



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,
Education and Research EAER
State Secretariat for Economic Affairs SECO

2012 Annual Report

Effectiveness of Switzerland's Economic Cooperation and Development



Quality and Resources Unit (WEQA)

August 2013

2012 Annual Report
on
The Effectiveness of SECO's Economic Cooperation and Development

Evaluation Function (WEQA)
Economic Cooperation and Development Division
August 2013

Content:

- I. Foreword*
- II. Management Response to the Effectiveness Report*
- III. Position of the Evaluation Committee*
- IV. Report on the Effectiveness of SECO's Economic Cooperation and Development*

I. Foreword

In order to draw lessons, disseminate knowledge and strengthen the effectiveness of its development assistance, the Evaluation Function of the Economic Cooperation and Development Division (WE) produces each year a report – the Effectiveness Report – on the results of its development interventions on the basis of the findings and recommendations of internal reviews and external evaluations carried out by the operational sectors. This comprehensive analysis is then used as reference to define a success rate for the WE assistance portfolio.

From a methodological perspective, the conclusions and recommendations of the 2012 Effectiveness Report are based on a systematic and retrospective assessment of the results of external evaluations of projects conducted over 2005 to 2012. Projects/programmes are evaluated with respect to the four DAC/OCDE criteria of relevance, effectiveness, efficiency and sustainability, on a four-point scale from highly satisfactory to highly unsatisfactory. The rating for the four criteria is 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 2012, 21 external evaluation exercises were undertaken and used as reference. The number of external evaluations in a particular year is not representative of WE overall portfolio, though the sampling provides a good indication of the quality of WE interventions at a given time. In order to increase objectivity and reliability, the analysis of results should not be limited to a particular year but, instead, be considered in the medium-term as reflected in the aggregated results of 166 external evaluations for 2005-2012.

This year's Effectiveness Report examines the performance of Switzerland's Economic Cooperation and Development in implementing its aid activities (Part I) and focuses more thoroughly on the efficiency of its projects (Part II).

WE Management produced a response to the conclusions and recommendations of this Effectiveness Report. The results, recommendations of the report, as well as WE management response were then presented to and discussed with the Evaluation Committee, who formulated its position. The management response and the position of the Evaluation Committee are published jointly with the 2012 Effectiveness Report on SECO website, as well as a short version summarising the report.

Process:

<i>Elaboration of the Report</i>	<i>Jan. - March 2013</i>
<i>Presentation and discussion of the Report to WE Management</i>	<i>May 2013</i>
<i>WE Management Response</i>	<i>June 2013</i>
<i>Discussion of the Report and Position of the Evaluation Committee</i>	<i>June - August 2013</i>



Reference: 2013-06-06/471

WE Management response to the 2012 annual report on the effectiveness of Switzerland's economic cooperation and development

1. Introduction

The 2012 report on the effectiveness of SECO's economic development cooperation confirms the high performance levels seen in previous years. The overall result, with 76.2% of all externally evaluated project receiving a rating of highly satisfactory or satisfactory, is in line with SECO's medium-term performance (77.1% over eight years) and compares favorably with the performance achieved by other donors and multilateral institutions. This is a remarkable result, not only due to the difficult environment in which development cooperation takes place (as underpinned by the continued political and economic uncertainty in the MENA region following the upheavals of the Arab Spring), but also in view of the multitude challenges that SECO's Economic Cooperation and Development Directorate (WE) was confronted with in 2012, such as the presentation (and subsequent adoption) of the Federal Council Dispatch on International Cooperation for 2013-2016 to the Swiss Parliament, or the realization of an internal Change Project on the optimization of WE's organizational structure.

At the same time, the report also points to the fact that identified weaknesses are in line with past analysis and show room for improvement with regard to the DAC evaluation criteria "efficiency" and "sustainability". This is by no means a surprise, since (i) no "quick fixes" can be expected in this regard, (ii) WE's development cooperation is not done in isolation but is highly dependent on the context in which it is implemented, and (iii) there are important time lags until the identified measures ultimately lead to (measurable) effects on the ground. However, it clearly shows the need to continue to identify ways to improve our work, based on a vigorous M&E process, of which the present report is an important element. The result also underlines the timeliness of this year's thematic issue examined in part two of the report, which reviews WE's operations and approach with regard to the DAC "efficiency" criterion.

In an international and national context where "accountability" and "results orientation" gain in importance for all the right reasons, WE Management would like to thank the evaluation team as well as the whole WE staff for dedicating their time and efforts to this report and the evaluation process throughout the year. In this context, it is important to note that WE Management has taken the decision to further ramp up WE's expertise and manpower dedicated to the aspects of Quality Control and M&E through the establishment of a new "Quality and Resources" division within the "Policy and Quality" domain at SECO WE.

2. Assessment of conclusions and recommendations

We are pleased with the quality of the report and commend the authors for presenting the findings in a well-structured and articulated way. Regarding the overall findings, we are satisfied with the success rate of the project sample, being fully aware that the evaluation sample cannot be regarded as representative of WE's overall portfolio (which, as a matter of fact, we are not aiming at for efficiency reasons). Specifically, we would like to highlight the following issues:

- **Relevance:** We note positively that WE's projects continue to be rated highly relevant with only 1 out of 17 evaluated projects rated non-relevant. This confirms that WE's strategy is generally well aligned with the partner countries' priorities and needs. We expect this positive trend to continue in the coming years, given the fact that a new operational division, "Country and Global Portfolio" has been created within WE, which should ultimately lead to a higher coherence of WE's project portfolio in partner countries and a better alignment with partner country priorities. We note that the high percentage of projects not assessed in terms of relevance (19%) lowers the significance of the result. The inclusion of the DAC criteria on relevance should therefore be given due consideration when formulating Terms of Reference for project evaluations.
- **Effectiveness:** We are happy to see that the success rate regarding this criterion (85.7%) further increased from an already respectable 80% last year. This confirms our view that our projects deliver concrete results on the ground. However, we are aware of the fact that while such results are well reported at output levels, evaluations continue to show weaknesses in reporting at the level of outcomes and possible impacts. One way of addressing this is to strengthen WE's monitoring capacity at headquarters as well as in the field, which is envisaged as part of the optimization process of SECO/WE.
- **Efficiency:** While this criterion improved somewhat in 2012 compared to last years (success rate of 61.9% compared to 55.4% in the period 2005-12), weaknesses remain, and continued efforts are therefore needed to improve the situation. However, a differentiated assessment is warranted. As noted in the report, the relatively weak result does not necessarily mean that the evaluated projects are not cost-efficient. Often other, non cost-related aspects such as a delay in project implementation or incomplete management structures negatively impact the overall outcome. This year's thematic chapter deepens the analysis on how to alter the four aspects defining efficiency used up to now (approach, management, monitoring, cost effectiveness). While, unfortunately, the report does not contain a quantitative analysis on the outcome of the four aspects in the evaluated projects, it nevertheless provides useful guidance on issues that should more consistently be taken into consideration when designing new projects, such as the application of a sound cost-sharing methodology or the criteria for choosing implementation partners.

WE Management fully supports the view expressed in the report that strong local presence and decentralized project monitoring and steering are important factors affecting efficiency of operations. This aspect has been given due consideration when allocating the additional human resources that have been allocated to SECO/WE as part of the Federal Council Dispatch on International Cooperation for 2013-2016. On the findings related to cost-effectiveness, we support the view that the most realistic approach to achieving improvements is to call for a more rigorous cost management (based on more detailed budgets), benchmarked overhead costs and a rigorous monitoring of finances linked to progress reporting. We encourage the operational divisions to continue their efforts in this regard.

- **Sustainability:** We are not surprised to see that the picture in terms of sustainability remains practically unchanged (38.1% unsatisfactory/highly unsatisfactory in 2012 compare to an average of 39.7% over the period 2005-12) given the inertia linked to measures addressing the sustainability of development projects. In our view the result is respectable compared to our peers. We have nevertheless taken a number of concrete steps over that last year to address the identified challenges. For instance, we strived to increase the robustness of the "theory of change" of our projects by promoting a wider ownership of logframes by project managers as well as implementing partners and beneficiaries. We also put specific emphasis on the identification of "exit" options when discussing projects at concept and approval stage. We have also started to work more consistently with inception and pilot phases, ensuring deeper needs- and context assessments within the first 6 or 12 months of a project. While we strive for a more systematic and dynamic outcome- and risk-based monitoring reflected in project reports, we acknowledge that our in-house (IT-) system does not yet provide an accurate support tool for the operational divisions and WE management alike to further systematize these efforts. We have also taken the decision to allocate additional human resources to the newly created unit "Quality and Resources". We expect that, over time, these measures should lead to a tighter quality control and generally better structured projects.

Our position and envisaged actions regarding the report's recommendations can be found in Annex 1. We would like to emphasize the following issues:

- On **quality control** and ways to improve the effectiveness of the "Project Cycle Management" (PCM) processes, we have tasked the new "Quality and Resources" division to take stock of the existing procedures and come up with measures and trainings to streamline existing processes. This will be supported by the newly created "Focal Points Controlling", which will, under the guidance of the new division, provide additional expertise within the operational divisions on aspects related to quality control. As a first measure, a leaner project approval process is currently being implemented which will put more emphasis on the strategic foundation or "storyline" of a project at concept stage while, at the decision stage, giving clearer guidance to project teams on minimum requirements and best practices regarding the organizational set up and steering mechanisms of projects.

- On the **follow-up of evaluation recommendations**, we agree on the need to strengthen the institutional learning process through a more consistent feedback loop between project managers, PCM/evaluation specialists and WE Management. We therefore seek to optimize the process of following up evaluations, making sure that the recommendations are thoroughly analyzed, discussed within the teams and with the in-house experts and brought to the attention of WE Management as an input for decision-taking.
- On **ways to address the persisting problems on the level of project steering and monitoring (DAC criterion efficiency)**, we take the recommendations and related findings very seriously, and welcome the support function that the "Quality and Resources" division together with the Focal Points Controlling will provide to the operational teams. However, certain pragmatism is also warranted since in many projects we are working in a multi-donor environment, where decisions on topics like reporting standards and -frequency, financial planning and RBM processes are taken jointly and we will not be able to enforce our requirements unilaterally on our implementing partners. However, where we are in a strong position, say as a single or lead donor, we will strive to further increase our leverage and influence in this regard.
- On **measures to improve efficiency in WE projects**, we support the proposed adjustment in the categorization of the four aspects defining efficiency. We also see the need for a closer collaboration with the implementation agencies in order to reach a better alignment of expectations in terms of quality and the use and monitoring of log-frames. Important efforts have been undertaken in the past year already, and concrete improvements achieved. However, there is no room for complacency, and we will need to continue our efforts to increase the success rate related to the efficiency criterion. As part of these efforts, it will be important to seek for a consistent application of WE's standard indicators as defined in the Federal Council Dispatch on International Cooperation for 2013-2016.



Beatrice Maser Mallor
 Head of Division
 Economic Cooperation and
 Development, SECO



Ivo Germann
 Head of Operations South/East
 Economic Cooperation and
 Development, SECO

1. Table summarizing recommendations from the 2012 report

Recommendations	Position and actions from management	Deadline	Responsibility
<i>On institutional level</i>			
<p>1. To improve effectiveness of the RBM processes within the PCM</p>	<ul style="list-style-type: none"> - WEQA/WEPO shall provide more consistent learning within the PCM based on lessons learnt from project/sector evaluations. - WEQA shall analyze and streamline the various tools, procedures and reports to optimize the administrative burden of the operational divisions and to better monitor risks. - Among others, a leaner project approval process shall improve efficiency and a Management Information System shall reduce risks by serving as an information and decision-making tool to the management 	Q2 2013 / ongoing	WEQA
<p>2. To assure the correct application of quality standards throughout the PCM through a 'focal point controlling'</p>	<ul style="list-style-type: none"> - A so called 'focal point controlling' shall be created within each operational division - The focal point controlling will serve as a first support in terms of quality control related to project approval documents (concept note, decision note, logframe), project monitoring standards (steering and reporting), standard procedures (procurement, audit, financial planning, etc.) and project evaluation (ToRs, selection of consultants, management response), etc. - A close collaboration with WEQA, starting with a needs-assessment and followed by trainings, shall assure the optimal use of the focal points controlling. 	Q3 2013 / ongoing	WEQA / WEPO / WE Operational Divisions
<p>3. To assure a sound follow-up of evaluations by the program officer, in order to strengthen institutional learning</p>	<ul style="list-style-type: none"> - To close the circle between project evaluation and identification / prolongation of new projects efficiently, the following sequencing shall be considered: <ol style="list-style-type: none"> a. Program officer receives evaluation report from evaluation consultant b. Program officer sends report to WEQA c. WEQA prepares evaluation fiche (rating of the project's effectiveness and the quality of the evaluation) d. Evaluation is discussed between program officer and WEQA e. Program officer prepares management response to the evaluation report f. Management response and evaluation fiche are sent to WEOP to serve as input for decision-taking 	Q2 2013	WEQA / WE Operational Divisions

<p>4. To intensify the exchange of lessons learnt from evaluations between WEQA and each operational division.</p>	<ul style="list-style-type: none"> - In a first part, the effectiveness report shall be presented in each operational division. - In a second part, the concrete evaluation examples of the division and the relevant respective conclusions and recommendations (also in terms of evaluation report quality) shall be discussed. 	Q3 2013	WEQA
On operational level			
<p>1. To address the persisting problems on the level of project steering and monitoring (DAC criterion efficiency) with the implementing partners.</p>	<ul style="list-style-type: none"> - WEQA shall develop instructions on what is expected in terms of monitoring and reporting from implementing agencies (a checklist of key issues to be reported on, expectations in terms of logframes throughout the project implementation for the use by the operational divisions, including the focal points controlling.) 	Q3 / Q4 2013	WEQA
Regarding efficiency in SECO/WE Projects			
<p>1. To allow a more differentiated assessment on efficiency by making the aspects defining efficiency more consistent with the practice of project management.</p>	<p>By defining the aspects of efficiency, WEQA shall consider the following</p> <ul style="list-style-type: none"> - WEQA shall integrate 'monitoring' into the aspect 'management'. Monitoring is a precondition for effective project management. In addition, it emphasizes the importance of proper monitoring as a management responsibility. - WEQA shall separate project approach/strategy of intervention from implementation modalities. The project approach/strategy of intervention depends on the context while the implementation modality depends mostly on the implementing agency. - The four aspects would then be: <ol style="list-style-type: none"> 1. Approach 2. Management (including monitoring) 3. Implementation modality (new) 4. Cost effectiveness - WE Operational Divisions shall ensure that their external project evaluations more consistently differentiate amongst the four aspects defining efficiency. 	Q3 / Q4 2013	WEQA / WE Operational Divisions
<p>2. To use logframes throughout the project implementation as a tool for generating the necessary information for better steering of projects.</p>	<ul style="list-style-type: none"> - A closer collaboration with the implementation agencies should lead to a better communication about the expectations in terms of quality and the use of logframes. 	ongoing	WEOP / WE Operational Divisions

2. Status of implementation of the 2011 recommendations

Recommendations	Position and actions from management	Deadline / Responsibility	Status
<p>1. To promote a wider ownership for logframes by implementing partners and beneficiaries</p>	<ul style="list-style-type: none"> - SECO/WE ensures wider ownership of logframes by implementing partners and beneficiaries through a more active consultation during projects' identification process. - WECO ensures that the introduction of standard indicators within SECO/WE projects helps to increase use and utility of logframes among operational units. Those indicators are reflected in the results framework of the Country Strategy Implementation Report - logframe is used as a key project steering instrument and as discussion within steering committee meetings. 	<p>Ongoing / WEMG + operational divisions</p>	<ul style="list-style-type: none"> • WEQA has introduced a log-frame consultation-forum for the operational divisions. They are able to discuss their log-frames with WEQA prior to discussion within the operational-committee. • Standard indicators were introduced as of 1.01.2012 and regularly included into log-frames of new projects. No specific reflection on these indicators within the Country Strategy Implementation Report took place in 2012, since the standard indicators are set on outcome level where no results within new projects were measurable yet.
<p>2. To more systematically and thoroughly discuss efficiency and sustainability related project issues in the Operations Committee</p>	<ul style="list-style-type: none"> - WEOP makes sure that the discussions in the operations committee (OpK) focus not only on the criteria of relevance and effectiveness, but systematically also on efficiency and sustainability. - When approving project documents submitted to the OpK, heads of operational divisions take due attention to these concepts. 	<p>Ongoing / WEMG + WECO in Operations Committee + head of operational divisions</p>	<ul style="list-style-type: none"> • In the OpK discussion, WEOP put specific emphasis on the "storyline" of projects, i.e. the need to provide a convincing story all along the four DAC criteria. Special emphasis was put on the need to explain "exit options" already at project approval stage as a way of dealing with the sustainability criterion in a more consistent way. • WEQA systematically addressed aspects of efficiency and sustainability within new projects discussed in the Operations Committee
<p>3. To further reinforce the concern for sustainability in SECO/WE projects</p>	<ul style="list-style-type: none"> - Operational divisions ensure that broader needs and context assessments at project outset for innovative approaches, or new sectors and countries are conducted. - Operational divisions, with the active support of SECO/WE representations in the field, discuss approach and objectives of a projects in a participatory approach with local partners/stakeholders - Operational divisions use local project 	<p>Ongoing / WEMG and operational divisions</p>	<ul style="list-style-type: none"> • Pilot and inception phases were applied more consistently in WE projects. This allowed to better adjust the project design to the local context, putting more emphasis on the alignment of project objectives to the needs and priorities of beneficiaries. • Efforts to consult project approach and objectives in a participatory way with local

	<p>steering mechanisms for the periodic review of ex-ante defined assumptions and risks as well as related mitigation measures. Such monitoring is reflected in annual operational reports of projects.</p> <ul style="list-style-type: none"> - Operational divisions use inception or pilot phases as a test for the commitment of the clients/local partners. 		<p>partner/stakeholders were increased.</p> <ul style="list-style-type: none"> • Further improvements are expected in this regard as part of the decentralization process, which will go along with increased (expat) staff resources on the ground.
4. To strengthen the collaboration between WECO and operational project managers	<ul style="list-style-type: none"> - Peer-learning between WECO and program managers will be strengthened to enhance the awareness for monitoring and evaluation practices, and to sensitize for operational challenges. WECO shall accompany selected suitable projects together with the project manager from identification, through development of project document (incl. logframe) and approval and throughout the implementation/reporting process. 	Identify suitable projects and 'tandems' by June 2012 / WECO	Within the optimization process of SECO/WE, it has been decided to create "focal point controlling" within each operational unit. They will serve as a first support for the project manager in terms of monitoring and evaluation practices. A better and systematic exchange between WEQA and the operational units will therefore be ensured through the "focal points" instead of punctual tandems.
5. To allocate sufficient (human) resources for an effective results-based project management	<ul style="list-style-type: none"> - WEMG assures to address this issue in the context on the ongoing optimization of SECO/WE structures and resources implement the new framework credit. 	End 2012 / WEMG	Within the optimization process of SECO/WE this point has been taken up by WEMG through the increase of human resources within the new unit for Quality and Resources as well as the allocation of additional human resources within the operational unit for the "focal points controlling".
1. To assure a meaningful / balanced selection of projects to be externally evaluated	<ul style="list-style-type: none"> - WEOP is consulted on the list of planned evaluations, to be submitted by the operational divisions, to strengthen a geographically and thematically balanced choice of external evaluations 	November 2012; from then on annually / WECO	The 2012 report on effectiveness of WE's operation shows that the selection of project evaluations is thematically and geographically well balanced, broadly in line with the allocation of financial resources within the framework credits.
2. To conduct more ex-post evaluations of SECO/WE projects	<ul style="list-style-type: none"> - WECO takes the responsibility to identify one ex-post evaluation per year and per operational division, whereas the final approval of the overall evaluation program remains with WEOP 	June 2012; from then on annually / WECO, WEOP	The request to identify one ex-post evaluation per year and per operational division was discussed at the beginning of 2013 with the operational divisions and WEOP. Due to the high personal shortages during the ongoing WE optimization process of SECO/WE structures, it was decided that at least two operational divisions per year should conduct an ex-post evaluation alternately.

3. To further strengthen the quality of SECO/WE evaluation reports	<ul style="list-style-type: none"> - When identifying reports of unsatisfactory or highly unsatisfactory quality, WECO contacts the concerned operational unit in order to raise the issue, identify the reasons and measures for an improved practice in the future. 	Ongoing / WECO	WEQA has identified two evaluation reports which were rated highly unsatisfactory at the beginning of 2013 and is about to organise an exchange with the concerned operational units.
4. To assure a systematic elaboration of management responses to evaluation reports	<ul style="list-style-type: none"> - WECO revises the guidelines with regard to management responses by integrating a well-defined flexibility to the rule. - Having the overview of the evaluation program, WEOP assures compliance with the adopted policy regarding the establishment of management responses. 	Ongoing / WEOP	Compliance with the adopted policy was assured.
1. Strengthening the assessment of efficiency at project level	<ul style="list-style-type: none"> - See recommendation 2. on planning and implementing projects - SECO/WE operational divisions identify projects that showed weaknesses in terms of efficiency during the mid-term-assessment and put emphasis on these points during the final stage of implementation. 	<p>Ongoing / WEOP</p> <p>Ongoing / SECO/WE operational divisions</p>	Where mid-term assessments were conducted the operational divisions consistently identified ways to improve efficiency of projects, e.g. by setting more realistic timeframes or by optimizing the steering and governance structures on the ground.
2. Improve the evaluability of the efficiency criteria for WE projects	<ul style="list-style-type: none"> - WECO will provide more guidance on how to assess the four key aspects of efficiency (approach, management, monitoring and cost-effectiveness) A set of criteria will be elaborated in collaboration with KEK. - WECO will identify thematic areas/types of projects that would lend themselves best for a pilot exercise of financial analyses. - SECO/WE operational divisions advance the quality and the monitoring of the risk analysis and adopt mitigation measures if needed throughout the project implementation 	<p>September 2012 / WECO</p> <p>September 2012 / WECO</p> <p>September 2012 / WECO</p>	More guidance on how to assess the aspects of efficiency was developed in the thematic part of the annual report on effectiveness 2012 and will be shared with the operation units. The same report made recommendations on how to best include the aspect of cost-effectiveness into WE projects (the planned pilot exercise of financial analysis was cancelled based on the results of the thematic report).

**Position of the External Committee on Evaluation on the
2012 Annual Report on the Effectiveness of Switzerland's
Economic Cooperation and Development and
SECO/WE Management Response**

1. During its tenth meeting on June 24, 2013 members of the External Committee on Evaluation (the Committee) discussed the 2012 Annual Report on the Effectiveness of Switzerland's Economic Cooperation and Development (the Report) as well as the accompanying WECO/WE Management Response on its main findings and recommendations.

2. The Report is the fifth annual Report prepared by SECO/WE Quality and Resources Division (WEQA) within its "Policy and Quality" domain. The Committee praised the Report's high quality and endorsed its main findings and recommendations. The Report includes: (i) a clear aggregate assessment of SECO/WE's performance in delivering aid to developing countries; and, (ii) an independent survey of current practice on how SECO/WE has addressed efficiency weaknesses that were identified in previous reports. When assessing SECO/WE's aid effectiveness the Report rightly emphasizes that, in a fast changing development context, future development cooperation interventions will have to be even more demand-oriented and tailor-made to achieve a lasting impact. Moreover, taxpayers and citizens call for concrete evidence that development interventions yield tangible and sustainable results. Evaluation plays therefore a crucial role in drawing lessons and concrete recommendations on how to identify the most relevant, effective and efficient ways of addressing partner's most compelling needs. The Report is not complacent with respect to evaluation as it correctly underscores that the use of evaluation remains a demanding challenge. In particular, two critical areas need to be further improved: better communication of credible evaluation results and strengthening of the feedback loop from evaluations to management. With respect to the independent survey of efficiency in SECO/WE projects the Committee welcomed the Report finding that past evaluations led to corrective measures in all the projects where efficiency was rated 'unsatisfactory'. It also identifies concrete recommendations aimed at adjusting and improving the use of the four aspects defining efficiency: approach; management (including monitoring); implementation modality; and, cost effectiveness.

3. Given the rolling nature of the 2012 evaluation sample of projects on which the main findings are based, the Report confirms previous trends in results achieved over the last five years. The very nature of the Report is to be mainly a technical document aimed at orienting SECO/WE Management decision making process. But it also ensures accountability and transparency of the overall effectiveness of Switzerland's economic cooperation for development according to internationally recognized OECD/DAC policy, methodology and standards on evaluation. Its intrinsic quality and overall credibility as an accountability instrument have been recently recognized by the 2013 OECD/DAC Peer Review of the Swiss development cooperation policy. The Peer Review states that *"Switzerland has a stronger results orientation based on a thoughtful and pragmatic results management system with an emphasis on learning"*.
4. The Committee shares the positive view expressed by SECO/WE Management in its Response as the Report confirms the positive performance levels seen in previous years. The positive rating (76.2%) of all externally evaluated projects receiving a rating of 'highly satisfactory' or 'satisfactory' is a noteworthy result. This not only in comparison with the performance achieved by other international donors but also when considering the political and economic uncertainty prevailing in North Africa and the Middle East as well as the multiple domestic political challenges and organizational changes that SECO/WE had to face and implement during 2012. Nevertheless, this positive overall assessment should not lead to complacency as the Report identifies some persisting structural weaknesses as well as room for further improvement, in particular with regard to the OECD/DAC evaluation criteria "efficiency" and "sustainability" that continue to show some persisting weaknesses. The relatively poor performance of the latter criterion confirms that delivering aid project that continue to provide their benefits after project completion remains demanding. A renewed effort on ex-post evaluation is therefore warranted to give insights into this crucial aspect and alert Management about promising remedial actions.
5. The Committee was especially pleased to learn that SECO/WE Management had taken an important decision at the institutional level: to further enhance WE's expertise and manpower dedicated to the aspects of quality control as well as monitoring and evaluation. This has happened through the establishment of a new "Quality and Resources" division (WEQA) within the "Policy and Quality" domain at SECO/WE. This organizational measure shows that SECO/WE Management has taken genuinely and in a systemic way the recommendations on quality issues expressed in some past independent evaluation reports. This organizational change has the potential to ensure that WEQA establishes itself as a solid service provider to WE's Management and staff of the operational divisions. This should materialize by helping them to develop the most appropriate tools and processes aimed at ensuring the mainstreaming of quality standards and procedures from project identification throughout its implementation to project closing and evaluation. All this would be supported by the newly created "Focal Points Controlling" which would provide additional expertise to operational colleagues on quality control.

6. The Committed discussed a few specific findings and recommendations and the related responses by SECO/WE Management, in particular:
- The view expressed by Management that strong local presence and decentralized project monitoring and steering are potentially important factors affecting efficiency of operations. The Committee considers that assessing this particular aspect, in particular cost management, benchmarked overhead costs and monitoring of finances linked to progress reporting, should be an important feature to be analyzed thoroughly in the 2013 and following Reports.
 - On ways to address with the implementing partners the persisting problems on the level of project steering and monitoring the Committee shares the Management view. A certain degree of pragmatism is necessary when defining what is expected in terms of monitoring and reporting from implementing agencies. Especially when the implementing agency is fully reliable, very professional and a long term partner of SECO/WE.
 - To allow a more differentiated assessment on efficiency it makes a lot of sense to integrate 'monitoring' into the 'management' aspect. Monitoring is a precondition for effective project management and is also a key management responsibility.
7. In **conclusion**: the Committee recommends the disclosure of the 2012 Annual Effectiveness Report as well as the SECO/WE Management Response and the Position of the External Committee on Evaluation on SECO internet website. The Committee welcomes the renewed positive results that have been achieved but emphasizes that there is room for additional improvement, especially in the areas of sustainability and efficiency. The establishment of a new "Quality Resources" division represents therefore a great opportunity for enhancing the strategic importance of quality issues and securing a more integrated quality management within SECO/WE, especially through more appropriate and consistent learning tools and processes.

Chairman of the External Committee on Evaluation



Pietro Veglio

Committee members:

Gilles Carbonnier

Susanne Grossmann

Felix Gutzwiller

Christoph Stückelberger



2012 ANNUAL REPORT

on

THE EFFECTIVENESS OF SWITZERLAND'S ECONOMIC COOPERATION AND DEVELOPMENT

**Economic Cooperation and Development Division
Quality and Resources (WEQA)**

August 2013



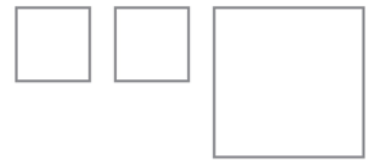


Table of contents

Executive Summary p. 3

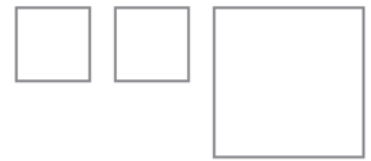
Part I Assessing SECO/WE's performance

1. Aid effectiveness in the international context	p. 4
2. SECO/WE's portfolio performance in 2012 and in the period 2005-2012	p. 5
2.1 Overall project performance	p. 5
2.2 Results according to the DAC evaluation criteria	p. 5
2.3 Types of evaluations and geographical distribution of evaluations	p. 7
2.4 Quality of evaluation reports	p. 7
2.5 Results of internal reviews	p. 8
2.6 Experiences with the follow-up of evaluations through management responses	p. 8
3. Conclusions	p. 9
4. Recommendations	p. 10
5. Outlook for 2013	p. 11

Part II Capacity development (CD) in SECO/WE programmes

1. Introduction	p. 12
2. Conceptual Frame for Assessment	p. 12
3. Results of Survey / Findings	p. 13
3.1 The aspects of efficiency	p. 13
3.2 Approach / Strategy of Intervention	p. 13
3.3 Implementation Modalities	p. 14
3.4 Steering Mechanism / Set-up / Monitoring	p. 14
3.5 Cost - Benefit Aspects	p. 14
4. Recommendations	p. 15
Annex 1: Evaluation exercises conducted in 2012	p. 16
Annex 2: List of Projects and of Persons interviewed for part II of the report	p. 18





Executive Summary

SECO/WE reports annually on the effectiveness of its interventions. The objectives are accounting for results and, at the same time, improving future interventions based on past experiences. As in previous years, the first part of the Effectiveness Report examines the performance of Switzerland's Economic Cooperation and Development in implementing its aid activities. The second part focuses on a specific thematic issue. This year's report looks at SECO/WE's current practice in terms of assessing and improving the DAC evaluation criteria 'efficiency'.

Part I – Assessing SECO/WE's performance

SECO/WE's portfolio success rate in 2012 is estimated at 76.2% satisfactory projects, confirming the high performance levels seen in previous years. The 2005-2012 analysis is based on 166 external evaluations and reveals a success rate of 77.1% satisfactory projects. Considering the difficult environment in which development cooperation takes place and compared to the performance achieved by other donors and multilateral institutions, SECO/WE achieves good and credible results.

Weaknesses identified are in line with past analysis and show room for improvement with regard to the DAC evaluation criteria 'efficiency' and 'sustainability'.

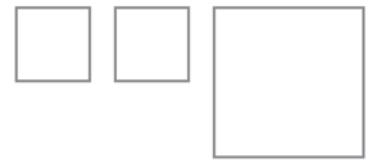
Part II – Efficiency of aid projects

Against the background of weaknesses identified in the past, a survey of SECO/WE projects on current practices was conducted. The analysis shows that aspects defined by SECO/WE to assess efficiency cover the criterion adequately. The survey results further show that project evaluations led to corrective measures in all projects where efficiency was rated 'unsatisfactory'.

The two parts highlight similar recommendations to improve efficiency. First, it is advised to use logframes for better monitoring throughout the whole project cycle. This would help generate the necessary information to better steer projects. Second, it is recommended to have a closer collaboration and communication with implementing agencies regarding these issues. Expectations in terms of logframes, monitoring and reporting should be addressed with implementing agencies.

As in previous reports, this year's Effectiveness Report examines in Part I the performance of Switzerland's Economic Cooperation and Development in implementing its aid activities. This year, Part II focuses more thoroughly on the DAC evaluation criterion of efficiency. For this part, an external consultant was mandated to evaluate how SECO/WE has addressed efficiency weaknesses that were identified in previous years.





Part I: Assessing SECO/WE's performance

1. Aid effectiveness in the international context

In a fast changing development context, where 'new' actors have an increasing influence on the development of our partner countries, the role and the significance of official development cooperation is a changing one. The following topics influence, among others, the latest international discussions on effectiveness and evaluation:

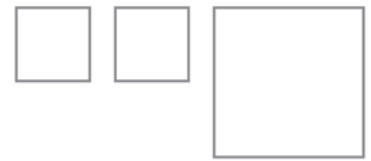
The economic and financial development of emerging markets has an increasing development effect on poorer countries through south-south cooperation. The needs and expectations of our partner countries are therefore changing and so do the requirements on development cooperation. Future development cooperation interventions will have to be even more demand oriented and tailor made in order to have a satisfactory impact. At the same time, the pressure of donor-governments on development cooperation budgets remains high and taxpayers continue to call for more evidence that development interventions yield sustainable results. Evaluation plays a crucial role in both described contexts, as it aims at acquiring concrete lessons and recommendations on how to identify the most efficient and effective ways of addressing relevant partner's needs.

The Independent Evaluation Group (IEG) of the World Bank Group (WBG) puts evaluation in focus by publishing its first Annual Report in 2013, presenting the evaluations conducted during fiscal year 2012. The report presents a particularly interesting survey on IEG's impact on the WBG's performance. Different stakeholders of the WBG were asked to judge whether IEG's recommendations to improve the effectiveness of the WBG were actually showing a positive impact. Around 40% of respondents believe that the influence of IEG's work on the World Bank Group is between moderate and nil. This confirms what is currently on the agenda of international evaluation networks: the need to improve the use of evaluation. Two areas of intervention are currently discussed: Firstly, better communication of evaluation results towards external stakeholders shall have a positive impact on the general understanding of development issues and what can realistically be expected in terms of results. Secondly, there is a need to strengthen the feedback loop from evaluations to management; evaluations shall allow for an evidence-based decision taking in order to sustainably strengthen effectiveness.

The topic of Results Based Management (RBM) was on the agenda of the 14th Meeting of the OECD-DAC Network on Development Evaluation. Different studies were summarized¹ and the discussion showed, that the basic idea is not contested: development cooperation reaches better results if objectives are set at outset, while progress is monitored throughout the process. A shared struggle lies in obtaining high-quality monitoring data that can finally be aggregated to a higher level. Another discussion concerns the cost-efficiency of RBM. Here, the question is at what point the resources needed to gather reliable data outreach the potential gain in effectiveness. DAC Evalnet participants agreed on the need for future studies to answer this question.

¹ 'The clash of counterbureaucracy' - about implementation of RBM at the USAID, Andreas Natsios (2010); Evaluation of Result Based Approach by Ministry of Foreign Affairs in Finland (2011); Evaluation of Results Management in Swedish Development Cooperation, by Statskontoret (2011); Report on Donor Result Reporting by Gilroy Management with experiences from USA, Germany and UK (2011); Evaluation of RBM at the ASDB (2010, 2012).





2. SECO/WE's portfolio performance in 2012 and in the period 2005-2012

2.1 Overall project performance

SECO/WE's annual project performance is based on the assessment of all externally evaluated projects conducted in one year². Evaluated projects are rated along four scaling categories (see table 1). All the four scaling categories for 2012 are more or less in line with results of past years³. In 2012 76.2% of all externally evaluated projects were rated highly satisfactory or satisfactory. One project rated highly unsatisfactory lead to 4.8% of projects by that rating, reflecting the small size of the sample. The aggregation of data over a longer period, representing 166 external evaluations between 2005 and 2012, allows for a sounder performance rate of SECO/WE's operations.

Table 1
Project performance according to the 2012 external evaluations
(comparison over the period 2005-2012)

	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory	
	2005-12	2012	2005-12	2012	2005-12	2012	2005-12	2012
All WE	5.4%	4.8%	71.7%	71.4%	21.7	19%	1.2%	4.8%

Summing up the percentage of highly satisfactory and satisfactory projects, leads to a success rate of 77.1% over eight years. Taking into account the challenging and changing environments combined with the in-built risks of innovation that development cooperation is confronted with, this is seen as a good and realistic result among the donor community.

Nevertheless it remains important to note, that the evaluation sample cannot be regarded as representative of SECO/WE's overall portfolio. The projects evaluated are chosen by the operational divisions, as external evaluations shall serve to identify potential adjustments for better performance on relevance, effectiveness, efficiency and sustainability. Evaluations might set the ground to terminate a project at an early stage or to replicate or scale-up a successful project. Because of this selection policy, the projects evaluated do not represent SECO/WE's portfolio in terms of line of intervention and modality of implementation.

2.2 Results according to the DAC evaluation criteria

In line with the results achieved over the last seven years, SECO/WE's projects and programmes are rated highly relevant and show good results in terms of effectiveness: In 2012 only 4.8% of SECO/WE's interventions were rated non-relevant⁴ and 85.7% showed good results in terms of effectiveness. Improvement is seen in terms of efficiency (61.9% for 2012 compared to 43.4% in 2011; with an average of 55.4% over the period 2005-2012). The picture in terms of sustainability remains practically unchanged (38.1% unsatisfactory/highly unsatisfactory in 2012 compared to an average of 39.7% over period 2005-2012).

²The analysis 2012 is based on 21 external evaluations and 35 internal reviews. For information on evaluations conducted by sector and year as well as the methodology applied, see Annex 1.

³From 2005-2012 166 external evaluations were conducted.

⁴The high percentage of projects not assessed in terms of relevance leads to a comparatively lower positive rate and is due to evaluations with a specific focus not assessing all DAC criteria.



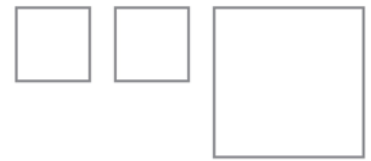


Table 2
Project performance by criteria, according to 2012 external evaluations

2012	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory		Not Assessed / Not Demonstrated	
	Number	%	Number	%	Number	%	Number	%	Number	%
Relevance	6	28.6%	10	47.6%	1	4.8%	0	0%	4	19%
Effectiveness	2	9.5%	16	76.2%	3	14.3%	0	0%	0	0%
Efficiency	2	9.5%	11	52.4%	5	23.8%	3	14.3%	0	0%
Sustainability	0	0%	7	33.3%	5	23.8%	3	14.3%	6	28.6%

28.6% of projects evaluated in 2012 were not rated with respect to the sustainability criterion. This is because several evaluations did not aim at assessing all DAC criteria and also, because a high percentage of them were mid-term evaluations, where it is often too premature to rate sustainability.

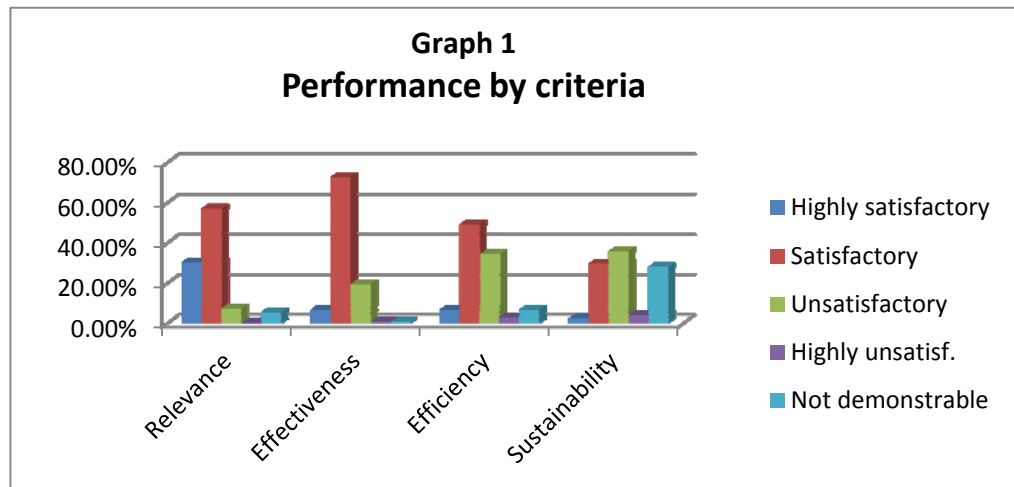
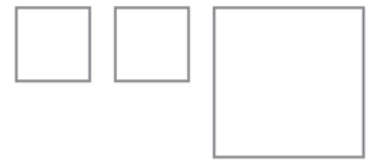
Table 3
Project performance by criteria, according to 2005-2012 external evaluations

2005-2012	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory		Not Assessed / Not Demonstrated	
	Number	%	Number	%	Number	%	Number	%	Number	%
Relevance	50	30.1%	94	56.6%	12	7.2%	0	0%	10	6.0%
Effectiveness	11	6.6%	121	72.9%	32	19.3%	1	0.6%	1	0.6%
Efficiency	11	6.6%	81	48.8%	58	34.9%	5	3%	11	6.6%
Sustainability	4	2.4%	49	29.5%	59	35.5%	7	4.2%	47	28.3%
Total	10	6.0%	116	69.9%	37	22.3%	3	1.8%	0	0%

The weaknesses in terms of efficiency and sustainability are persisting. However, it is important to note that comparatively lower ratings in terms of efficiency do not necessarily mean that the evaluated projects are not cost-efficient. It means that 38.1% of the projects show weaknesses in at least one of the four aspects of efficiency that are assessed by SECO/WE: Cost-efficiency, approach, management or monitoring. Such weaknesses could be a delay in project implementation, incomplete data collection, or inappropriate management structures.

With regard to sustainability, ex-post evaluations are better timed to rate achievements. Therefore, a comparison of the sustainability rating with the respective ratings of all ex-post evaluations so far conducted (10 since 2009) is interesting here. It reveals that the 2012 percentages from external evaluations are roughly in line with the average of all ex-post evaluations (40% satisfactory, 40% unsatisfactory, 20% not defined). Unfortunately, the sample of ex-post exercises is not representative of SECO/WE's portfolio.





2.3 Types of evaluations and geographical distribution of evaluations

In 2012, 64.9% of evaluations were conducted at project mid-term. This allows the operational divisions to react early on to risks and challenges. Only one evaluation was conducted 2 to 5 years after project completion; a so called ex-post evaluation.

The geographical distribution of evaluations conducted in 2012 shows the following picture: almost half of the evaluations cover global programs, while 28% cover SECO/WE priority countries in the South, 19% SECO/WE priority countries in Eastern Europe and the CIS and 5% former priority countries, respectively actual SDC priority countries. This picture is roughly in line with what is foreseen in terms of disbursements under the current parliamentary bill (2013 -2016)⁵, the selection of evaluations can therefore be seen as balanced in terms of geographical distribution.

2.4 Quality of evaluation reports

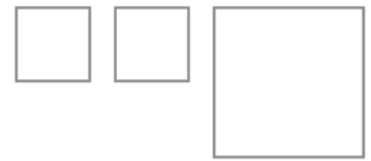
The quality of the evaluation reports is also assessed annually. It takes into account the process, methodology, application of evaluation standards, responses to evaluation questions and criteria, as well as the quality of final report. The rating also applies a four-point scale, from highly satisfactory to highly unsatisfactory.

**Table 4
Quality of evaluation reports in 2012 and for the period 2005-2012**

	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory	
	Number	%	Number	%	Number	%	Number	%
All WE 2012	2	9.5%	15	71.4%	2	9.5%	2	9.5%
All WE 2005-2012	39	23.5%	95	57.2%	27	16.3%	5	3%

⁵ According to the frame credit for the South, 50% of the budget shall be allocated to SECO/WE priority countries in the southern hemisphere and 50% to global programs or projects in SDC priority countries. For priority countries in Eastern Europe and the CIS no such allocations have not been made.





The quality of the evaluation reports has slowly but steadily increased. While in 2009, 33% of the reports were below standard, in 2010 the number dropped to 23%, in 2011 to 21.7% and in 2012 to 19%. The encouraging trend is blurred by the fact that two of the 2012 reports were of highly unsatisfactory quality, taking into account that since 2005 only three other reports had been equally rated. Both cases were not conducted according to OECD-DAC standards. Their structure was unclear, the applied methodology weak and the analysis not transparent. The weak quality clearly undermined the ultimate objective of evaluation itself, namely accountability and learning.

2.5 Results of internal reviews

The 35 internal reviews and completion notes conducted in 2012 show, compared to former years, an even more positive picture with 91.4% of operations being assessed positively in terms of results achievement.

Table 5
Project performance according to 2012 internal reviews

2012	Highly Satisfactory		Satisfactory		Unsatisfactory		Highly Unsatisfactory	
	Number	%	Number	%	Number	%	Number	%
All WE	9	25.7%	23	65.7%	2	5.7%	1	2.8%

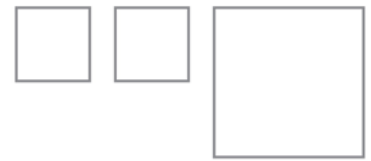
With only one exception, projects that did undergo an external evaluation were not subject to Completion Notes for the same year. Consequently, a comparison between the assessment of SECO/WE's portfolio by the external evaluators and by SECO/WE's operational staff offers very limited conclusions. Generally, it becomes obvious that operational staff has a less critical view on its own operations than what an external view can provide; a phenomenon that can be explained to a certain extent by the ownership of the SECO/WE program officers. Nevertheless, a more critical view would be desirable as often critical points/room for improvement is being identified but not taken into account when applying the project rating. In addition, it needs to be mentioned that WE projects are not systematically submitted to an evaluation at their end.

2.6 Experiences with the follow-up of evaluations through management responses

Since 2010, the evaluation policy requires the systematic elaboration of a management response for each externally evaluated project. The management response aims at ensuring reflection and follow-up measures on the conclusions and recommendations identified during the evaluation process and represents at the same time an important knowledge-management tool, documenting decision taking.

In 2012 for 18 out of 21 evaluations a management response was elaborated by SECO/WE or by the concerned implementing agency. Three evaluations on the strategy of a multi-donor facility, follow-up the conclusions and recommendations with a discussion among the donors concluding in an adaptation of the future strategy.





3. Conclusions from statistical analysis

Even though the methodology applied has its limitations, the continuity in results, repeatedly pointing at the same strengths and weaknesses, underpins the credibility of this report.

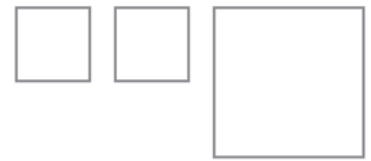
In terms of DAC criteria the analysis leads to the following conclusion:

- **Relevance:** For the large majority of projects, SECO/WE's activities are highly relevant: They focus on the right area of support, are well aligned with the beneficiaries' priorities and responsive to their needs and keep with SECO/WE's comparative advantages. Few reports, however, provide an indication of the coherence of the interventions with SECO/WE's overall strategy/country strategies, nor of their complementary nature with respect to other donors' activities.
- **Effectiveness:** SECO/WE is achieving concrete results in the implementation of its projects/programmes. While such results are well reported at output levels, evaluations continue to show weaknesses in reporting at the level of outcomes and possible impacts due to weaknesses in project monitoring as well as persisting challenges in attributing such results to SECO/WE's interventions.
- **Efficiency:** The results shown under this criterion improved compared to past years, but still show weaknesses. The amplitude of the criterion, thus encompassing quantitative economic considerations as well as qualitative aspects in terms of project approach, management and monitoring, explains the measurement difficulties related to it. Unrealistic timeframes foreseen for the achievement of objectives as well as the lack of project steering to address changing needs resp. arising risks are often seen as reasons for a negative rating. As mentioned before, this year's thematic part of the Effectiveness Report looks in more detail at current practices within SECO/WE projects and aims at identifying concrete recommendations on how to improve efficiency (see chapter 2).
- **Sustainability:** This criterion continuously performs the poorest. Acknowledging the shared challenges in the field of development cooperation to deliver projects that continue to provide their benefits after project completion, ex-post evaluations are better placed to give insights in this regard as they take place two to five years after project end. The ex-post evaluation carried out in 2012 assessed the sustainability positively.

Despite the recommendation adopted by the management response 2011 to conduct one ex-post evaluation per year and operational division, the new policy has not been implemented and only one ex-post evaluation was carried out in 2012.

In general, it can be concluded that, considering the challenging environment in which development cooperation takes place, SECO/WE achieves good and credible results that are largely in line with the performance achieved by other donors and multilateral institutions. The projects evaluated in 2012 reflect SECO/WE's geographic priorities as well as the resource allocation for global programmes and will therefore allow to contribute to account for the bill 2013-2016 as a whole. The comprehensive follow-up of each evaluation by a management response is a positive development in 2012, even though variability from one year to another seems still possible under the current policy - reason for this report to come up with a recommendation in this regard. Another positive conclusion is the continued improved quality of evaluation reports, as quality evaluations are a condition for optimizing the use of evaluation findings. Nevertheless, as long as there are unsatisfactory evaluation reports, efforts in this respect should be continued.





4. Recommendations

The evaluations of SECO/WE's projects show consistently satisfactory results. However, repeated findings and recommendations in past years effectiveness reports illustrate persisting issues in terms of quality management at SECO/WE.

This year's report concentrates on fewer recommendations than in previous years. Fewer recommendations shall assure that the management and the operational divisions really consider them in their daily work. At the same, the evaluation team will actively support the implementation of recommendations and assume a closer monitoring.

Institutional level:

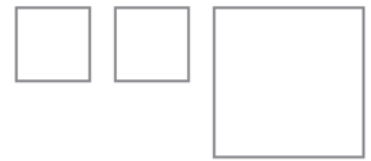
SECO/WE undergoes an internal reorganization. The creation of the division WEQA **shall give quality more weight and secure a more integrated quality management**. WEQA wants to establish itself as a service provider to WE and its operations. It would like to strengthen the regular exchange of ideas and expectations. Ultimately, this should improve WEQA's understanding of WE's needs and help develop the tools to improve its effectiveness and efficiency.

- WEQA shall improve effectiveness by providing more consistent learning. Further, WEQA will analyse and streamline the various tools, procedures and reports to optimize the administrative burden of the operational divisions and to better monitor risks. Among others, a leaner project approval process shall improve efficiency and a Management Information System shall reduce risks by serving as an information and decision-making tool to the management.
- Within each operational division, a so called 'focal point controlling' is being created. This function shall **assure the correct application of quality standards and procedures from project identification, throughout its implementation to project closing and evaluation**. The focal point controlling will serve as a first support in terms of preparation of project approval documents (concept note, decision note, logframe), project monitoring standards (steering and reporting) and project evaluation (ToRs, selection of consultants, management response), etc. A close collaboration with WEQA, starting with a needs-assessment and followed by trainings, shall assure the optimal use of the focal points controlling.

Interaction between WEQA and operational divisions:

- WEQA would like to stress the importance of a **sound follow-up of evaluations** by the program officer, with the aim to have a better follow-up of the report's recommendations and to strengthen institutional learning. WEQA suggests to enforce the following sequencing:
 1. Program officer receives evaluation report from evaluation consultant
 2. Program officer sends report to WEQA
 3. WEQA prepares evaluation fiche (rating of the project's effectiveness and the quality of the evaluation)
 4. Evaluation is discussed between program officer and WEQA
 5. Program officer prepares management response to the evaluation report
 6. Management response and evaluation fiche are sent to WEOP to serve as input for decision-taking
- WEQA envisages an **exchange of lessons learnt from evaluations within each operational division**. In a first part, the effectiveness report will be presented. In a second part, the concrete evaluation examples of the division and the relevant respective conclusions and recommendations (also in terms of evaluation report quality) are discussed.





Operational level:

- As all of SECO/WE's projects are implemented by external agencies, it becomes obvious that the persisting problems on the level of project steering and monitoring (DAC criterion efficiency) have to be addressed with the implementing partners. Instructions on **what is expected in terms of monitoring and reporting from implementing agencies** (a checklist of key issues to be reported on, expectations in terms of logframes throughout the project implementation shall be developed by WEQA for the use by the operational divisions, including the focal points controlling.
Based on a finding from last year's report and in the same way addressing Implementing Agencies, a manual on capacity development is being prepared by WEQA in collaboration with KEK.⁶ The manual identifies project milestones and crucial issues to take into account in order to maximise the use and impact of capacity development. In line with the manual, is a short check-list about monitoring capacity development interventions for program officers and field staff.

5. Outlook for 2013

SECO/WE's operational divisions are planning to conduct a total of 39 evaluations in 2013. The evaluation programme is tentative and will be updated regularly and posted on the SECO/WE website.

Table 6
Tentative evaluation programme for 2013

2013	Internal Reviews		External Evaluations	TOTAL
	Completion Notes	Others ⁷		
WEMU	7		4	11
WEIN	2		2	4
WEIF	7		3	10
WEHU	3		11	14
TOTAL WE	19		20	39

For 2013, the programme of the SECO/WE evaluation function includes:

- finalization of the independent evaluation on SECO/WE's activities in sustainable trade promotion and Aid for Trade,
- elaboration of the SDC/SECO 2014 Effectiveness Report on activities in the field of climate change,
- launch of an independent evaluation on SECO/WE's activities in the infrastructure domain,

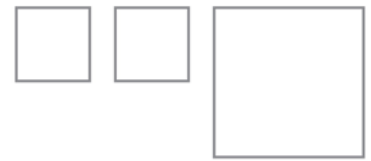
These three exercises are commissioned by WEQA and under the supervision of the external Evaluation Committee.

For the 2013 Annual Report on SECO/WE's effectiveness, it is planned to review the structure and content of the report with regard to potential synergies with other reports of SECO/WE. Furthermore, existing tools of results monitoring within WE interventions should be analysed in order to contribute to a systematic and PCM-based understanding of RBM and evaluation. This should set the ground in order to strengthen interlinkages between the existing tools of WE on M&E and RBM.

⁶ KEK-CDC consultants is a strategic partner of SECO/WE in the area of quality assurance.

⁷ This includes internal reviews conducted by the programme officer in charge of the project within WE or by the partner agency implementing the project.





Part II: Efficiency in SECO/WE Projects - Survey of Current Practice

1. Introduction

In the context of the debate on aid effectiveness and based on repeatedly identified efficiency-weaknesses in terms of the DAC evaluation criteria, SECO/WE is reviewing its operations with regard to 'efficiency'. The purpose of the review is to further improve 'efficiency' in a comprehensive manner and to analyse the meaningfulness to conduct cost-benefit analysis at SECO/WE.

In a first part of the review, a comparative study of various donors' approach to 'efficiency' was conducted in 2011⁸, with the specific objectives of:

- Assessing the current trends and debates in international development concerning the understanding and assessment of 'efficiency';
- Reviewing SECO/WE's current practice and relate it to said trends.

The second part, presented in this year's report, consists of a survey that analysed 13 SECO/WE projects. Out of these, 9 projects had been rated unsatisfactory in terms of efficiency when evaluated externally. 4 additional projects represented the typical implementation modalities of SECO/WE. 22 staff, including Program Officers at the Head Office, field staff from SECO/WE as well as from implementing agencies were interviewed (Annex 2: Overview of projects and persons contacted).

The survey first looked into whether and which measures were taken to improve the projects and second to what extent these measures focused on efficiency.

2. Conceptual Frame for Assessment

SECO/WE assess efficiency according to the DAC-definition. These 4 aspects are looked when analysing efficiency⁹:

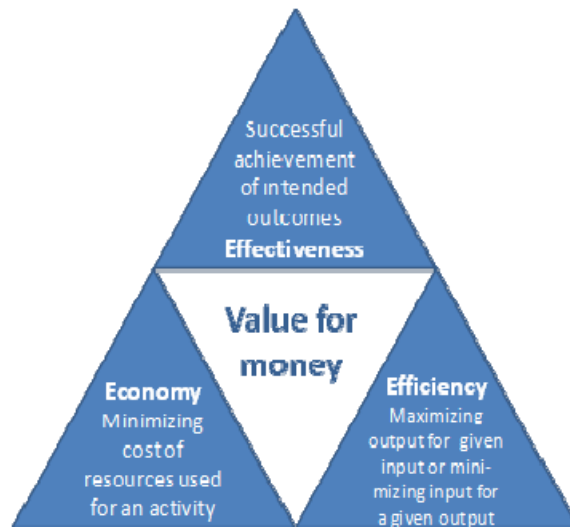
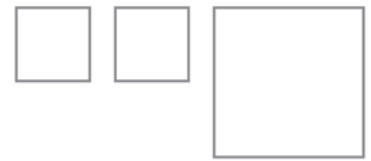
1. Approach: The extent to which the chosen approach or implementation modality is best suited for achieving the intended results.
2. Management: Management and steering mechanisms are in place and adequate for the efficient implementation of the activities.
3. Monitoring: The monitoring system is designed (logframe) and effectively used to produce relevant information for steering (and reporting).
4. Cost effectiveness: In a broad sense the ratio of resources used to results achieved.

Efficiency (DAC-Definition) Efficiency measures the outputs -- qualitative and quantitative -- in relation to the inputs. It is an economic term which signifies that the aid uses the least costly resources possible in order to achieve the desired results. This generally requires comparing alternative approaches to achieving the same outputs, to see whether the most efficient process has been adopted

⁸ 2011 Annual Report on the Effectiveness of Switzerland's Economic Cooperation and Development: [Annual report on Effectiveness 2011](#)

⁹ According to Scoring Chart of SECO/WE





By considering different dimensions of efficiency, the concept of SECO/WE encompasses in principal the model of 'value for money' introduced by DFID and adapted by OECD/DAC Working Group, which does not look exclusively at cost-effectiveness but takes a broader view at the interdependences between results (effectiveness) and cost (economy).

3. Results of Survey / Findings

The survey shows clearly that project evaluations led to corrective measures in all the projects where efficiency was rated 'unsatisfactory'. In one or two cases identified measures could not be implemented due to institutional constraints. Otherwise all adjustments appear to be relevant in terms of efficiency.

3.1 The aspects of efficiency

The four aspects (approach, management, monitoring, cost effectiveness) used by SECO/WE to assess efficiency cover the criteria adequately at the level of projects and programs. To some extent they also cover efficiency issues at corporate level. At the same time, the survey shows that demarcating the aspects differently would allow for a more specific assessment. Chapter 4 recommends how the aspects could be better defined.

3.2 Approach / Strategy of Intervention

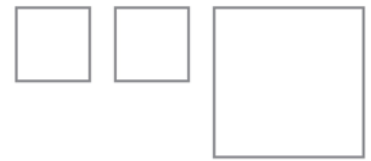
The assessment shows the importance of identifying the appropriate strategy of intervention in the designing/planning phase. Considering the difficulties of cost-benefit analyses (CBA), it is not meaningful to base the selection of the approach on purely economic assessments in all projects / sectors.

Trade cooperation Serbia

The Trade Cooperation Program (Phase II) with Serbia was implemented as an "integrative" trade promotion package by SECO from 2005 until December 2007. Under a programmatic approach trade policy (WTO accession), trade efficiency (railway traffic performance & railway customs operations) and trade promotion (export market access for SMEs & adoption of GLOBALGAP standards by agro-exporters) were addressed. An evaluation in 2008 found that the programmatic approach of linking policy- with micro-level is valid, but did not work in practice due to project contents being too diverse. Furthermore, embedding of the railway customs services in the broader program of developing the railway infra-structure proved to be inefficient. Delays in the bigger program affected performance of both projects. Based on this learning, SECO decided to continue the TCP by an integrated approach, but with a clear focus on the value chain. This helped to design a coherent package of projects ranging from enhancing the exports of agro-industrial products through developing and enforcing international standards to recognizing intellectual property rights such as geographical indications. The recognition of WTO rules finally ensured the sustainability of the whole process.

A general understanding exists regarding cost sharing as a means not only to improve sustainability but also efficiency. Local contributions make beneficiaries become more cost-conscious and make them more likely to demand affordable services.





3.3 Implementation Modalities

The implementation of projects through multi-lateral and/or competent development organizations and consultants is an efficient option for SECO/WE, provided a number of preconditions are fulfilled:

- High competence and good performance of implementing agencies, in particular where highly specialized expertise is required,
- long-term partnerships with implementing agencies and mutual agreements on approaches,
- steering mechanisms which allow SECO/WE to accompany the implementation closely enough to participate in decisions-taking in a meaningful manner, based on relevant information.

Crisis response Ukraine

In 2009 SECO and the International Finance Corporation jointly launched a holistic project to mitigate the effects of the financial crisis on the economy in Ukraine. Given the complex and urgent nature of the emergency no ready-made strategy was available. Likewise there was no time for systematically evaluating different approaches before starting implementation and specialized expertise (e.g. capacity building for insolvency administrators) was required. In this situation, successful implementation depended on the competence of specialists, for instance for insolvency reforms, non-performing loans and distressed asset transfers. The IFC provided experts who could draw on additional resources in the country as well as at a global level. Building on its longstanding cooperation with IFC, SECO was involved in the strategic steering of the project in the frame of a 6-month reporting cycle. Furthermore, the presence of a local SECO-representation was an asset for effective and efficient communication and decision-making.

Tendering is a valid option for SECO/WE to assess different approaches to a project and at the same time to have a clear picture of the cost involved and of the capacity and competence of the implementing agency, as implementers have to describe these issues explicitly in their offer. Since tendering is mandatory for most projects, this observation suggests to go for tendering even where it is not mandatory. A necessary condition for this option is the capacity of SECO to handle high qualitative tendering processes.

3.4 Steering Mechanism / Set-up / Monitoring

The survey provides evidence that the decentralization process of SECO/WE allows for a closer follow-up of projects. All parties interviewed (SECO/WE & Implementing Agencies) agreed that local presence and decentralized project monitoring and steering has a strong impact on efficiency of operations. It provides for a better, continuous observation of the context (risk assessment), better networking and dialogue with partners and more direct participation in decision-making, all of which is fostering timely, informed and adequate decisions.

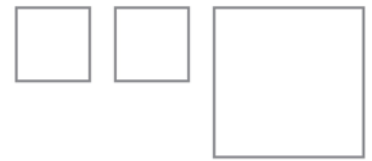
Providing the necessary up-to-date information for decision-making requires a good monitoring system, which is still not a readily available feature in all projects. Likewise, SECO/WE's field offices could be better integrated into the information flow by providing access to all respective monitoring data.

3.5 Cost - Benefit Aspects

The key to efficiency is the relevance of a project and the approach chosen rather than the systematic cost-benefit assessments. The latter are useful to assess and compare approaches where this can be done with methodologically simple cost-benefit calculations. However, where this is possible only with sophisticated economic assessments, the efficiency of the tool itself is questionable.

In such cases substitutes like rough comparisons of overhead budgets and/or relations between (relatively) simple outcome indicators and cost (e.g. cost / new job created) will be the most realistic form of an economic ex-ante assessment of approaches.





Given the methodological challenges of a sound cost-benefit analysis, other methods were used in the surveyed projects:

- A more rigorous cost-management by means of more detailed budgets,
- benchmarked overhead costs,
- both combined with a rigorous monitoring of finances and linked to progress reporting.
- Identification of key indicators that can be put into relation with overall cost (e.g. outreach: cost / person benefiting from a project).

4. Recommendations

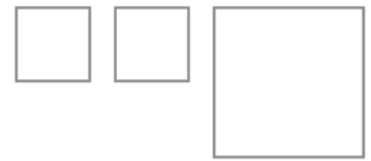
Based on the above conclusions the following recommendations are made:

- SECO/WE is advised to slightly adjust the four aspects defining efficiency. SECO/WE has a scoring chart dividing the DAC-evaluation criteria into a number of aspects. This allows for a more differentiated assessment. To make the aspects more consistent with the practice of project management, the following adjustments are recommended:
 - a) Integrate 'monitoring' into the aspect 'management'. Monitoring is a precondition for effective project management. In addition, it emphasizes the importance of proper monitoring as a management responsibility.
 - b) Separate project approach/strategy of intervention from implementation modalities. The project approach/strategy of intervention depends on the context while the implementation modality depends mostly on the implementing agency.

The four aspects would then be:

1. Approach
 2. Management (including monitoring)
 3. Implementation modality (new)
 4. Cost effectiveness
- Use logframes throughout the project implementation as a tool for generating the necessary information for better steering of projects. A closer collaboration with the implementation agencies should lead to a better communication about the expectations in terms of quality and the use of logframes.



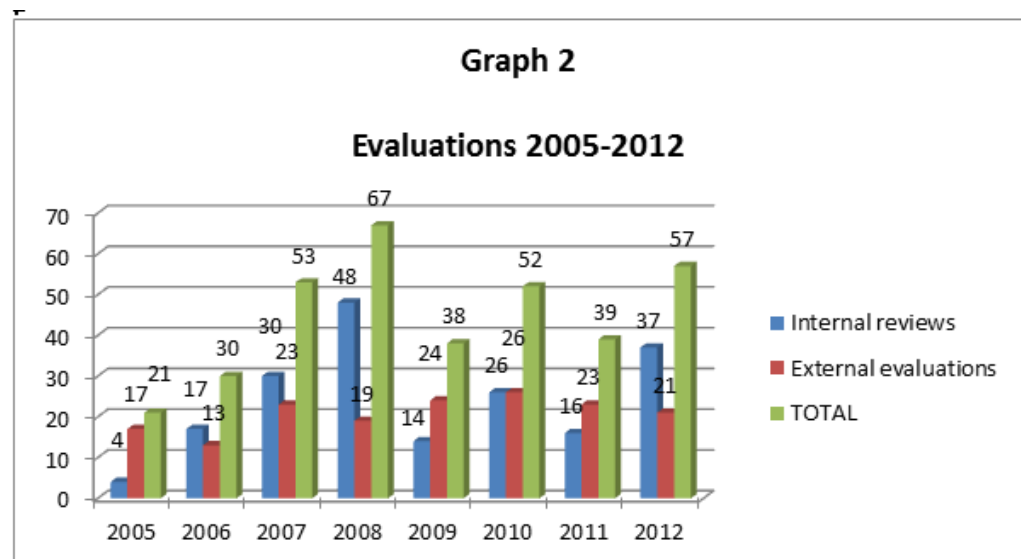


ANNEX 1: Evaluation exercises conducted in 2012:

In 2012 SECO/WE conducted a total of 56 evaluation exercises¹⁰ on the level of operational divisions, of which 21 were external evaluations and 35 internal reviews. Both the number of external evaluations as well as the number of internal reviews are in line with the average of conducted evaluations during the previous years. Among the 21 external evaluations there was 1 ex-post evaluation conducted in 2012.

Evaluations conducted in 2012 by WE operational divisions

2012	Internal Reviews		External Evaluations	TOTAL
	Completion Notes	Others ¹¹		
WEMU	6	0	3	9
WEIN	6	0	1	7
WEIF	1	0	6	7
WEHU	20	2	11	33
TOTAL WE	33	2	21	56



At the level of the **SECO/WE Evaluation function**, the following independent evaluations were conducted/started in 2012, under the supervision of the **external Evaluation Committee**:

- SECO/WE independent evaluation of the development effects of SIFEM's¹² investment interventions (Status: finalized)
- SECO/WE independent evaluation on Switzerland's economic development cooperation in Sustainable Trade Promotion and its contribution to "Aid for Trade" (Status: ongoing)

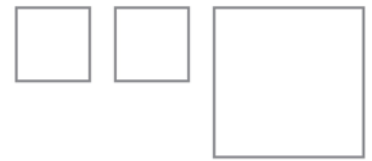
Independent evaluations are carried out at the level of one of the five SECO/WE priority themes¹³ or at the level of a business-line within these priority themes.

¹⁰ According to its Evaluation Policy, WE recognizes three different types of evaluation: internal review, external evaluation and independent evaluation. For more details, see <http://www.seco-cooperation.admin.ch/themen/01033/01034/index.html?lang=de>

¹¹ This includes internal reviews conducted by the program officer in charge of the project within WE or by the partner agency implementing the project.

¹² SIFEM stands for Swiss Investments for Emerging Markets and is the Swiss Development Finance Institution.





Methodology applied in the performance analysis:

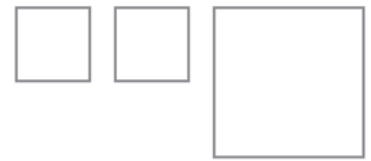
SECO/WE's portfolio performance is assessed annually on the basis of the results of external evaluations of projects conducted during the year under review. Projects/programmes are evaluated with respect to the four DAC criteria relevance, effectiveness, efficiency and sustainability, on a four-point scale from highly satisfactory to highly unsatisfactory. The rating for the four criteria is consolidated to an overall rating for each project/programm, which is aggregated into a percentage of satisfactory projects (the top two ratings) and unsatisfactory projects (the bottom two ratings). The number of external evaluations in a particular year is not representative of SECO/WE's overall portfolio, though the sampling provides a good indication of the quality of SECO/WE's interventions at a given time. In order to increase objectivity and reliability, the analysis of results should not be limited to a particular year but, instead, be considered in the medium term as reflected in the aggregated results for 2005-2012.

<p style="text-align: center;">Relevance</p> <p>The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and partners' and donors' policies.</p>	<p style="text-align: center;">Effectiveness</p> <p>The extent to which the development intervention's objectives were achieved, or are expected to be achieved, taking into account their relative importance.</p>
<p style="text-align: center;">Efficiency</p> <p>A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted to results..</p>	<p style="text-align: center;">Sustainability</p> <p>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.</p>

Source: Glossary of key terms in evaluation and results-based management, OECD-DAC

¹³ The priority themes are: macroeconomic reform and stabilization, development and financing of urban infrastructure, private sector development, sustainable trade promotion, stimulation of climate friendly growth.





ANNEX 2: List of Projects and of Persons interviewed for part II of the report

		SECO Head Office	Implementing Partners		Local Representatives SECO	
		Name	Name	Organization Position	Name	Country
1	ILO Swiss project for enterprise competitiveness	Valerie Berset				
2	WTO Accession Tajikistan	Irenka Krone				
3	Trade Cooperation Program Serbia	Irenka Krone				
4	Carbon Fund Assist Program	Stefan Denzler				
5	WTO Accession Laos	Christian Sieber				
6	IFC Private Enterprise Partnership for Africa	Philippe Keller			Brigitte Cuendet	Ghana
7	REPIC Switzerland	Laurent Widmer				
8	SIPPO	Olivier Bovet				
9	Graduate Institute IIHEID	Carlos Orjales				
10	IMF TA	Rosmarie Schlup	C. Nunez Ollero	IMF / Key accountant manager		
11	Bishkek Water Supply	Ueli Ramseier	Catarina Bjorlin Hansen	EBRD / Senior Banker Municipal and Environmental Infrastructure	Kudabaev Tunzhurbek	Kirgistan
			Talay Asylbikov	EBRD Task Manager		
12	DMO Indonesia	Martin Saladin	Peter Bissegger	Swisscontact Desk Officer	Jürg Schneider	Indonesia
			Ruedi Nützli	Swisscontact Project Manager		
13	UC Crisis Response	Miroslav Veprek	Garth Bedford	IFC Project Manager	Victor Shutkevych	Ukraine
	13 projects	12 Persons	6 Persons		4 Persons	

