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Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO

2009 Annual Report – Summary

Effectiveness of Switzerland's Economic Cooperation and Development

Division Evaluation and Controlling (WECO), June 2010

This report is a shortened and simplified version of the 2009 Annual Report, which bears the same name and which is available on SECO's website (in english). http://www.oecd.org/dataoecd/13/6/45605026.pdf.

Why a report like this one?

The Economic Cooperation and Development Division at the State Secretariat for Economic Affairs (SECO) is responsible for the planning and implementation of economic and trade policy measures with developing and transitions countries. SECO invests approximately CHF 220 million per year in cooperation with developing and transition countries.

Internal demand for a better understanding of what works best in development cooperation, together with external pressures to better demonstrate how public money is translated into concrete results, is helping to generate fresh interest in evaluation practices. In this context, SECO's evaluation system has been developed extensively over the past five years in order to contribute to improved accountability and better development results. According to the recent DAC study 'Development Evaluation Resources and Systems[2]', SECO's evaluation system complies with international standards applied by other partners: an Evaluation Policy and its associated Guidelines are in place, the Evaluation function is independent of operations, the funding and human resources are secured, and coordination exists with other donors. Annually SECO's evaluation function reviews the results of its evaluation exercises and draws lessons and recommendations on how to adjust and improve its development interventions. This year's Effectiveness Report focuses more thoroughly on a specific topic, namely the sustainability of SECO projects.

The new External Evaluation Committee

2009 saw the formal launch of the External Evaluation Committee. Five members have been nominated and report directly to SECO's State Secretary[3]. Through its independence, the Committee works to ensure that the evaluation contributes to the increased effectiveness of SECO's development operations. To this end, the Committee approves the programme of independent evaluations, comments on the results of these evaluations and monitors the implementation of their recommendations. Furthermore, the Committee is consulted and makes a statement about the annual report of the evaluation function and may propose modifications to SECO's policy on evaluation.

24 external evaluations undertaken in 2009

SECO's portfolio performance is assessed annually on the basis of the results of external evaluations of projects conducted during the year under review. Projects / programmes are evaluated with respect to the four DAC criteria – relevance, effectiveness, efficiency and sustainability – on a four-point scale from highly satisfactory to highly unsatisfactory. The ratings for the four criteria are consolidated in an overall rating, which is aggregated into a percentage of satisfactory projects (the top two ratings) and unsatisfactory projects (the bottom two ratings). In case one of these criteria has not been or could not be assessed in the evaluation because, for instance, it is not specified in the terms of reference, it is not addressed by the evaluators or it is too early to be assessed, the scoring "not assessed / not demonstrated" is applied.

[2] http://www.oecd.org/dataoecd/13/6/45605026.pdf.
[3] The External Evaluation Committee is composed of Pietro Veglio (Chair), Katrin Amacker, Susanne Grossmann, Gilles Carbonnier and Christoph Stueckelberger.

The four OECD-DAC criteria

- **Relevance** The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies.
- **Effectiveness** The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.
- **Efficiency** A measure of how economically resources/inputs (funds, expertise, time, etc.) have been converted to results.
- **Sustainability** The continuation of benefits from a development intervention after major development assistance has been completed. The probability of continued long-term benefits. The resilience to risk of the net benefit flows over time.

78% of SECO operations for the period 2005–2009 considered satisfactory

The 2009 performance results are very similar to those for previous years, i.e. the large majority of SECO's evaluated operations are considered satisfactory, with a success rate of 71% for 2009. However, a sample of 24 projects subject to an external evaluation in 2009 cannot be regarded as sufficiently representative of SECO's overall portfolio; therefore, an aggregation of data over a longer period is probably more objective. Over the period 2005– 2009, 96 external evaluations were used as references, thus producing a sounder basis for the performance rate of SECO's operations. For this entire period of **2005–2009**, the **success rate is at 78%**.

In the development community, it is generally accepted that a success rate of around 65–80% is probably a good, realistic target, taking into account the complex environment in which development activities are carried out. High risks in terms of country development, political environment, governance situation, natural disasters, etc. jeopardise the proper implementation and effective results of development interventions. For example, the World Bank is achieving a success rate of around 80%[5].

Below are the detailed performance results for 2009, as well as for the entire period 2005–2009:

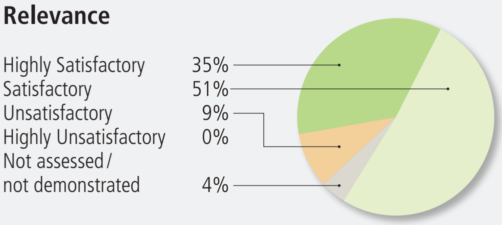
Results	2009 external evaluations		2005–2009 external evaluations	
Highly Satisfactory	0.0%	}70.8%	7.3%	}78.1%
Satisfactory	70.8%		70.8%	
Unsatisfactory	29.2%	}29.2%	21.9%	}21.9%
Highly Unsatisfactory	0.0%		0.0%	
	100.0%		100.0%	

Below are the project performance results by OECD-DAC criteria for the entire period 2005–2009:

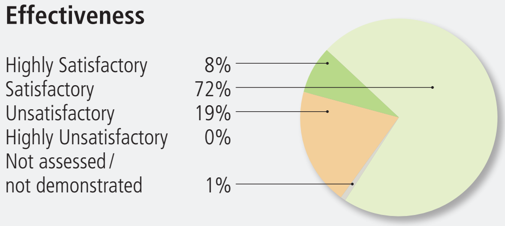
[4] Source: Glossary of key terms in evaluation and results-based management, OECD-DAC.
[5] World Bank report available on www.worldbank.org/ieg/arde09/.

SECO's results reveal areas of success, mainly with respect to relevance and effectiveness, while performance is more mixed in terms of efficiency and sustainability:

Relevance



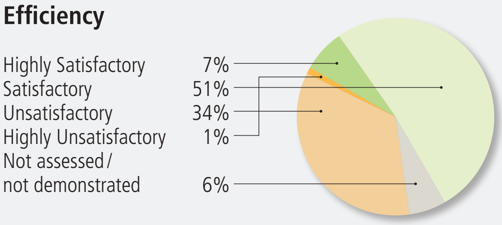
Effectiveness



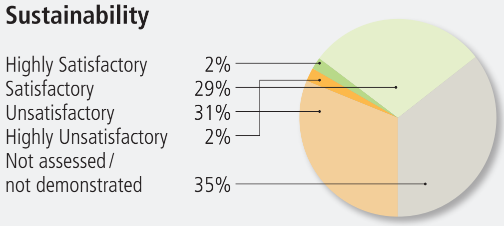
Relevance: For the large majority of projects, SECO's activities are highly relevant, focusing on the right area of support, and well aligned with the beneficiaries' priorities and responsive to their needs.

Effectiveness: SECO is achieving concrete results in the implementation of its projects / programmes. For projects that did not achieve their outcomes, the most common reason is over-ambitious targets to be achieved in an unrealistic timeframe.

Efficiency



Sustainability



Note:
Possible slight deviations to 100% are due to rounded figures.

Efficiency: In general, the way SECO translates financial and human resources into activities is considered efficient. Partners are satisfied with the quality of the assistance they have received. However, weaknesses have been identified in the monitoring and the steering of projects. A systematic and standardised monitoring system over the lifespan of a project is lacking and is not sufficiently used in decision-making.

Sustainability: Projects that are evaluated with respect to this criterion show, in many instances, inadequate institutional and financial sustainability to ensure that the project results will be sustained. Exit strategies and assumptions relevant to sustainability have not been sufficiently spelled out in the project planning.

What can be improved?

Although, in general, SECO is achieving good results in its projects, some important weaknesses have been identified in the design, monitoring and sustainability of projects, which could be more systematically addressed. The challenges facing SECO are not exceptional, and the majority of developing organisations are facing similar difficulties and constraints in achieving effective results, and practices in projects' management take a long time to be modified.

When **planning and implementing projects,**

1. SECO should pursue its efforts to further **strengthen its monitoring system**. Although instruments for results-based management have been developed, their effective use is still at an early phase of application.
2. SECO should **better integrate the concept of sustainability** into the design and implementation of projects. SECO should adopt more realistic project design with a long-term perspective and phasing approach in order to maximise the probability of success.

3. In order to contribute to a change of attitudes and create a culture of more robust results-based management, SECO needs to create **new incentives** for operational divisions to effectively and efficiently step up the use of monitoring systems.

When **managing evaluation processes,**

1. The type of evaluations conducted should be reviewed in favour of **more ex-post evaluations.** With most of the evaluations being currently undertaken at or shortly before the end of the project, they can only assess – and not verify – the chances or probability of the results being sustainable.
2. The **quality of SECO evaluations** must be improved. It is recommended that the profile of the evaluators should be improved by, for example, contracting a team of at least two evaluators, one with technical and one with methodological expertise.
3. Although SECO operational divisions are fully supportive of the role of evaluations in collecting evidence and best practices, the **systematic use of evaluation lessons learned** and their impact on approaches and policy debates could be enhanced.

The 2009 Annual Report on the Effectiveness of Switzerland's Economic Cooperation and Development has been the subject of a SECO management response, as well as a statement from the External Evaluation Committee. Both of these authorities largely support the report's conclusions and recommendations[6].

Example: Promotion of Cleaner Production in the Lao People's Democratic Republic

The overall development objective of the project, funded by SECO (2004–2008), was to alleviate poverty in Lao PDR and to promote the country's environmental sustainability by increasing industrial productivity and competitiveness and by reducing industry's impact on environment and worker's health and safety. The external evaluation provides the following assessment:

- **Relevance:** There is a highly satisfactory degree of relevance: this was the right type of intervention with the right partner at the right time.
- **Effectiveness:** The effectiveness of the project is satisfactory. More than 230 cleaner production recommendations were implemented in participating enterprises, which resulted in positive effects on the environment (at entreprises' level: pollution reduction is estimated at 10-60% and green house gas reduction at 8-80%), and higher competitiveness of participating enterprises.
- **Efficiency:** Funds were used economically: project achieved good results with a relatively low budget and technical inputs were of high quality.
- **Sustainability:** In enterprises, implemented cleaner production options are likely to be sustainable (mostly simple, low-investment changes that are easily maintained). However, there is no institution in place able to fulfil the role of a Cleaner Production Centre after the end of the project. In order to achieve sustainability, a follow-up project focused on building / strengthening an institution is needed.

Source: Promotion of Cleaner Production in the Lao's People Democratic Republic, Independent Evaluation, UNIDO, 2008.

[6] These two statements are available in the preamble of the long version of the 2009 Annual Report on Effectiveness of Switzerland's Economic Cooperation and Development.

Focus on the sustainability criterion

SECO challenges in achieving sustainable results

As the results for the sustainability criterion for the period 2005–2009 are more balanced (31% satisfactory to highly satisfactory, 33% unsatisfactory to highly unsatisfactory and 35% not assessed/not demonstrated), SECO decided to focus its analysis more thoroughly on this specific topic.

In 2009, SECO closely analysed all the results related to the sustainability criterion of the 2005–2009 external evaluations and concluded that poor sustainability ratings result mainly from institutional and financial aspects that are not adequately identified at the design stage and carefully monitored throughout the implementation. Consequently, the analysis identified the root causes for shortcomings regarding sustainability that SECO can directly influence:

- **Unrealistic assumptions** while planning projects or devising the intervention logic, due to insufficient context assessment, in terms of policy and legal framework, economic situation and institutional and financial capacities.
- **Overoptimistic assessment** of the potential to achieve sustainability, which might be biased by internal pressures to disburse resources and to have projects approved.
- **Insufficient involvement and ownership of stakeholders** in the planning phase, i.e. no or weak stakeholder analysis to ensure alignment with their needs, to assess their commitment and capacities.
- **Too little concern for the question of financial sustainability** while planning, i.e. for the question of how project funding can ultimately be replaced by local resources. This is an important element of an explicit exit strategy, which should ideally be spelled out along with the project design.
- **Insufficient monitoring of critical assumptions** (concerning sustainability). Not only the results, but equally important, the critical assumptions with regard to sustainability must be systemically monitored.

Raising awareness on the importance of sustainability and defining responsibilities to secure sustainability shall be at the core of SECO interventions and interactions with partners and beneficiaries. Ascertaining sustainability is not a one-time effort during the design of the project or just a matter of a good exit strategy. It requires adequate attention and measures in all project phases. For this purpose, this analysis will be presented and discussed with SECO operational divisions, and further disseminated to reach as well implementing partners.