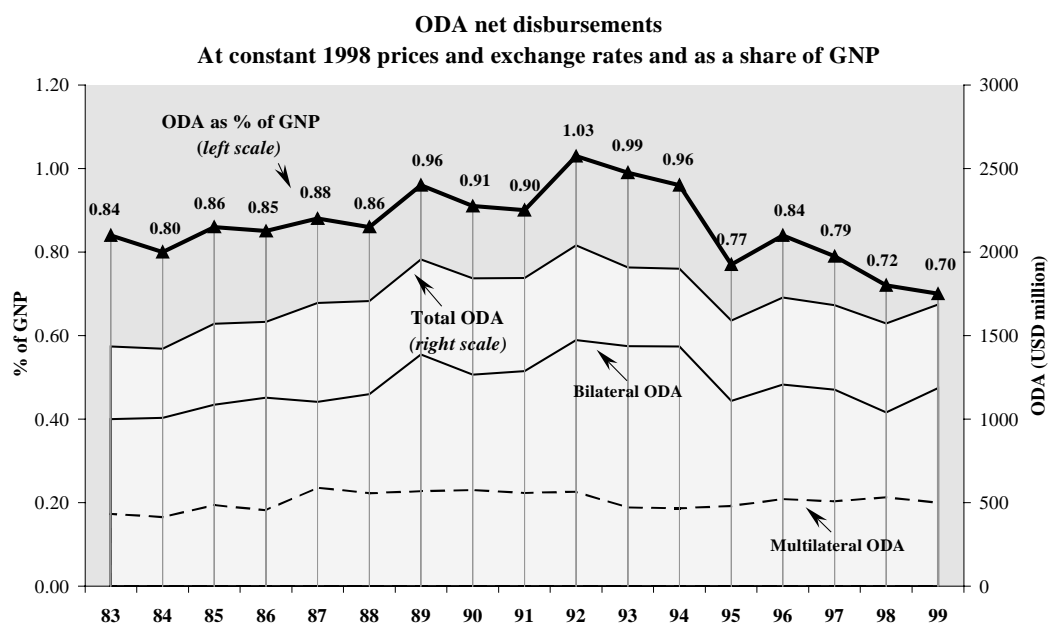
**ANNEX I**  
**STATISTICS OF AID AND OTHER FLOWS**

Table I.1. Total financial flows

USD million at current prices and exchange rates

Sweden	Net disbursements						
	1983-84	1988-89	1995	1996	1997	1998	1999
<b>Total official flows</b>	<b>981</b>	<b>1 666</b>	<b>1 859</b>	<b>2 200</b>	<b>1 893</b>	<b>1 692</b>	<b>1 726</b>
Official development assistance	747	1 666	1 704	1 999	1 731	1 573	1 630
Bilateral	526	1 155	1 189	1 395	1 209	1 041	1 146
Multilateral	222	512	515	604	522	532	484
Official aid	n.a.	n.a.	152	178	148	105	99
Bilateral			98	127	104	105	94
Multilateral			54	51	44	-	6
Other official flows	233	-	4	23	14	15	-3
Bilateral	230	-	4	23	14	15	-3
Multilateral	4	-	-	-	-	-	-
<b>Grants by NGOs</b>	<b>62</b>	<b>126</b>	<b>37</b>	<b>22</b>	<b>27</b>	<b>40</b>	<b>71</b>
<b>Private flows at market terms</b>	<b>242</b>	<b>549</b>	<b>250</b>	<b>- 124</b>	<b>909</b>	<b>2 505</b>	<b>2 407</b>
Bilateral: <i>of which</i>	242	548	251	- 124	909	2 505	2 407
Direct investment	129	121	34	255	906	2 505	1 798
Export credits	113	710	218	- 379	3	0	81
Multilateral	-	1	- 2	-	-	-	-
<b>Total flows</b>	<b>1 285</b>	<b>2 341</b>	<b>2 146</b>	<b>2 098</b>	<b>2 829</b>	<b>4 237</b>	<b>4 204</b>
<i>for reference:</i>							
ODA (at constant 1998 \$ million)	1 429	1 832	1 590	1 729	1 684	1 573	1 686
ODA (as a % of GNP)	0.82	0.91	0.77	0.84	0.79	0.72	0.70
Total flows (as a % of GNP) (a)	1.41	1.28	1.00	0.84	0.96	1.30	1.24

a. To countries eligible for ODA.

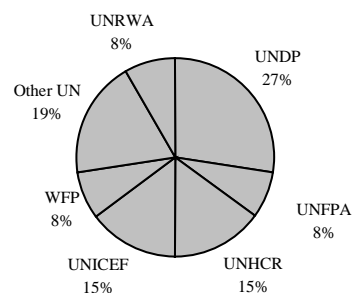
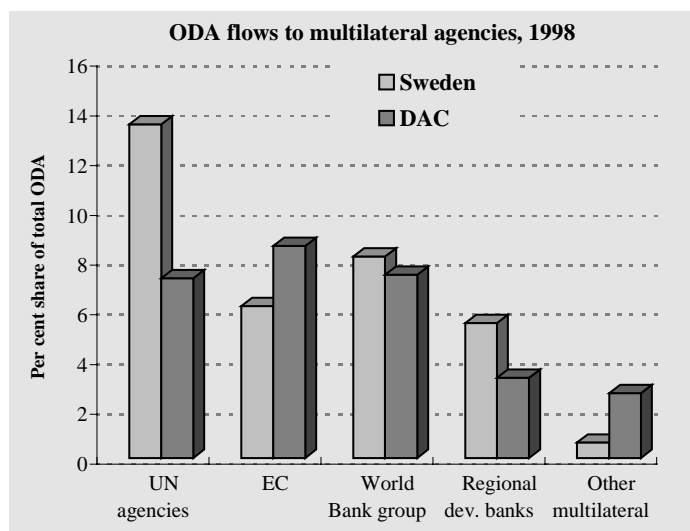
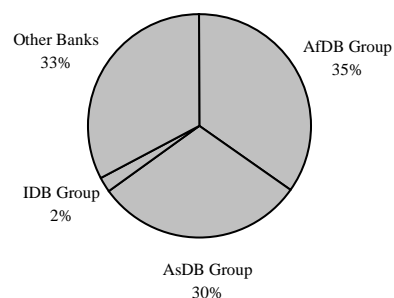


Source: OECD.

Table I.2. ODA by main categories

Sweden	Constant 1998 USD million					Per cent share					Total DAC 1998%
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
	<b>Bilateral</b>	<b>1 110</b>	<b>1 207</b>	<b>1 176</b>	<b>1 049</b>	<b>1 185</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>66</b>	
Project and programme aid											
Grants	377	303	636	562	617	24	18	38	36	37	13
Loans	-	-	-	4	3	-	-	-	0	0	16
Technical co-operation	221	225	45	58	49	14	13	3	4	3	22
Developmental Food aid (a)	-	-	-	-	-	-	-	-	-	-	2
Emergency and Distress relief (a)	252	232	227	212	280	16	13	14	13	17	5
Action relating to debt	45	25	10	8	33	3	1	1	1	2	6
Core support to NGOs	108	248	106	108	105	7	14	6	7	6	2
Administrative costs	75	83	88	83	93	5	5	5	5	6	5
Other grants	32	90	62	15	5	2	5	4	1	0	2
<b>Multilateral</b>	<b>480</b>	<b>522</b>	<b>508</b>	<b>532</b>	<b>500</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>34</b>	<b>30</b>	<b>29</b>
UN agencies	242	231	215	212	229	15	13	13	13	14	7
EC	92	91	90	97	93	6	5	5	6	6	9
World Bank group	111	121	123	128	108	7	7	7	8	6	7
Regional development banks (b)	19	43	58	86	67	1	2	3	5	4	3
Other multilateral	16	37	21	10	3	1	2	1	1	0	3
<b>Total gross ODA</b>	<b>1 590</b>	<b>1 729</b>	<b>1 684</b>	<b>1 581</b>	<b>1 686</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Repayments	-	-	-	- 8	-						
<b>Total net ODA</b>	<b>1 590</b>	<b>1 729</b>	<b>1 684</b>	<b>1 573</b>	<b>1 686</b>						
<i>For reference:</i>											
<i>Aid channelled through NGOs</i>	-	-	-	-	272						
<i>Associated financing (c)</i>	29	86	54	3	-						

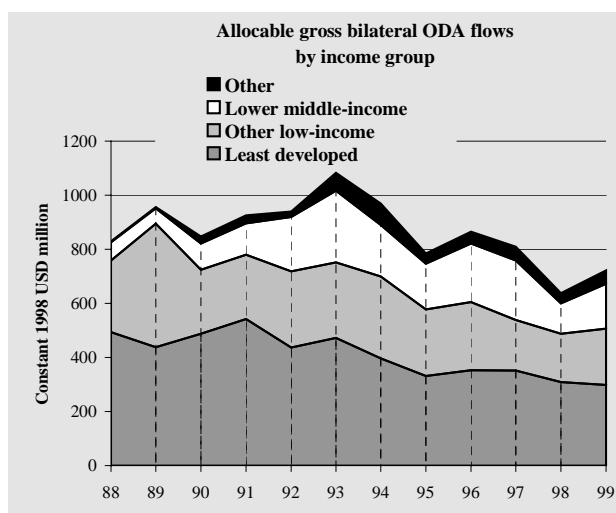
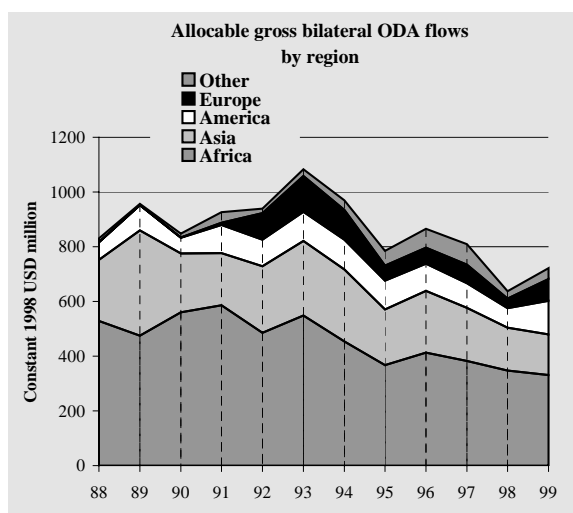
- a. Emergency food aid included with Developmental Food Aid up to end 1995.  
b. Excluding EBRD.  
c. ODA grants and loans in associated financing packages.

UN Agencies  
(1998-99 Average)Regional Development Banks  
(1998-99 Average)

Source: OECD.

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

Sweden	Constant 1998 USD million					Per cent share					Total DAC 1998%
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
	<b>Africa</b>	367	413	381	347	331	47	48	47	54	
Sub-Saharan Africa	356	399	377	343	325	45	46	47	54	45	<b>29</b>
North Africa	12	15	4	5	5	1	2	0	1	1	<b>8</b>
<b>Asia</b>	203	225	195	157	149	26	26	24	25	21	<b>38</b>
South and Central Asia	121	107	90	70	73	15	12	11	11	10	<b>14</b>
Far East	83	118	106	87	77	11	14	13	14	11	<b>23</b>
<b>America</b>	105	99	90	71	123	13	11	11	11	17	<b>13</b>
North and Central America	56	63	48	43	95	7	7	6	7	13	<b>7</b>
South America	49	36	41	28	28	6	4	5	4	4	<b>7</b>
<b>Middle East</b>	53	67	74	27	40	7	8	9	4	5	<b>4</b>
<b>Oceania</b>	0	0	-	0	0	0	0	-	0	0	<b>5</b>
<b>Europe</b>	55	59	69	35	79	7	7	9	6	11	<b>4</b>
<b>Total bilateral allocable</b>	<b>784</b>	<b>865</b>	<b>809</b>	<b>638</b>	<b>721</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Least developed</b>	331	353	352	308	298	42	41	44	48	41	<b>25</b>
<b>Other low-income</b>	246	252	186	179	208	31	29	23	28	29	<b>31</b>
<b>Lower middle-income</b>	170	216	220	112	166	22	25	27	18	23	<b>35</b>
<b>Upper middle-income</b>	38	43	50	38	48	5	5	6	6	7	<b>6</b>
<b>High-income</b>	0	0	-	0	1	0	0	-	0	0	<b>3</b>
<b>More advanced developing countries</b>	0	1	-	-	-	0	0	-	-	-	<b>-</b>
<i>For reference:</i>											
<i>Total bilateral</i>	1 110	1 207	1 176	1 049	1 185	100	100	100	100	100	<b>100</b>
<i>of which: Unallocated</i>	325	342	367	411	464	29	28	31	39	39	<b>23</b>



Source: OECD.



Table I.4. Main Recipients of bilateral ODA

*Gross disbursements, two-year averages*

Sweden	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		
India	130	142	16	India	78	83	8	Tanzania	53	54	8
Tanzania	97	107	12	Mozambique	73	77	8	Mozambique	43	44	6
Mozambique	94	104	12	Tanzania	71	76	7	South Africa	36	37	5
Nicaragua	54	59	7	Sts Ex-Yugoslavia unsp.	59	64	6	Viet Nam	33	34	5
Viet Nam	44	49	5	Ethiopia	39	42	4	Bosnia and Herzegovina	27	28	4
<b>Top 5 recipients</b>	<b>419</b>	<b>460</b>	<b>52</b>	<b>Top 5 recipients</b>	<b>320</b>	<b>342</b>	<b>33</b>	<b>Top 5 recipients</b>	<b>193</b>	<b>196</b>	<b>29</b>
Ethiopia	43	47	5	Zambia	35	37	4	Nicaragua	27	27	4
Zambia	36	40	4	Zimbabwe	35	37	4	Ethiopia	26	26	4
Angola	35	38	4	South Africa	34	36	4	Bangladesh	23	23	3
China	32	35	4	Nicaragua	33	36	3	Palestinian Adm. Areas	21	21	3
Kenya	28	31	3	Viet Nam	33	35	3	Angola	20	20	3
<b>Top 10 recipients</b>	<b>593</b>	<b>652</b>	<b>73</b>	<b>Top 10 recipients</b>	<b>490</b>	<b>522</b>	<b>51</b>	<b>Top 10 recipients</b>	<b>308</b>	<b>314</b>	<b>46</b>
Zimbabwe	22	25	3	China	26	28	3	Zimbabwe	19	20	3
Bangladesh	20	22	2	Bangladesh	26	28	3	Honduras	16	16	2
Botswana	19	21	2	Angola	25	27	3	Uganda	15	15	2
Afghanistan	16	17	2	Bosnia and Herzegovina	25	26	3	India	15	15	2
Laos	16	17	2	Uganda	21	22	2	Guatemala	15	15	2
<b>Top 15 recipients</b>	<b>686</b>	<b>754</b>	<b>85</b>	<b>Top 15 recipients</b>	<b>613</b>	<b>653</b>	<b>64</b>	<b>Top 15 recipients</b>	<b>388</b>	<b>395</b>	<b>58</b>
Uganda	14	15	2	Kenya	18	22	2	Zambia	15	15	2
Sudan	13	14	2	Philippines	17	19	2	Kenya	14	14	2
Guinea-Bissau	13	14	2	Namibia	17	18	2	Sri Lanka	14	14	2
Cape Verde	10	11	1	Laos	15	18	2	Bolivia	13	13	2
Algeria	9	10	1	Bolivia	15	16	2	Yugoslavia, Fed. Rep.	13	13	2
<b>Top 20 recipients</b>	<b>745</b>	<b>819</b>	<b>92</b>	<b>Top 20 recipients</b>	<b>695</b>	<b>746</b>	<b>72</b>	<b>Top 20 recipients</b>	<b>456</b>	<b>464</b>	<b>68</b>
<b>Total (72 recipients)</b>	<b>812</b>	<b>893</b>	<b>100</b>	<b>Total (120 recipients)</b>	<b>965</b>	<b>1 026</b>	<b>100</b>	<b>Total (112 recipients)</b>	<b>668</b>	<b>680</b>	<b>100</b>
Unallocated	346	380		Unallocated	387	410		Unallocated	430	437	
<b>Total bilateral gross</b>	<b>1 158</b>	<b>1 273</b>		<b>Total bilateral gross</b>	<b>1 352</b>	<b>1 436</b>		<b>Total bilateral gross</b>	<b>1 098</b>	<b>1 117</b>	

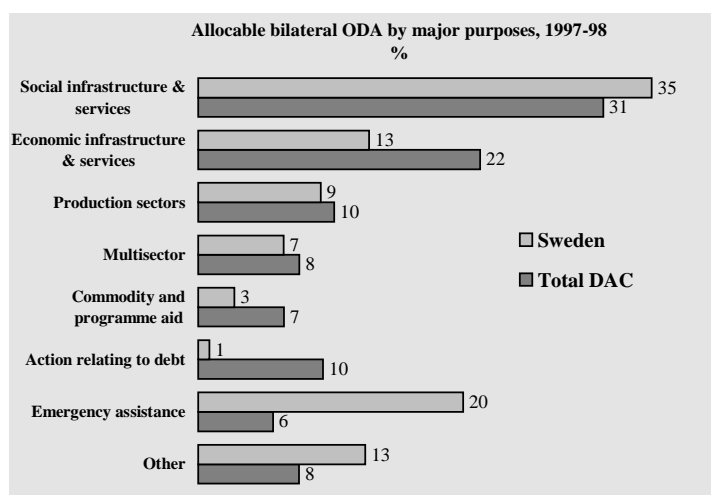
Source: OECD.

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

at current prices and exchange rates

*Gross disbursements, two-year averages*

Sweden	1988-89		1993-94		1997-98		1999		1997-98 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	USD million	Per cent	
<b>Social infrastructure &amp; services</b>	<b>216</b>	<b>21</b>	<b>435</b>	<b>32</b>	<b>381</b>	<b>35</b>	<b>388</b>	<b>35</b>	<b>31</b>
Education	56	5	91	7	86	8	67	6	11
of which: basic education	-	-	25	2	49	4	34	3	1
Health	61	6	115	9	64	6	48	4	4
of which: basic health	-	-	39	3	41	4	13	1	1
Population programmes	0	0	9	1	15	1	31	3	2
Water supply & sanitation	35	3	51	4	20	2	42	4	6
Government & civil society	46	4	81	6	108	10	120	11	4
Other social infrastructure & services	19	2	86	6	88	8	80	7	4
<b>Economic infrastructure &amp; services</b>	<b>184</b>	<b>18</b>	<b>174</b>	<b>13</b>	<b>144</b>	<b>13</b>	<b>103</b>	<b>9</b>	<b>22</b>
Transport & storage	35	3	38	3	27	2	27	2	9
Communications	26	2	43	3	27	2	12	1	1
Energy	115	11	87	7	53	5	29	3	8
Banking & financial services	3	0	0	0	27	2	17	1	1
Business & other services	6	1	6	0	11	1	18	2	2
<b>Production sectors</b>	<b>161</b>	<b>15</b>	<b>174</b>	<b>13</b>	<b>103</b>	<b>9</b>	<b>44</b>	<b>4</b>	<b>10</b>
Agriculture, forestry & fishing	92	9	147	11	87	8	36	3	8
Industry, mining & construction	63	6	25	2	12	1	1	0	2
Trade & tourism	4	0	2	0	4	0	7	1	0
Other	2	0	2	0	0	0	-	-	0
<b>Multisector</b>	<b>20</b>	<b>2</b>	<b>104</b>	<b>8</b>	<b>72</b>	<b>7</b>	<b>72</b>	<b>6</b>	<b>8</b>
<b>Commodity and programme aid</b>	<b>168</b>	<b>16</b>	<b>49</b>	<b>4</b>	<b>30</b>	<b>3</b>	<b>20</b>	<b>2</b>	<b>7</b>
Action relating to debt	-	-	19	1	9	1	32	3	10
Emergency assistance	162	15	307	23	223	20	271	24	6
Administrative costs of donors	48	5	74	6	87	8	90	8	6
Core support to NGOs	89	9	1	0	54	5	102	9	2
<b>Total bilateral allocable</b>	<b>1 047</b>	<b>100</b>	<b>1 338</b>	<b>100</b>	<b>1 103</b>	<b>100</b>	<b>1 123</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>									
<i>Total bilateral</i>	1 177	70	1 351	75	1 129	68	1 146	70	72
<i>  of which: Unallocated</i>	129	8	13	1	25	2	24	1	4
<i>Total multilateral</i>	514	30	442	25	527	32	484	30	28
<b>Total ODA</b>	<b>1 690</b>	<b>100</b>	<b>1 793</b>	<b>100</b>	<b>1 656</b>	<b>100</b>	<b>1 630</b>	<b>100</b>	<b>100</b>



Source: OECD.

Table I.6. Comparative aid performance

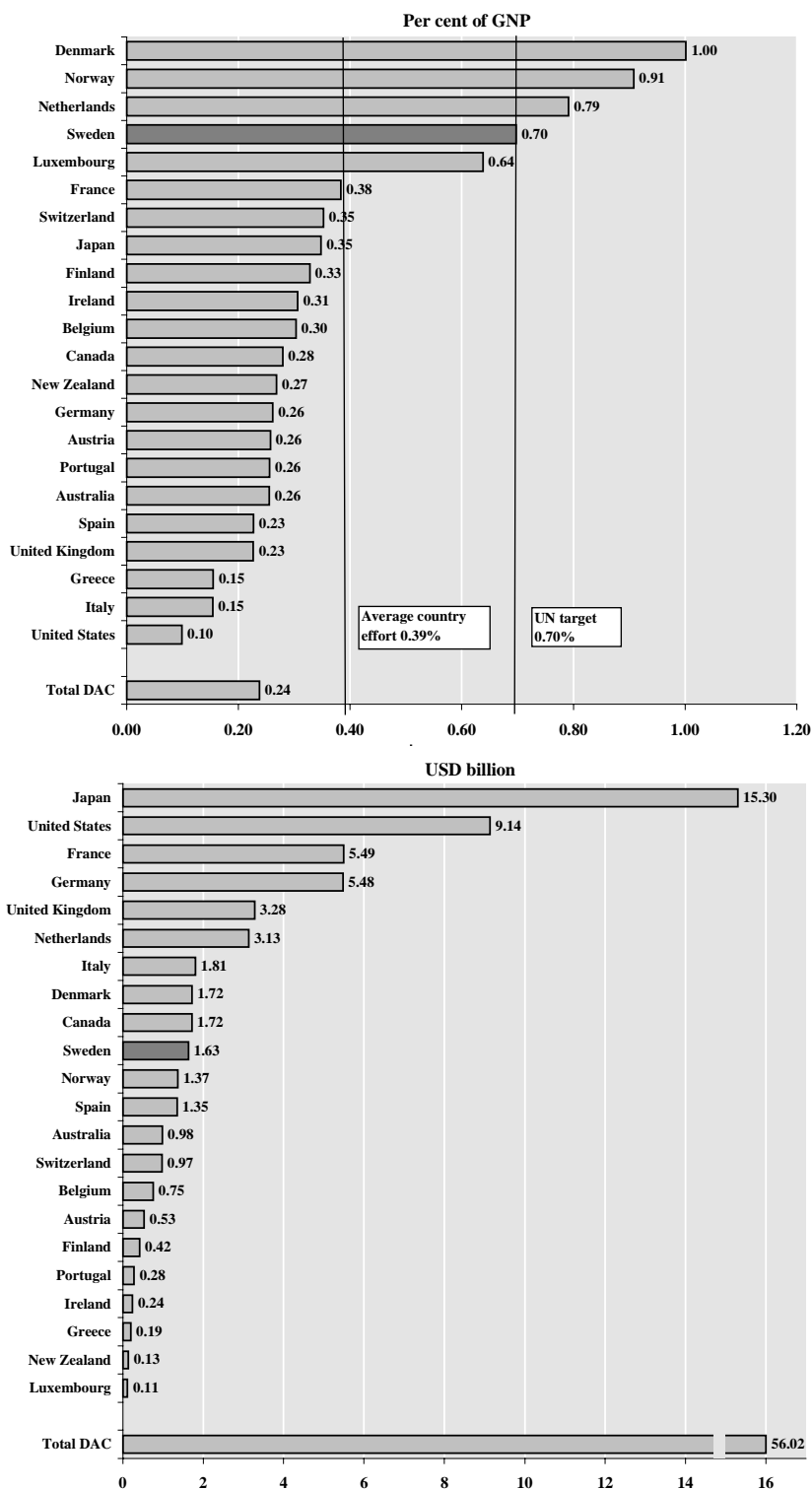
	Official development assistance			Grant element of ODA (commitments) 1998 % (a)	Share of multilateral aid				ODA to LLDCs Bilateral and through multilateral agencies 1998		Official aid	
	1998		92-93 to 97-98 Ave. annual % change in real terms		1998		1998		1998		1998	
	USD million	% of GNP			% of ODA	% of GNP	% of ODA	% of GNP	% of ODA	% of GNP	USD million	% of GNP
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
<b>Sweden</b>	<b>1 573</b>	<b>0.72</b>	<b>-3.8</b>	<b>100.0</b>	<b>33.8</b>	<b>27.7</b>	<b>0.24</b>	<b>0.20</b>	<b>28.4</b>	<b>0.20</b>	<b>105</b>	<b>0.05</b>
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
<b>Total DAC</b>	<b>52 068</b>	<b>0.23</b>	<b>-3.6</b>	<b>93.5</b>	<b>32.4</b>	<b>22.8</b>	<b>0.08</b>	<b>0.05</b>	<b>20.7</b>	<b>0.05</b>	<b>6 040</b>	<b>0.03</b>
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)



(1) Preliminary data.  
Source: OECD.

## ANNEX II

## DAC COUNTRIES' BILATERAL ODA TO BASIC SOCIAL SERVICES 1997-98

two-year average, USD million

	Basic Education	Basic Health	Population Programmes	Water supply & sanitation – small systems	Water supply & sanitation – large systems, poverty marked	TOTAL BSS	TOTAL BSS as a % of total sector allocable ODA
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia	35.1	29.2	9.8	0.9	..	75.1	14%
Austria	1.6	5.7	0.0	6.9	4.1	18.3	8%
Belgium	2.3	25.1	3.7	3.9	..	35.0	12%
Canada (1)	9.2	7.4	16.6	0.5	3.1	36.9	6%
Denmark	10.6	6.6	1.5	13.0	..	31.6	6%
Finland	8.5	1.2	1.1	1.2	..	11.9	7%
France (2)	..	..	..	..	..	..	..
Germany	119.6	109.4	89.3	177.8	..	496.0	14%
Ireland (3)	15.9	12.4	0.0	..	..	28.2	35%
Italy	0.1	9.3	0.4	5.0	..	14.7	7%
Japan (4)	172.3	86.1	7.8	53.8	47.3	367.3	3%
Luxembourg	5.9	9.4	0.0	..	..	15.3	27%
Netherlands	58.3	54.8	25.7	30.1	9.6	178.5	17%
New Zealand	5.6	0.0	0.0	..	..	5.6	9%
Norway	19.1	11.5	10.2	0.0	..	40.8	10%
Portugal	0.6	1.1	0.2	..	..	1.9	5%
Spain	10.5	54.1	3.0	9.5	..	77.2	12%
<b>Sweden</b>	<b>43.1</b>	<b>23.5</b>	<b>30.8</b>	<b>0.3</b>	<b>3.9</b>	<b>101.8</b>	<b>15%</b>
Switzerland	12.1	9.5	1.1	3.8	12.5	39.0	13%
United Kingdom	101.7	79.7	75.2	15.3	5.1	277.1	24%
United States	71.2	94.3	570.3	0.1	..	735.9	20%
<b>TOTAL DAC</b>	<b>703.3</b>	<b>630.4</b>	<b>846.8</b>	<b>322.1</b>	<b>85.7</b>	<b>2588.2</b>	<b>10%</b>

1. **Canada** has stated that pending the introduction of multiple sector coding in CIDA's project management system, data on aid to BSS derived using the sectoral approach will greatly underestimate its efforts. For its internal purposes, Canada monitors "aid to basic human needs" which represents about 30% of Canada's total ODA. This data cannot be sufficiently disaggregated to estimate aid to BSS.
2. The reporting systems of **France** do not enable distinguishing basic from other social services.
3. **Ireland** has not reported aid to BSS in CRS or the DAC but provided separate estimates for this report.
4. Data for **Japan** exclude technical co-operation. **Greece** became a Member of the DAC in 1999.

Source: CRS and DAC data.



## **PRESS RELEASE OF THE DAC PEER REVIEW OF SWEDEN**

Sweden remains a leader among DAC Member countries for the share of its gross national product (GNP) devoted to official development assistance (ODA). Its ODA totalled 1.6 billion United States dollars (USD) in 1999, 0.70% of GNP and the fourth best performance in the DAC. Nonetheless, due mainly to government budget cuts, the ODA/GNP ratio has fallen from a peak of 1.03% in 1992. Sweden's ODA/GNP performance last year was the lowest since 1974. As Sweden's fiscal situation has now turned around and enjoys a budget surplus, the government intends to increase aid allocations and the ODA/GNP ratio is expected to rise to 0.81% in 2003.

The DAC reviewed Sweden's development co-operation policies and programme on 5 October 2000. The DAC Chairman, Mr. Jean-Claude Faure, noting the relevance of discussions for all DAC Members, summarised the main findings and recommendations as follows:

- Sweden's commitment to maintaining a high ODA/GNP ratio, in light of its domestic economic challenges, is encouraging for other DAC Members. Following successful economic reforms, Sweden is commended for its intention to increase ODA to 0.81% of GNP by 2003 and is encouraged to reinstate its long-standing goal of 1% ODA/GNP.
- Since 1962 Sweden's overall goal in development co-operation has been to raise the living standard of the poor. The consistency of Swedish aid with this overriding goal is demonstrated by the focus of its bilateral aid, extended on grant terms, on countries with low levels of per capita income. About half of the bilateral assistance is directed to sub-Saharan Africa.
- Sweden's interest in policy formulation for development co-operation and poverty reduction is well known. It applies lessons-learned and regularly re-assesses its activities by well-developed evaluation functions. Sweden is at the forefront of donors participating in sector-wide approaches and is experimenting with new methods to improve aid effectiveness. DAC Members are interested in Sweden's plan to expand the decentralisation and delegation of authority to field offices as well as its close co-ordination with other donors – for instance, the Swedish and Norwegian aid agencies may represent each other in some African countries.
- Sweden's multilateral efforts are substantial, both as a financial contributor to United Nations agencies, international financial institutions and to international debt relief efforts as well as a proponent for institutional reform. The DAC recognises and encourages the continuation of these efforts.
- Sweden's bilateral co-operation comprises different country groups with a focus on some 20 countries governed by long-term strategies and bilateral co-operation agreements. As a total Sweden has co-operation activities with approximately 100 countries. To minimise the dispersion of resources and the dilution of efforts, Sweden could reinforce the status of long-term partner countries and their appropriate share of bilateral ODA. Guidelines on sustainability, phase-out and exit strategies would also be beneficial.

## Sweden

- One fifth of Sweden's total ODA is channelled via non-governmental organisations (NGOs). Sweden must continue to ensure that these funds are spent in accordance with the overall priorities of the aid programme.
- Sweden's overall poverty reduction goal does not seem to be consistently incorporated into the strategy documents of the Swedish International Development Co-operation Agency (Sida). Sweden could bring out more explicitly the linkages between the six sub-objectives set by parliament and the overarching poverty reduction goal, particularly at the country level, at a time when the international community moves toward a multi-dimensional approach to poverty reduction strategies.
- Though Sweden strongly supports the development partnership strategy, *Shaping the 21<sup>st</sup> Century: The Contribution of Development Co-operation*, the international development goals (IDGs) are not the sole basis of Sweden's programme. Sweden is encouraged to increase focus on the IDGs in its operations, improve results-based reporting and establish an overall monitoring system for cross-cutting issues, in particular gender equality. The DAC welcomed Sweden's interest in the efforts by the international community to define appropriate indicators for the IDGs, which Sweden intends to incorporate in its assessment of results. The DAC noted the need for statistical capacity building in developing countries for effective measurement of results.
- The re-organisation of the Ministry of Foreign Affairs (MFA) and Sida a few years ago increased the scope for Sweden to bring more coherence to its international co-operation. The DAC supports Sweden's efforts to enhance mechanisms and develop staff skills to ensure that policies pertaining to trade, environment, security, agriculture, migration and refugee issues are more coherent with those aimed at reducing poverty. The DAC welcomed Sida's intention to integrate activities in the infrastructure sector and research co-operation more fully into its overall systems, and at the country level.
- Government appointed the *Commission of Inquiry into Swedish Policy for Global Development* to investigate how coherent policies should be formulated to combat poverty in this new era of globalisation. The Commission is expected to submit a report and comprehensive proposals for revising Swedish policy in October 2001. As these issues are of concern to all DAC Members, it will be useful for Sweden to share the results of this exercise.

The Swedish Delegation for the Peer Review was led by Mr. Jan Cedergren, Director-General, International Development Co-operation, Ministry for Foreign Affairs. The Examining countries were the United Kingdom and the United States.



# Switzerland

This part of the publication contains the Main Findings and Recommendations as agreed by the Development Assistance Committee following its review on 17 October 2000 at the OECD, and the report prepared by the Secretariat in association with the examiners, representing France and the Netherlands, on the development co-operation policies and efforts of Switzerland. The report is published on the authority of the Secretary-General of the OECD.

**LIST OF ACRONYMS**

ABB	Asea Brown Boveri
AfDB	African Development Bank
AfDF	African Development Fund
AIF	Agence internationale de la francophonie
ASC*	Swiss Disaster Relief Unit
AsDB	Asian Development Bank
Buco	Co-ordination office
CGIAR	Consultative Group for International Agricultural Research
CIS	Commonwealth of Independent States
DAC	Development Assistance Committee
DCD	Development Co-operation Directorate
DEA	Federal Department of Economic Affairs
DFA	Federal Department of Foreign Affairs
EBRD	European Bank for Reconstruction and Development
ERG	Export risk guarantee
FATF	Financial Action Task Force
FOFEA	Federal Office for Foreign Economic Affairs
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
IFC	International Finance Corporation
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

## *Switzerland*

LICs	Low-income countries
LLDCs	Least developed countries
NGO	Non-governmental organisation
ODA	Official Development Assistance
ODR	Federal Office for Refugees
PSE	Producer Support Estimate
PSER	Planning-Monitoring-(Self) Evaluation-Completion
SAEFL*	Swiss Agency for Environment, Forests and Landscape
SDC	Swiss Agency for Development Co-operation
SDFC	Swiss Development Finance Corporation
Seco	State Secretariat for Economic Affairs
SOFI	Swiss Organisation for Facilitating Investments
UNCDF	United Nations Capital Development Fund
UNCED	United Nations Conference on Environment and Development
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
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 (CHF/USD)**

<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
1.1823	1.2361	1.4500	1.4497	1.5027

### **Signs used:**

CHF	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

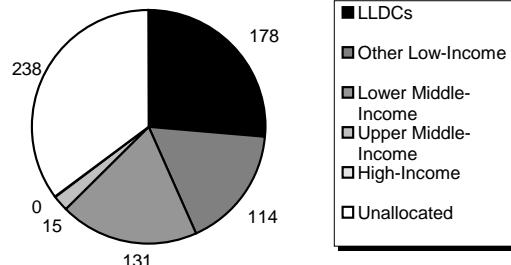
SWITZERLAND

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

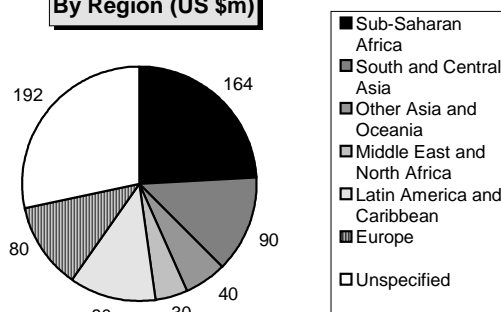
Net ODA	1998	1999	Change 1998/99
Current (US \$m)	898	969	8.0%
Constant (1998 US \$m)	898	997	11.1%
In Swiss Francs (million)	1 301	1 456	11.9%
ODA/GNP	0.32%	0.35%	
Bilateral share	70%	74%	
<b>Net Official Aid (OA)</b>			
Current (US \$m)	76	70	-8.8%

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

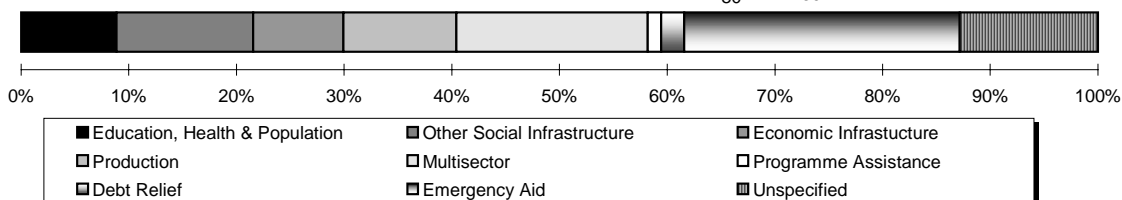
By Income Group (US \$m)



By Region (US \$m)



By Sector



Source: OECD



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## **MAIN FINDINGS AND RECOMMENDATIONS OF THE DEVELOPMENT ASSISTANCE COMMITTEE (DAC)**

### **ODA volume**

In percentage of Gross National Product (GNP), Swiss Official Development Assistance (ODA) was slightly up in 1999 - 0.35%, compared with 0.32% in 1998, due to an increase in humanitarian aid as a result of the Kosovo crisis. 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 in the near future (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**

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*

The hallmark of Swiss ODA is that it is targeted at the poorest countries. Ten of the seventeen priority countries of the South are in the least developed country (LLDCs) category, six are low-income countries (LICs) and only one, Peru, is a middle-income country (MIC). 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%).

## *Switzerland*

### *Debt reduction policy*

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 USD 38 million to the enhanced HIPC Initiative.

### *Humanitarian aid*

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 1 500 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*

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*

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.

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 CHF 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*

Significant amounts (over CHF 7 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, NGOs and teachers' associations. Information is also provided through the media and publications like *Un seul monde*, published by the Swiss Agency for Development and Co-operation (SDC).

## Main challenges

### *The two-pillar system: the SDC and the seco*

Swiss aid is managed by two separate agencies - the SDC, which is part of the Federal Department of Foreign Affairs (DFA), and the State Secretariat for Economic Affairs (seco), which belongs to the Federal Department of Economic Affairs (DEA). They manage respectively 75% and 13% of Swiss bilateral 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 operational strategy. Each one has its own objectives, instruments and means. The SDC has its own *Guiding Principles* and in June 2000 drew up *Strategy 2010*. The difference in the instruments employed by the two agencies can explain why the seco's contribution to poverty alleviation is only indirect. It does however promote development concerns in the DEA. 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*

Notwithstanding the SDC's stated policy of concentrating aid, in 1998 the 17 priority 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.*

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.

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 1998-99, 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

## *Switzerland*

allocable total ODA. By way of comparison, the corresponding percentages for the DAC were 10% and 11%.

### *Development of the sectoral approach*

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*

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 itself, in most cases by direct agreement. 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 CHF 50 000 be put to out to tender. The principle of competitive bidding still has to be applied more systematically however.

### *Support for the private sector*

Support to the private sector now takes the form of partnerships with private investors. The seco has stakes in 20 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 CHF 55 million. It is to be wondered, however, why the seco has only a minority stake in the capital and a minority position on the Board, and does not participate in operational management, which is handled by consultants, but will have to cover a large portion of the deficits which are inevitable during the first years of operation. The seco and the management company have agreed investment policy criteria but the fact the seco sits only on the Board of Management does not guarantee that management decisions will always be guided primarily by development considerations.

### *The independence of the evaluation system*

In 1996, the SDC abolished the old evaluation service. In the project cycle management system the evaluation function was split into a strategic control unit attached to the management, and four operational control units in the operational divisions. The latter 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.

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 infrequent. The network of consultants is limited, which also raises the question of their independence. Evaluation of horizontal or sectoral strategies and policies should also be developed. Lastly, local partner involvement could be improved.

### ***Staff renewal***

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 DFA, 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**

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 1995-98 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.

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, which can lead to the content of some programmes being 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 NGOs can voice its concerns.

However, there are still problems in other areas such as export risk guarantees. Guarantees have been provided for projects whose social and environmental impact is questionable. 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.

## *Switzerland*

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 Members with the most coherent approach to development assistance, its aim being to eliminate the most flagrant inconsistencies. For this purpose, it has procedures for highlighting and resolving them while ensuring that the objectives of development policy are taken into account as far as possible.

### **Recommendations**

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, without losing sight of the United Nations target of 0.70%.
- Increase the concentration of aid, by reviewing the list and number of priority countries more regularly.
- 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.
- Take account of international development goals (IDG) and participate in the efforts of the international community to define progress indicators.
- Ensure a more systematic gender mainstreaming in the aid system.
- Continue to examine the possibility of making more use of a sector-wide approach in 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 executing agencies be selected by tender.
- Overhaul the aid evaluation system so as to make it independent and to improve feedback from evaluations.
- Address the difficulties encountered with staffing, and especially the need for more stability in the seco's staff.
- Strengthen the role of the consultative commission for international development and co-operation.
- Continue to seek more coherence between co-operation policy and other policies that can have a negative impact on developing countries.

## CHAPTER 1

### FOUNDATIONS OF SWISS DEVELOPMENT ASSISTANCE POLICY

#### Policy framework

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).

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 DAC Member, financial assistance in the form of associated financing has decreased and balance-of-payments assistance has been progressively replaced by budget support.

- **Co-operation with East European countries and the CIS (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 CIS.

**Table 1. List of main framework credits currently in force**

<b>Type</b>	<b>Date of approval</b>	<b>Amount (in CHF million)</b>	<b>Minimum duration</b>
Technical and financial co-operation with developing countries	7.12.1998	4000	4 years (1999-2002)
Co-operation with East European countries and the 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.

## **Basic objectives and strategic thrusts**

### ***A two-pillar system***

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 SDC in the DFA and the seco of the DEA. 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.

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 CIS countries.

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, multilateral co-operation and co-operation with the East European countries) should provide more coherence between their strategies. The SDC has its own "Guiding Principles" and since in June 2000 produced its *Strategy 2010*, which seeks to make implementation more effective by evaluating needs in skills, resource allocation and sectoral policies. 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.

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.

### ***Poverty alleviation***

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.

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 DAC in its strategy published in May 1996 as "*Shaping the 21<sup>st</sup> Century: the Contribution of Development Co-operation*". 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 *Strategy 2010*, 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 the DAC Strategy.

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* (see Box 1), which was approved in 1999, 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.

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. The seco is concerned by the objective of poverty alleviation but can only contribute indirectly, 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 empowered to take 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.

### Selectivity

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.

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 CHF 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.

Over the period 1995-98, the number of priority countries to which the SDC was providing ODA, was reduced from 20 to 17 (see Table 2), 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.

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

## *Switzerland*

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 FDFA 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.

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.

### *Political conditionality*

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 NGOs.

Even before the Federal Council's decision the principle of conditionality was 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.

### **Involvement of civil society**

Switzerland's aid programme receives strong backing from the population, reflected in the fact that a large majority of parliamentarians have endorsed to 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.

### ***Parliament***

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 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.

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 CHF 4 billion for 1999-2002. An increase of CHF 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 the National Council tabled a motion 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 CHF 80 million, was approved by the deputies but accepted by the upper chamber only as a "postulat" (request), which is less constraining for the government than a motion.

### *Consultative Commission*

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.

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.

### *Swiss NGOs*

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.

The five largest NGOs<sup>1</sup> 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.

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 - CHF 13 per inhabitant (compared with CHF 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.

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

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

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 (nearly CHF 7 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 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.

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 (see Box 2).

#### **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.

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

#### ODA volume

As regards the volume of ODA, Switzerland has never signed up to the 0.7% of GNP target set by the United Nations. But since 1991 the Federal Council has set the policy objective of gradually raising 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 2020. However, a parliamentary "postulat" has been tabled requesting the government to look into ways of achieving the target by 2011, which would require ODA to grow by CHF 80 million a year.

In 1999, Switzerland's ODA totalled USD 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 CHF 100 million was released for humanitarian aid during the Kosovo conflict. From 1998, Switzerland started to include in ODA a share of its assistance provided to refugees to help them return to their country as well as a share of its assistance to legally recognised refugees during their first year of residence in Switzerland; in 1999 this totalled CHF 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 CHF 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 CHF 1.5 billion, and had caught up with and even outstripped the aid budget.

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 (see Graph I-1), 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.

## **Bilateral aid and the principles of resource allocation**

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 priority countries.

### ***Geographical breakdown***

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 East European countries. 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.

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. However, only 47% of allocable bilateral aid went to the priority countries in 1998. When the special programmes (South Africa, Madagascar, Palestine and Rwanda) 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, 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 USD 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.

The list of countries benefiting from the SDC's programmes is also lengthened by the difficulty it seems to have pulling out of former priority countries. For example, projects involving considerable

amounts are still under way in countries like Cape Verde (CHF 5.7 million disbursed in 1999) or Indonesia (CHF 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 (CHF 2.1 million in 1999), North Korea (CHF 2.4 million), the Philippines (CHF 2.5 million), Colombia (CHF 2.2 million), Haiti (CHF 2.0 million), Cameroon (CHF 3.4 million) and Senegal (CHF 4.3 million).

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.

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 USD 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.

### ***Breakdown by level of income***

Although there is a certain amount of geographical dispersal of resources, the situation is much more 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 LLDC category, six are LICs and only one, Peru, is a MIC. 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.

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 additional aid given to the Balkans. In absolute terms, ODA to LLDCs was virtually unchanged. In contrast, aid to LICs rose by USD 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 USD 64 million (due to the aid given to Kosovo), thereby raising the share of such aid in total ODA from 25% to 34%.

### ***Basic social sectors***

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

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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.

### **Multilateral aid**

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.

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 CHF 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 12<sup>th</sup> 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.

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.

Switzerland's main partners are:

- Multilateral financial institutions: the World Bank, the IMF, the three main regional development banks [African Development Bank (AfDB), Asian Development Bank (AsDB), Inter-American Development Bank (IDB)], the European Bank for Reconstruction and Development (EBRD) and the International Fund for Agricultural Development (IFAD).

- The United Nations System: the 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 \$

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

*Source:* SDC.

### **Non-governmental organisations**

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 CHF 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.

For their part, the NGOs collect substantial - and growing - amounts of money from the public every year. In 1998, they collected CHF 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)**

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

*Source:* SDC.

### **Humanitarian aid**

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 USD 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 USD 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).

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**

	<b>1998</b>		<b>1999</b>	
	<b>In CHF million</b>	<b>%</b>	<b>In CHF million de</b>	<b>%</b>
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
<b>Total</b>	<b>224.1</b>	<b>100</b>	<b>304.8</b>	<b>100</b>

*Source:* SDC.

About a quarter of Swiss humanitarian aid (some CHF 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

#### **Cross-cutting issues**

##### *Good governance*

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.

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.

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 by organising an international conference on statistics (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. World Conference on Statistics, Development and Human Rights  
Montreux - 4-8 September 2000**

Arranged jointly by the Federal Statistical Office and the 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 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 DAC.

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.

### ***Gender equality***

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.

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 Department 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 has been set up to allow experiences to be exchanged and knowledge to be transferred.

### ***The environment and natural resource management***

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 the search for and maintenance of 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.

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.

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

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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.

### **Financial policies**

#### *Swiss debt reduction policies*

##### *Principles*

Switzerland has played a leading role in debt reduction since the start of the 1990s. At the time of the 700<sup>th</sup> 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 CHF 400 million to finance a debt reduction scheme for poor developing countries. CHF 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.

This concern is embodied in the eligibility criteria, since the beneficiaries are heavily indebted low-income countries that have rescheduled their Paris Club debt, priority countries that have also rescheduled their Paris Club debt, and all the other LLDCs that are in neither category. About 60 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.

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 Trust Fund set up in 1996 by the World Bank as part of the HIPC Initiative. 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.

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.

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*

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 CHF 71 million; this buy-back was on the non-guaranteed portion of export credits totalling CHF 350 million, so the average discount was 80%. When the guaranteed part is taken into account, total claims amounted to CHF 1.3 billion. Agreements were signed with 19 of these countries, which made it possible to convert CHF 1.1 billion of claims. Counterpart funds were created in 12 of these countries; at end-1998 they totalled CHF 267 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 USD 100 000.

Regarding the buy-back of commercial bank debt, bilateral operations involved only small amounts - CHF 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 CHF 23 million on Ecuador, which were bought back from an international commercial bank at a cost of CHF 8 million. Internationally co-ordinated debt reduction operations involved more significant amounts - disbursement of CHF 77 million to the Debt Reduction Fund of the IDA, making Switzerland the largest bilateral contributor to this fund. To date, twelve countries have benefited from Switzerland's contributions.

As for multilateral debt, Switzerland disbursed CHF 97 million to clear the arrears of seven countries owed to the IMF, the World Bank, the AsDB and the IDB. The amount of CHF 56 million was also paid out to service the debt of four countries to multilateral institutions. Lastly, Switzerland committed CHF 40 million to the HIPC Initiative 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.

Supplementary debt relief measures included: balance-of-payments support totalling CHF 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 CHF 2.5 million; a programme to promote analytical capacity and debt reduction strategy in HIPCs, which was initiated by Switzerland and to which it contributed CHF 2 million.

All told, debt reduction measures between 1991 and end-1998 totalled CHF 389 million, or CHF 49 million or about USD 34 million a year, which is not very substantial in absolute terms. In

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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 local NGOs and the private sector, in the various stages of the conversion process was smaller than initially planned.

### *Untying of aid and associated financing*

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 Neuchatel and the University Institute of Development Studies (IUED) 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.

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 CHF 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.

### **Support for the private sector**

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 CHF 1 million). Secondly, in 1997 the seco created the 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 study fund was recently delegated to the SOFI with a view to strengthening its role as a one-stop shop.

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 a Swiss development finance corporation to provide equity and borrowed capital and guarantees for private projects.

This company was finally set up in March 1999 under the name of *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 CHF 100 million has not yet been attained and for the moment the capital stands at CHF 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. It is planned that the seco could guarantee the SDFC's private shareholders against political risks, up to 75% of their investment.

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 CHF 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 one of the 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 CHF 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.

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).

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. And it might be timely, despite the reluctance of the private shareholders, to transfer to the SDFC the 20 stakes in funds currently managed directly by the seco with scant resources. 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.

## **Humanitarian aid**

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 to 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) promote these principles to humanitarian aid operations by other actors.

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.

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.

The most distinctive feature of the Swiss system is the Swiss Disaster Relief Unit (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. The 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

#### *North-South Guidelines*

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.

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

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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.

### **The SDC’s 1995-98 action plan**

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 1995-98. 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.

A recent study by the IUED found that, all told, 62% of the planned measures had been implemented in full, and 20% partially. According to an 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.

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 CHF 230 million, compared with 1% 20 years earlier. Most of them are to industrialised countries, with developing countries accounting for only 20 to 30% (CHF 51.4 million in 1998). These exports are controlled by the Military Material 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.

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 of State 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 it carried out nuclear tests in 1998.

The action plan apart, political conditionality, the aim of which is to ensure that aid recipients respect human rights, has acquired a new dimension and the content of some programmes may be revised, since all the Confederation’s relations with a country 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.

## Areas in which inconsistencies persist

### *Export risk guarantees*

Export risk guarantees (ERG) 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.” These principles are good but difficult to apply: recent experience shows that the economic situation of the LLDCs is such that it does not allow export guarantees to be provided.

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 CHF 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 CHF 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 CHF 160 million for the Three Gorges project, since it merely implemented the first decision.

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.

### *Capital flight*

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

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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 SDC 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.

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. However, the Federal Banking Commission has stipulated that financial intermediaries must inform the appropriate authorities of suspicious transactions even if no business relationship has been entered into.

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. The amount of USD 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.

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). 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. However, Switzerland is a major financial centre in which bank secrecy is a significant factor of competitiveness. It is likely to attract capital of questionable origin from developing countries. It therefore has to exercise constant vigilance to make sure that its financial services are not misused.

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

### *Policy towards refugees*

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.

### *Trade with developing countries*

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 LLDCs. Bilateral trade with the LLDCs has declined during the last decade to only 0.1% of total trade in 1998. Total imports from the LLDCs were valued at USD 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 (see Tables II-1, 2, 3).

### *General System of Preferences*

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).

Pursuant to the decision on measures in favour of the LLDCs 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

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industrial products with the exception of textiles and clothing, for which 50% tariff reductions were established.

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 DAC. 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.

Currently, almost 90% of the imports from LLDCs 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.

### *Swiss Agricultural Policy*

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 estimates<sup>2</sup> (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".

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 CHF 6.5 billion in 1986-88 to CHF 4.7 billion and CHF 4.5 billion in 1998 and 1999 respectively; direct support rose from CHF 1.4 billion in 1986-88 to CHF 2.6 billion in 1998 and CHF 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 - CHF 423 million in 1998 and CHF 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.

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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.

### **Conclusions concerning the coherence of Swiss development assistance policy**

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 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

#### Organisation of the aid system

##### *Division of labour between the main players*

In Switzerland two federal agencies have responsibility for the design and implementation of development assistance: the SDC in the DFA, and the seco in the DEA. The seco took over on 1 July 1999 from the 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 operational strategy set out formally in a specific document. Each agency sets out its own in documents such as the SDC's *Strategy 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.

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: associated financing, 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.

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 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.

### ***Internal organisation of the SDC and the seco***

Since the last DAC review, the SDC has made some adjustments to the way in which it is organised, but only as regards the sectoral services. Apart from the central and support services reporting directly to the Director (see Chart 1), there are now five main divisions. One is functional and operational: the Development Policy and Multilateral Co-operation Division. Three other divisions are operational. There are two geographical divisions: the Bilateral Development Co-operation Division, covering developing countries in the South, 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, 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.

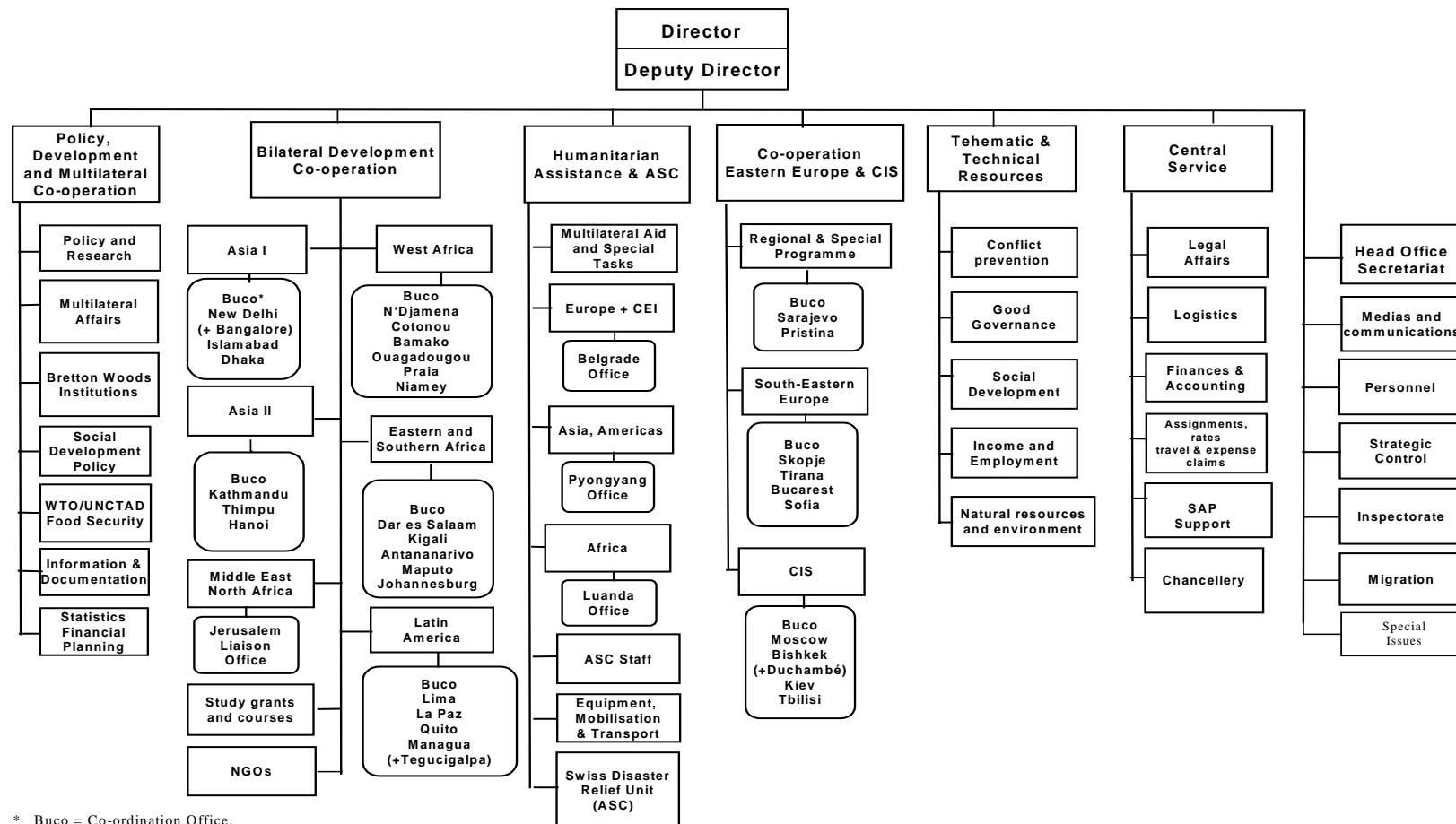
The sectoral services have recently been reorganised to form a fifth division "Thematic and Technical Resources". They had been conventionally structured with sections dealing with economic affairs, agriculture, human resources (education and health care), industry and vocational training, the environment, and water and infrastructure. Since 10 October 2000 they have been 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 two 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.

Only part of the seco (see Chart 2), 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 developing countries in the South, 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.

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

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.

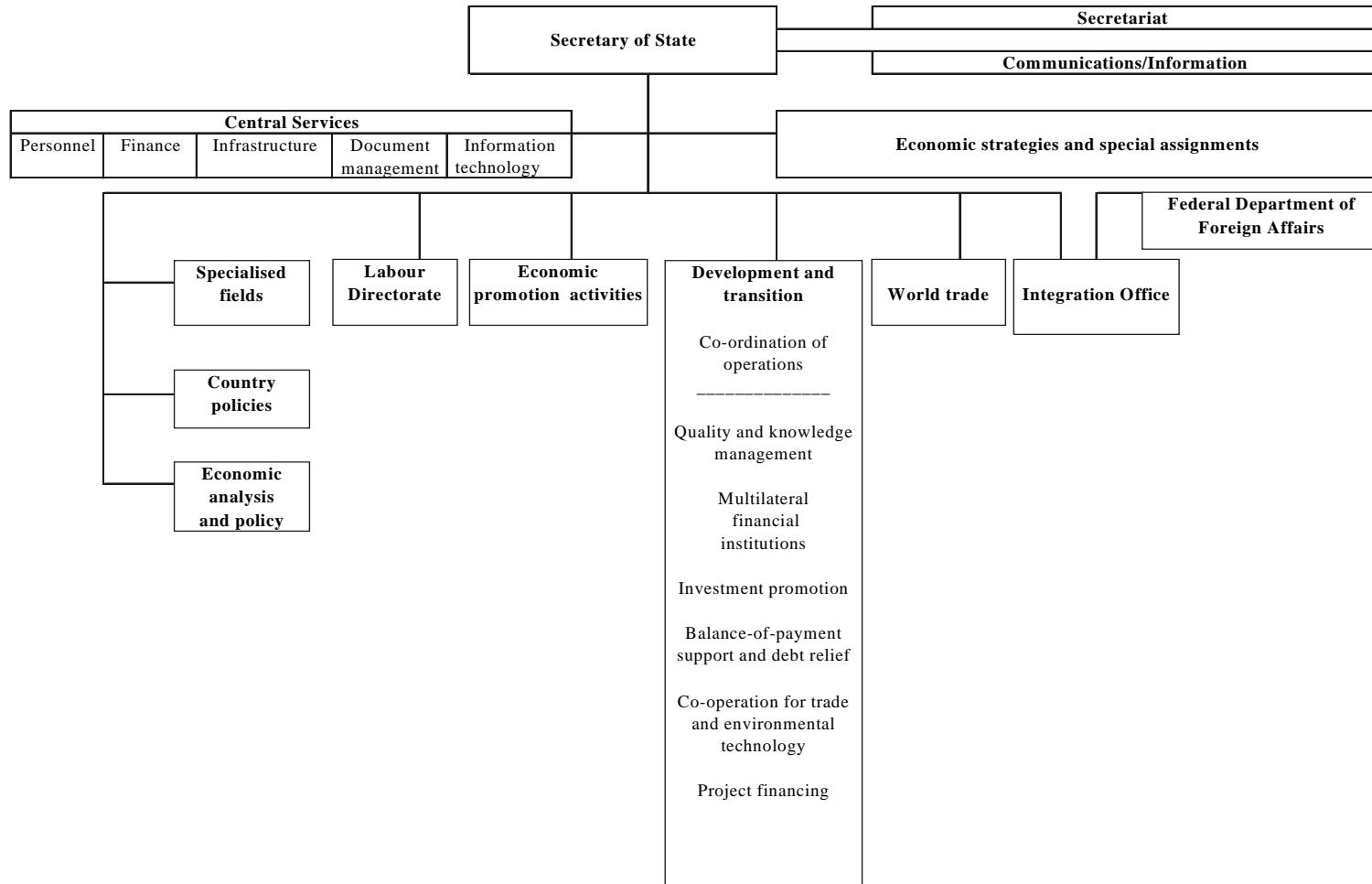
Chart 1. Swiss Agency for Development and Co-operation (SDC)



\* Buco = Co-ordination Office.

Source: SDC.

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



Source: Seco.

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 conduct policy dialogue with partners. The co-ordinators are also responsible for the management of local staff. SDC headquarters concentrate 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.

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.

### **Staff: level, qualifications and assignment**

#### *SDC staff: numbers and structure*

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

**Table 6. Swiss co-operation staff (SDC)**

	<b>31 Dec. 1997</b>	<b>31 Dec. 1998</b>	<b>31 Dec. 1999</b>
<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.

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expatriate staff of the BuCos has been marked. But this also reflects changing circumstances - the number of BuCos 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.

The number of national programme officers in the BuCos has risen in recent years. Some BuCos 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 BuCos. 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.)

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.

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.

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.

### ***Seco staff***

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. The system has already produced some positive results but it is too soon to judge the longer-term effects.

### ***BuCo staff***

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.

### **Management procedures**

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 executing 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.

### ***Setting aims***

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.

### ***Budgeting***

The recent Message on continuing technical co-operation and financial assistance set out the financial implications of the aims described, proposing an appropriation of CHF 4 000 million (approximately USD 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.



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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.

### *Decisions on the allocation of funding*

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 CHF 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.

It is also noteworthy that the Federal Department of Finance 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.

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.

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 CHF 1 million, the decision lies with the SDC deputy directors and the head of operations (seco). Between CHF 1 and 5 million, the decision lies with the Directors of the agencies. Between CHF 5 and 20 million, decisions are taken by two Federal Councillors who are responsible, and over and above CHF 20 million the Federal Council must approve funding proposals. The SDC has delegated decisions for projects up to CHF 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 CHF 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.

### ***Treatment of particular objectives***

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 Swiss Agency for the Environment, Forests and Landscape (SAEFL). The SDC and the seco work in close conjunction, but SAEFL's skills are perhaps not sufficiently employed. In order to boost sectoral and policy co-operation with the SAEFL, in 1998 the SDC signed, at director level, a memorandum of collaboration. The SDC's bilateral programme supplements the multilateral operations of SAEFL (contributions to the GEF 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.

With regard to gender equality, SDC policy seeks, as mentioned above, to build these issues 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.

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.

### ***Monitoring and evaluation of aid***

#### *Evaluation in the SDC*

##### Organisation and performance of evaluation

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.

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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.

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*

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.

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.

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*

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.

### *Evaluation in the seco*

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

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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.

### **Outcome and performance**

#### *Analysis of activities*

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.

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.

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.

#### *Reports on aid monitoring*

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.

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.

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.

### ***The cross-cutting study on poverty***

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 empowerment (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.

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.

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 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.

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

#### **Country strategies and the programming of assistance**

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.

#### *The country strategies*

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 executing agencies. 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.

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.

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.



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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.

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 road 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.

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.

### *The annual programmes*

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.

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 DFA, 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.

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 Members, 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.

## **Relations with partners in the field**

### ***Relations with local partners***

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.

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 1991 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.

### ***Relations with other donors***

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

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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.

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.

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 roads 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.

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.

### **Development of the sector-wide approach**

#### *The basic element: sectoral concentration*

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.

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.

### *The situation in the field*

The field visits 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.

### *The development of sectoral programmes*

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 executing 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.

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.

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 roads, and the SDC is the lead agency there.

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,

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without specific areas being pinpointed for individual donors. Although this is the very outset of what is likely to be a lengthy process, it is a satisfactory development to see Swiss aid embarking on this course, and in some cases taking the lead in promoting this approach, as it is doing in Tanzania.

### **Methods of project execution**

#### *Limited role of partner institutions in managing aid*

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 executing agencies. 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.

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 CHF 59 million. When NGOs are used as the executing agencies 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 CHF 75 million in 1998). The most frequent course is to make use of executing agencies or specialist consultants. Conversely, aid recipients control the projects in the cases of associated financing (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 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%.

#### *Significant role of Swiss executing agencies*

To date the executing agencies have been selected by the SDC itself, without recipient involvement and without systematic 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 executing agencies, 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, *Intercooperation*, 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. In 1999, 285 contracts of more than CHF 90 000 have been awarded to 90 partners representing a total amount of CHF 166 million. The 10 main partners (67% of the total) were three Swiss NGOs, three Swiss engineering firms, two academic and one semi-public institutes, and one international NGO.

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. In many cases an executing agency is required to involve the local partner closely in the management of operations, e.g. subcontracting to local firms or start-up support for local small and medium-sized enterprises that will then be able to offer their services. The agency may then find itself acting as a sort of promoter that mobilises local resources. The reverse applies when the consultant is obliged to extend his official role of advising the partner to one of actually carrying out the project because the partner is not yet in a position to do so. That may create some confusion between the responsibilities of control and execution. In practice these agencies 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.

### ***Desirable changes in modes of execution***

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 executing agencies and are not themselves involved in implementing the projects. Moreover, the fact that “managers” are generally selected without open competition can 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 executing agencies, 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.

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 CHF 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**

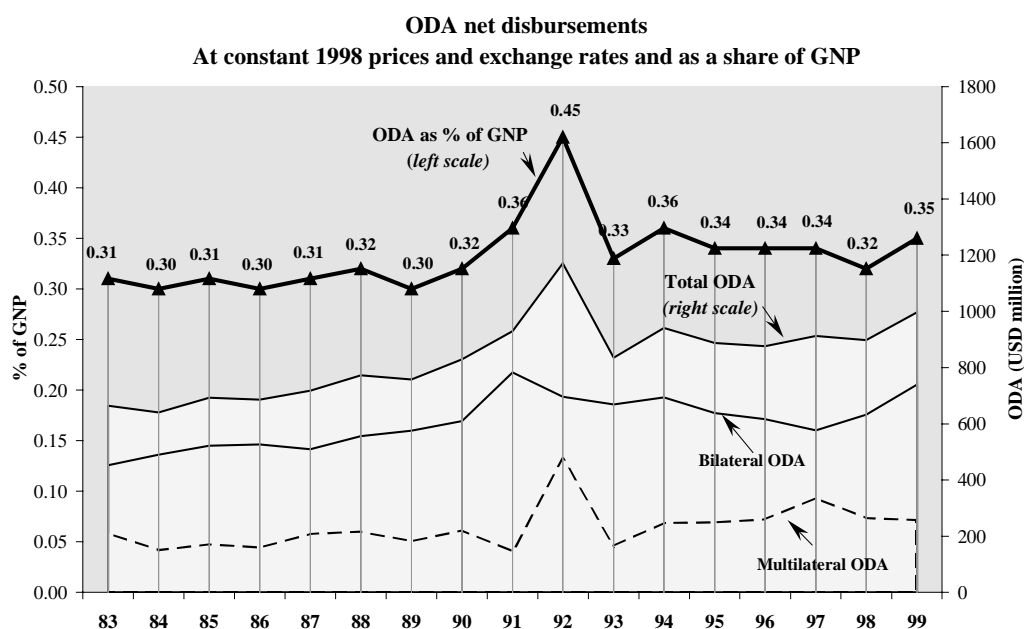


Table I-1. **Total financial flows**  
 USD million at current prices and exchange rates

Switzerland	Net disbursements						
	1983-84	1988-89	1995	1996	1997	1998	1999
<b>Total official flows</b>	<b>308</b>	<b>580</b>	<b>1 187</b>	<b>1 128</b>	<b>988</b>	<b>1 009</b>	<b>1 060</b>
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	-	-	-	-	-	-	-
<b>Grants by NGOs</b>	<b>49</b>	<b>90</b>	<b>198</b>	<b>182</b>	<b>68</b>	<b>183</b>	<b>..</b>
<b>Private flows at market terms</b>	<b>2 954</b>	<b>959</b>	<b>540</b>	<b>-2 936</b>	<b>- 531</b>	<b>4 971</b>	<b>9 140</b>
Bilateral: <i>of which</i>	2 050	924	905	-2 353	- 193	4 971	9 140
Direct investment	121	1 442	1 281	-2 014	-1 931	4 971	8 732
Export credits	- 2	- 957	- 377	- 338	475	-	6
Multilateral	904	34	- 365	- 583	- 338	-	-
<b>Total flows</b>	<b>3 311</b>	<b>1 629</b>	<b>1 925</b>	<b>-1 626</b>	<b>525</b>	<b>6 163</b>	<b>10 200</b>
<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	1.18

a. To countries eligible for ODA.

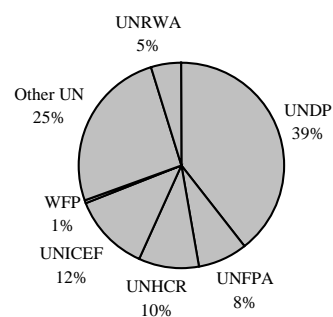
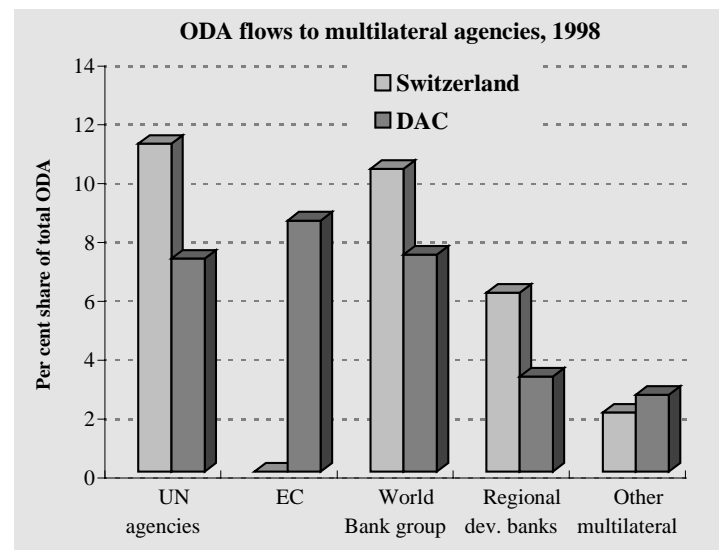
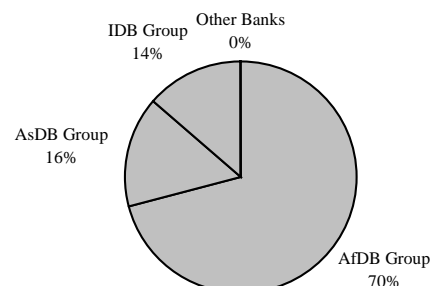
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Source: OECD.

Table I-2. ODA by main categories

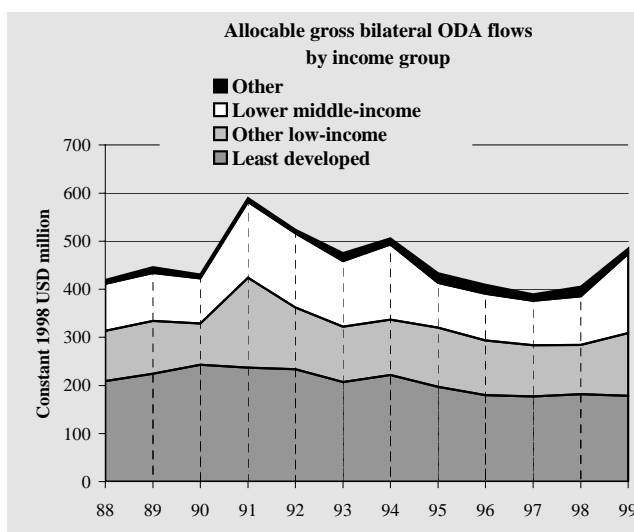
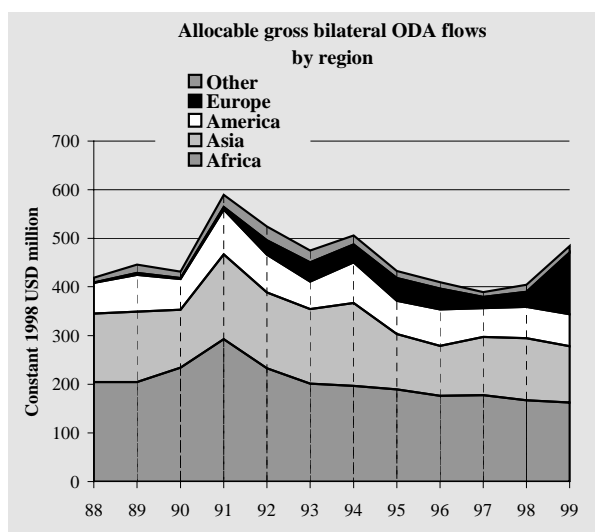
Switzerland	Constant 1998 USD million					Per cent share					Total DAC 1998%
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
	<b>Bilateral</b>	<b>642</b>	<b>620</b>	<b>593</b>	<b>633</b>	<b>740</b>	<b>72</b>	<b>70</b>	<b>64</b>	<b>70</b>	
Project and programme aid											
Grants (a)	65	54	33	87	275	7	6	4	10	28	13
Loans	-	-	5	0	0	-	-	1	0	0	16
Technical co-operation (a)	297	319	287	287	113	33	36	31	32	11	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
<b>Multilateral</b>	<b>249</b>	<b>260</b>	<b>336</b>	<b>265</b>	<b>257</b>	<b>28</b>	<b>30</b>	<b>36</b>	<b>30</b>	<b>26</b>	<b>29</b>
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
<b>Total gross ODA</b>	<b>892</b>	<b>879</b>	<b>929</b>	<b>898</b>	<b>997</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Repayments</b>	<b>- 4</b>	<b>- 3</b>	<b>- 16</b>	<b>-</b>	<b>-</b>						
<b>Total net ODA</b>	<b>888</b>	<b>876</b>	<b>913</b>	<b>898</b>	<b>997</b>						
<i>For reference:</i>											
<i>Aid channelled through NGOs</i>	71	40	67	-	-						
<i>Associated financing (d)</i>	19	19	7	15	18						

UN Agencies  
(1998-99 Average)Regional Development Banks  
(1998-99 Average)

Source: OECD.

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

Switzerland	Constant 1998 USD million					Per cent share					Total DAC 1998%
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
	<i>Gross disbursements</i>										
<b>Africa</b>	189	176	177	167	163	44	43	46	41	34	<b>36</b>
Sub-Saharan Africa	179	165	168	152	149	41	40	43	38	31	<b>29</b>
North Africa	10	12	9	15	14	2	3	2	4	3	<b>8</b>
<b>Asia</b>	114	103	120	128	116	26	25	31	32	24	<b>38</b>
South and Central Asia	78	68	84	94	87	18	17	22	23	18	<b>14</b>
Far East	35	34	36	33	29	8	8	9	8	6	<b>23</b>
<b>America</b>	69	75	59	64	66	16	18	15	16	14	<b>13</b>
North and Central America	33	28	15	23	32	8	7	4	6	7	<b>7</b>
South America	36	46	44	41	34	8	11	11	10	7	<b>7</b>
<b>Middle East</b>	15	13	9	14	14	3	3	2	4	3	<b>4</b>
<b>Oceania</b>	0	0	0	0	0	0	0	0	0	0	<b>5</b>
<b>Europe</b>	46	43	23	31	126	11	11	6	8	26	<b>4</b>
<b>Total bilateral allocable</b>	<b>433</b>	<b>410</b>	<b>389</b>	<b>405</b>	<b>484</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Least developed</b>	197	180	177	182	179	46	44	45	45	37	<b>25</b>
<b>Other low-income</b>	123	113	107	103	130	28	28	27	25	27	<b>31</b>
<b>Lower middle-income</b>	93	98	92	101	165	22	24	24	25	34	<b>35</b>
<b>Upper middle-income</b>	15	19	14	19	10	4	5	3	5	2	<b>6</b>
<b>High-income</b>	3	-	-	0	0	1	-	-	0	0	<b>3</b>
<b>More advanced developing countries</b>	1	0	-	-	-	0	0	-	-	-	<b>-</b>
<i>For reference:</i>											
<i>Total bilateral</i>	642	620	593	633	740	100	100	100	100	100	<b>100</b>
<i>of which: Unallocated</i>	209	210	203	228	256	33	34	34	36	35	<b>23</b>



Source: OECD.

Table I-4. Main recipients of bilateral ODA

Gross disbursements, two-year averages

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
<b>Top 5 recipients</b>	<b>101</b>	<b>132</b>	<b>31</b>	<b>Top 5 recipients</b>	<b>123</b>	<b>123</b>	<b>25</b>	<b>Top 5 recipients</b>	<b>118</b>	<b>120</b>	<b>27</b>
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
<b>Top 10 recipients</b>	<b>154</b>	<b>201</b>	<b>47</b>	<b>Top 10 recipients</b>	<b>206</b>	<b>206</b>	<b>42</b>	<b>Top 10 recipients</b>	<b>182</b>	<b>186</b>	<b>42</b>
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	South Africa	9	9	2
<b>Top 15 recipients</b>	<b>191</b>	<b>249</b>	<b>58</b>	<b>Top 15 recipients</b>	<b>263</b>	<b>263</b>	<b>54</b>	<b>Top 15 recipients</b>	<b>231</b>	<b>235</b>	<b>53</b>
Mozambique	7	9	2	China	9	10	2	Nicaragua	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
<b>Top 20 recipients</b>	<b>223</b>	<b>291</b>	<b>67</b>	<b>Top 20 recipients</b>	<b>304</b>	<b>306</b>	<b>62</b>	<b>Top 20 recipients</b>	<b>268</b>	<b>273</b>	<b>61</b>
<b>Total (105 recipients)</b>	<b>331</b>	<b>433</b>	<b>100</b>	<b>Total (110 recipients)</b>	<b>490</b>	<b>490</b>	<b>100</b>	<b>Total (120 recipients)</b>	<b>438</b>	<b>444</b>	<b>100</b>
Unallocated	105	137		Unallocated	195	195		Unallocated	238	242	
<b>Total bilateral gross</b>	<b>437</b>	<b>570</b>		<b>Total bilateral gross</b>	<b>684</b>	<b>686</b>		<b>Total bilateral gross</b>	<b>676</b>	<b>686</b>	

Source: OECD.

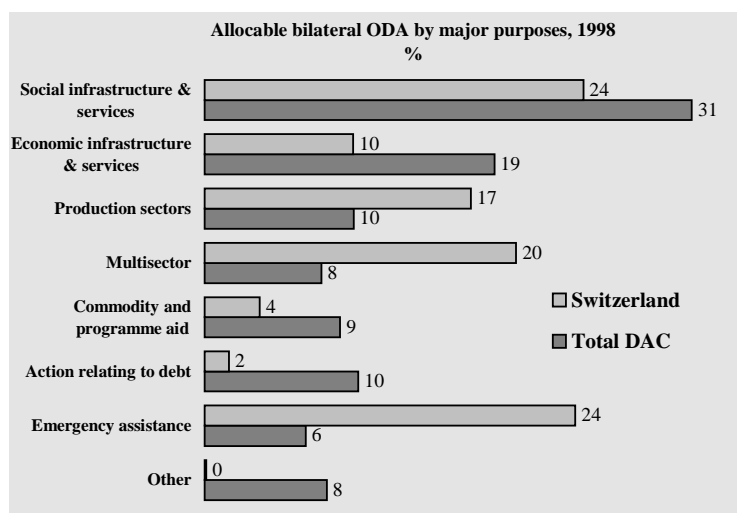
Table I-5. Bilateral ODA by major purposes

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	
<b>Social infrastructure &amp; services</b>	<b>114</b>	<b>24</b>	<b>125</b>	<b>18</b>	<b>99</b>	<b>24</b>	<b>154</b>	<b>22</b>	<b>31</b>
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
<b>Economic infrastructure &amp; services</b>	<b>42</b>	<b>9</b>	<b>16</b>	<b>2</b>	<b>39</b>	<b>10</b>	<b>60</b>	<b>8</b>	<b>19</b>
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
<b>Production sectors</b>	<b>132</b>	<b>28</b>	<b>96</b>	<b>14</b>	<b>70</b>	<b>17</b>	<b>53</b>	<b>7</b>	<b>10</b>
Agriculture, forestry & fishing	110	23	79	11	49	12	38	5	7
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
<b>Multisector</b>	<b>24</b>	<b>5</b>	<b>86</b>	<b>13</b>	<b>81</b>	<b>20</b>	<b>128</b>	<b>18</b>	<b>8</b>
<b>Commodity and programme aid</b>	<b>72</b>	<b>15</b>	<b>48</b>	<b>7</b>	<b>14</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>9</b>
<b>Action relating to debt</b>	<b>2</b>	<b>0</b>	<b>203</b>	<b>30</b>	<b>6</b>	<b>2</b>	<b>19</b>	<b>3</b>	<b>10</b>
<b>Emergency assistance</b>	<b>46</b>	<b>10</b>	<b>71</b>	<b>10</b>	<b>97</b>	<b>24</b>	<b>202</b>	<b>28</b>	<b>6</b>
<b>Administrative costs of donors</b>	-	-	<b>20</b>	<b>3</b>	-	-	<b>20</b>	<b>3</b>	<b>6</b>
<b>Core support to NGOs</b>	<b>41</b>	<b>9</b>	<b>19</b>	<b>3</b>	-	-	<b>78</b>	<b>11</b>	<b>2</b>
<b>Total bilateral allocable</b>	<b>474</b>	<b>100</b>	<b>683</b>	<b>100</b>	<b>407</b>	<b>100</b>	<b>714</b>	<b>100</b>	<b>100</b>
<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
<b>Total ODA</b>	<b>649</b>	<b>100</b>	<b>986</b>	<b>100</b>	<b>548</b>	<b>100</b>	<b>969</b>	<b>100</b>	<b>100</b>

(1) Disbursements



Source: OECD.

Table I-6. Comparative aid performance

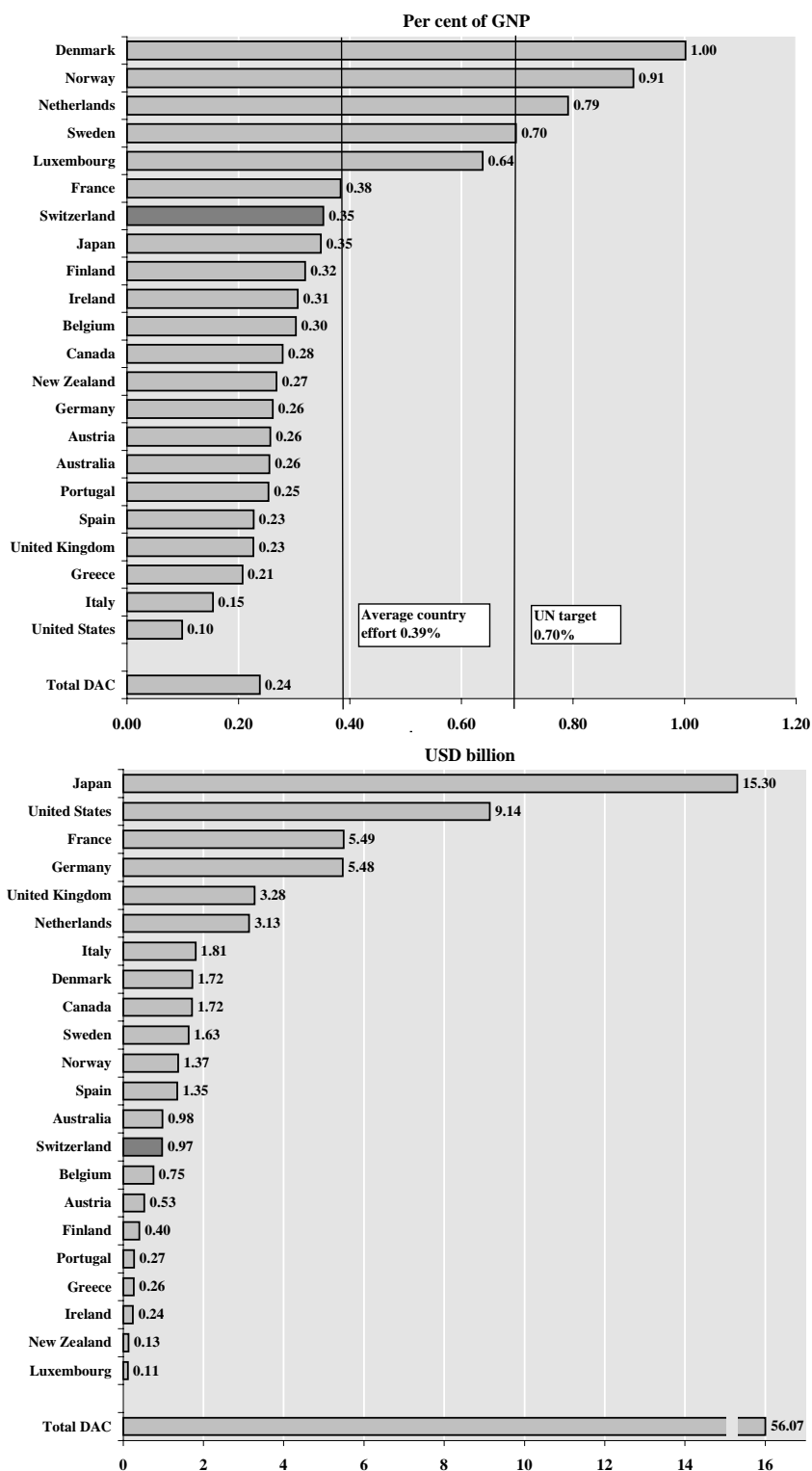
	Official development assistance			Grant element of ODA (commitments) 1998 % (a)	Share of multilateral aid				ODA to LLDCs Bilateral and through multilateral agencies 1998		Official aid	
	1998		92-93 to 97-98 Ave. annual % change in real terms		1998				1998		1998	
	USD million	% of GNP			% of ODA		% of 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
<b>Switzerland</b>	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
<b>Total DAC</b>	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)



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>						
<b>Sub-Saharan Africa</b>	<b>919</b>	<b>375</b>	<b>610</b>	<b>772</b>	<b>1.6</b>	<b>1.0</b>
<i>Namibia</i>	720	178	241	342	1.2	0.4
<i>Nigeria</i>	30	53	181	247	0.1	0.3
<b>North-Africa and Middle East</b>	<b>629</b>	<b>927</b>	<b>1 145</b>	<b>1 071</b>	<b>1.1</b>	<b>1.3</b>
<i>Saudi Arabia</i>	100	170	235	317	0.2	0.4
<i>Israel</i>	238	257	291	247	0.4	0.3
<b>Asia</b>	<b>2 202</b>	<b>2 849</b>	<b>3 687</b>	<b>4 990</b>	<b>3.8</b>	<b>6.2</b>
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
<b>America</b>	<b>1 245</b>	<b>1 161</b>	<b>804</b>	<b>805</b>	<b>2.1</b>	<b>1.0</b>
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
<b>Oceania</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0.0</b>	<b>0.0</b>
<b>Europe</b>	<b>158</b>	<b>176</b>	<b>368</b>	<b>386</b>	<b>0.3</b>	<b>0.5</b>
<b>Total Non-OECD countries</b>	<b>5 158</b>	<b>5 489</b>	<b>6 615</b>	<b>8 028</b>	<b>8.9</b>	<b>10.0</b>
<b>Total OECD countries</b>	<b>52 934</b>	<b>60 092</b>	<b>73 532</b>	<b>72 084</b>	<b>90.9</b>	<b>90.0</b>
<i>Residuals</i>	129	143	4	3	0.2	0.0
<b>Overall total</b>	<b>58 221</b>	<b>65 723</b>	<b>80 152</b>	<b>80 115</b>	<b>100.0</b>	<b>100.0</b>
<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: OECD.

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>						
<b>Sub-Saharan Africa</b>	<b>678</b>	<b>751</b>	<b>951</b>	<b>747</b>	<b>1.3</b>	<b>0.9</b>
<i>Namibia</i>	316	332	594	393	0.6	0.5
<b>North-Africa and Middle East</b>	<b>2 504</b>	<b>3 228</b>	<b>3 485</b>	<b>3 122</b>	<b>4.9</b>	<b>4.0</b>
<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		
<b>Asia</b>	<b>4 339</b>	<b>5 365</b>	<b>8 175</b>	<b>5 962</b>	<b>8.4</b>	<b>7.6</b>
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
<b>America</b>	<b>1 140</b>	<b>1 478</b>	<b>1 720</b>	<b>2 055</b>	<b>2.2</b>	<b>2.6</b>
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
<b>Oceania</b>	<b>6</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>0.0</b>	<b>0.0</b>
<b>Europe</b>	<b>579</b>	<b>515</b>	<b>884</b>	<b>985</b>	<b>1.1</b>	<b>1.2</b>
<b>Total Non-OECD countries</b>	<b>9 245</b>	<b>11 341</b>	<b>15 220</b>	<b>12 876</b>	<b>17.9</b>	<b>16.3</b>
<b>Total OECD countries</b>	<b>42 031</b>	<b>53 936</b>	<b>66 328</b>	<b>65 954</b>	<b>81.5</b>	<b>83.6</b>
<i>Residuals</i>	273	401	94	90	0.5	0.1
<b>Overall total</b>	<b>51 549</b>	<b>65 678</b>	<b>81 641</b>	<b>78 920</b>	<b>100.0</b>	<b>100.0</b>
<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
<b>Total</b>	<b>5 631</b>	<b>8 031</b>	<b>60 092</b>	<b>72 084</b>	<b>11 742</b>	<b>12 966</b>	<b>53 936</b>	<b>65 954</b>

	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
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

a. Including residuals.

Source: OECD.

## PRESS RELEASE OF THE DAC PEER REVIEW OF SWITZERLAND

In 1999, Switzerland's official development assistance (ODA) totalled USD 997 million, or 0.35% of gross national product (GNP), compared with 0.32% in 1998. This figure puts Switzerland in seventh place among the Members of the Development Assistance Committee (DAC) in terms of the ODA/GNP ratio. Swiss ODA has increased, mainly due to humanitarian aid and the inclusion of part of the expenditure related to the Kosovo crisis. Nonetheless, this performance is still below the target of 0.4% set by the Swiss government.

On 17 October 2000, the DAC reviewed Switzerland's development co-operation policy and programme. Mr. Jean-Claude Faure, the Chairman of DAC, summed up the main conclusions of the discussions as follows:

- Switzerland is one of the DAC Members that is most committed to ensuring that policies with an impact on developing countries are consistent with one another. The introduction of specific procedures enables Swiss development co-operation agencies to identify conflicting objectives with a view to promoting developing countries' interests as far as possible.
- Swiss development co-operation policy has the strong support of Swiss opinion due to effective information policy implemented by the government and the presence of a community of active non-governmental organisations (NGOs), with which the authorities maintain a close and mutually beneficial dialogue.
- Since the *Federal Law on international development co-operation and humanitarian aid* was passed in 1976, the ultimate aim of Swiss development co-operation policy has been to alleviate poverty. In practice, Swiss bilateral aid, which is provided in the form of grants, is targeted effectively at the poorest countries. In 1999, 67% of bilateral aid was disbursed to low-income countries.
- The DAC welcomed Switzerland's interest in the efforts by the international community to define appropriate indicators of progress made on achieving international development goals (IDGs), which Switzerland intends to incorporate in its assessment of results.
- In 1999, Switzerland made a considerable effort in the area of emergency and reconstruction aid in the Balkans. Humanitarian aid amounted to 21% of total ODA. The large volume of aid was made possible by additional appropriations voted by Parliament, without other forms of co-operation or other regions of the world being affected.
- Aid was implemented in the field within the framework of medium-term country strategies. These strategies are formulated on a participatory basis, with the involvement of both local authorities and representatives of civil society.

## Switzerland

The DAC also made a number of recommendations:

- The DAC welcomes the additional humanitarian aid provided by Switzerland. But it recommends that it take advantage of the improvement in its economic and budgetary situation to rapidly increase the volume of ODA to 0.4% of GNP, without losing sight of the UN target of 0.7%.
- The DAC encourages Switzerland to continue to give priority to the poorest countries while increasing the share of aid going to the priority countries. This implies that it reviews regularly the list of priority countries in order to ensure that aid is not spread too thinly. In this connection, it would be useful to review projects that have been going on for a long-time and that tend to be self-perpetuating.
- The stated objective of reducing poverty does not seem to be systematically translated into practice. It would be useful for Switzerland to reaffirm the priority it gives to poverty alleviation, to review country strategies from this angle, and to allocate a larger portion of aid to basic social sectors.
- The DAC encourages Switzerland to take more consistent and systematic account of gender equality in the aid system as a whole.
- Although Switzerland adheres to the strategy of development partnership set out in *Shaping the 21<sup>st</sup> century: the contribution of development co-operation*, projects are not implemented often enough under the direct responsibility of partner institutions. The DAC encourages Switzerland to review the role of executing agencies and consider giving its partners more responsibility in ODA management and project implementation.
- The DAC notes the efforts that have been made since the last review to improve co-ordination between the two main organisations in the Swiss aid system -- the Swiss Agency for Development and Co-operation (SDC) and the Secretariat of State for the Economy (seco). It encourages Switzerland to persevere on this path with a view to developing a common operational strategic approach.
- The DAC notes that the SDC and the seco have started to provide budgetary support within the framework of a sectoral approach which a number of donors are experimenting with in order to make their aid more effective, but which requires that a number of prerequisites be met. The development of this approach also presupposes that the process already under way to delegate wider powers to the co-ordination offices be continued.
- The system of monitoring and controlling the SDC's operations is based primarily on self-evaluation. For its part, the seco has just put in place an evaluation system. The DAC recommends that Switzerland take the necessary steps to increase the independence of its external evaluation system and to provide better feedback from the lessons drawn from the evaluations. It could also be useful to give more attention to sectoral and cross-cutting issues.
- The DAC encourages Switzerland to continue to seek greater coherence in the areas of export risk guarantees and efforts to combat transfers of unlawfully acquired capital.

- Switzerland has an advisory commission for international development and co-operation which could play more fully its role in advising the government, and thereby increase awareness of development issues in both Parliament and the Swiss public opinion, notably with regard to policy coherence.

The Swiss Delegation for the review was led by Mr. Walter Fust, Director-General of the Swiss Agency for Development and Co-operation (SDC). The examining countries were France and the Netherlands.

## DESCRIPTION OF KEY TERMS

*The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information. Full definitions of these and other related terms can be found in the "Glossary of Key Terms and Concepts" published in the DAC's annual Development Co-operation Report.*

**ASSOCIATED FINANCING:** The combination of OFFICIAL DEVELOPMENT ASSISTANCE, whether GRANTS or LOANS, with any other funding to form finance packages.

**DAC (DEVELOPMENT ASSISTANCE COMMITTEE):** The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its Members are given at the front of this volume.

**DAC LIST OF AID RECIPIENTS:** A two-part List of Aid Recipients was introduced by the DAC with effect from 1 January 1994. Part I of the List is presented in the following categories (the word "countries" includes territories):

**LLDCs:** Least Developed Countries. Group established by the United Nations. To be classified as an LLDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC list is updated immediately to reflect any change in the LLDC group.

**Other LICs:** Other Low-Income Countries. Includes all non-LLDC countries with per capita GNP less than USD 765 in 1995 (World Bank Atlas basis). LLDCs which are also LMICs are only shown as LLDCs – not as LMICs.

**LMICs:** Lower Middle-Income Countries, i.e. with GNP per capita (World Bank Atlas basis) between USD 766 and USD 3 035 in 1995.

**UMICs:** Upper Middle-Income Countries, i.e. with GNP per capita (World Bank Atlas basis) between USD 3 036 and USD 9 385 in 1995.

**HICs:** High-Income Countries, i.e. with GNP per capita (World Bank Atlas basis) more than USD 9 385 in 1995.

Part II of the List comprises "Countries in Transition". These comprise: i) more advanced Central and Eastern European Countries and New Independent States of the former Soviet Union; and ii) more advanced developing countries.

**DEBT REORGANISATION:** Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, rescheduling or refinancing.

## KEY TERMS

**DISBURSEMENT:** The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. They may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (less any repayments of LOAN principal during the same period).

**EXPORT CREDITS:** LOANS for the purpose of trade and which are not represented by a negotiable financial instrument. Frequently these LOANS bear interest at a rate subsidised by the government of the creditor country as a means of promoting exports.

**GRANTS:** Transfers made in cash, goods or services for which no repayment is required.

**GRANT ELEMENT:** Reflects the **financial terms** of a commitment: interest rate, maturity and grace period (i.e. the interval to the first repayment of principal). The grant element is nil for a LOAN carrying an interest rate of 10%; it is 100% for a GRANT; and it lies between these two limits for a LOAN at less than 10% interest.

**LOANS:** Transfers for which repayment is required. Data on **net loans** include deductions for repayments of principal (but not payment of interest) on earlier loans.

**OFFICIAL AID:** Flows which meet the conditions of eligibility for inclusion in OFFICIAL DEVELOPMENT ASSISTANCE, except that the recipients are on Part II of the DAC LIST OF AID RECIPIENTS.

**OFFICIAL DEVELOPMENT ASSISTANCE (ODA):** GRANTS or LOANS to countries and territories on Part I of the DAC LIST OF AID RECIPIENTS (developing countries) provided by the official sector with the promotion of economic development and welfare as the main objective and which are at concessional financial terms (if a LOAN, having a GRANT ELEMENT of at least 25%).

**OTHER OFFICIAL FLOWS (OOF):** Transactions by the official sector with countries on the DAC LIST OF AID RECIPIENTS which do not meet the conditions for eligibility as OFFICIAL DEVELOPMENT ASSISTANCE or OFFICIAL AID.

**PARTIALLY UNTIED AID:** OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services must be procured in the donor country or among a restricted group of other countries, which must however include substantially all recipient countries.

**PRIVATE FLOWS:** Consist of the following flows at market terms financed out of private sector resources:

**Direct investment:** Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC LIST OF AID RECIPIENTS. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

**Bilateral portfolio investment:** Includes bank lending, and the purchase of shares, bonds and real estate.

**Multilateral portfolio investment:** This covers the transactions of the private non-bank and bank sector in the securities issued by multilateral institutions.

**Private export credits:** See EXPORT CREDITS.



**TECHNICAL CO-OPERATION:** Includes both i) GRANTS to nationals of recipient countries receiving education or training at home or abroad, and ii) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

**TIED AID:** Official GRANTS or LOANS where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all recipient countries.

**UNTIED AID:** OFFICIAL DEVELOPMENT ASSISTANCE (or OFFICIAL AID) for which the associated goods and services may be fully and freely procured in substantially all countries.

**VOLUME:** Unless otherwise stated, data are expressed in current United States dollars. Data in national currencies are converted into dollars using annual average exchange rates. To give a truer idea of the volume of flows over time, some data are presented in **constant prices and exchange rates**, with a reference year specified. This means that adjustment has been made to cover both inflation between the year in question and the reference year, and changes in the exchange rate between the currency concerned and the United States dollar over the same period.

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