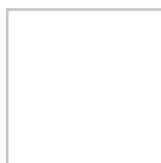




## 2010 Annual Report – Summary

# Effectiveness of Switzerland's Economic Cooperation and Development

SECO/WECO Evaluation Function  
July 2011



### 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 transition countries, and invests approximately CHF 250 million per year in cooperation with these countries.

2015 is approaching, and with it the deadline for the Millennium Development Goals (MDGs). With the assumption that many countries seem unlikely to reach the MDGs, the debate on the effectiveness of development cooperation will definitely intensify in the next few years. Internal demand for a better understanding of what works best in development cooperation is also helping to generate fresh interest in evaluation practices. In this context SECO has, over the past six years, built and consolidated an evaluation system that contributes to improved accountability and better development results and that complies with international standards, through such steps as the adoption of an Evaluation Policy, the strengthening of the evaluation function, which is independent of operations, and the creation of an external Evaluation Committee.

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 capacity development in SECO programmes.

### The External Evaluation Committee

The External Evaluation Committee<sup>1</sup>, in place since January 2009 and which reports directly to SECO's State Secretary, works to ensure that the evaluation contributes to the increased effectiveness of SECO's development operations and to transparency, by disseminating the results of evaluations. In 2010, the Committee's activities focused on the approval of the programme of independent evaluations, as well as discussion of the 2009 Effectiveness Report for Switzerland's economic development cooperation, of the independent evaluation in the energy sector, and of the joint Effectiveness Report with SDC in the area of agriculture and food security. All documents and positions of the Committee are available on SECO internet.

### 26 external evaluations undertaken in 2010

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.



<sup>1</sup> The External Evaluation Committee is composed of Pietro Veglio (Chair), Felix Gutzwiller, Susanne Grossmann, Gilles Carbonnier and Christoph Stückelberger.

### The four OECD-DAC criteria<sup>2</sup>

- **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.



### 77% of SECO operations for the period 2005–2010 considered satisfactory

The 2010 performance results are very similar to those for previous years, i.e. the large majority of SECO's operations are considered satisfactory, with a success rate of 73%.

However, a sample of 26 projects subject to an external evaluation 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 2005–2010, 122 external evaluations were used as references, thus producing a sounder basis for the performance rate of SECO's operations. For this entire period of **2005–2010**, the **success rate is at 77%.**

In the development community, it is generally accepted that a success rate of around 65–80% is 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%<sup>3</sup>.

Below are the detailed performance results for 2010, as well as for the entire period 2005–2010:

Results	2010 external evaluations	2005–2010 external evaluations
Highly Satisfactory	3.8%	6.6%
Satisfactory	69.2%	70.5%
Unsatisfactory	23.2%	22.1%
Highly Unsatisfactory	3.8%	0.8%
	100.0%	100.0%
	<b>73.0%</b>	<b>77.1%</b>
	<b>27.0%</b>	<b>22.9%</b>

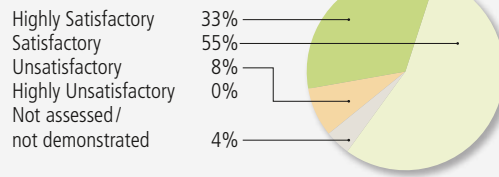
The project performance results by OECD-DAC criteria for the entire period 2005–2010 are presented on the following page:

<sup>2</sup> Source: Glossary of key terms in evaluation and results-based management, OECD-DAC.

<sup>3</sup> World Bank report available on [www.worldbank.org/ieg/arde09/](http://www.worldbank.org/ieg/arde09/).

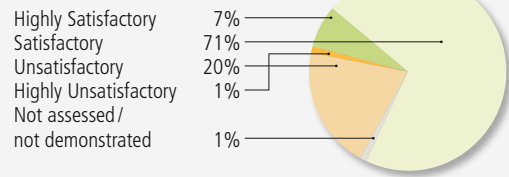
SECO's results reveal areas of success, mainly with respect to relevance and effectiveness, while performance is more mixed in terms of efficiency and sustainability:

### Relevance



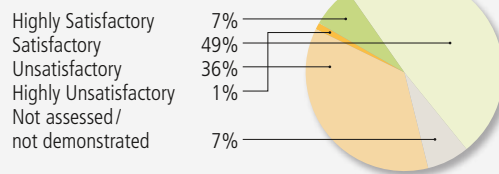
**Relevance:** For the large majority of projects, SECO's activities are highly relevant, focusing on the right area of support, well-aligned with the beneficiaries' priorities and responsive to their needs, as well as keeping with SECO's comparative advantages.

### Effectiveness



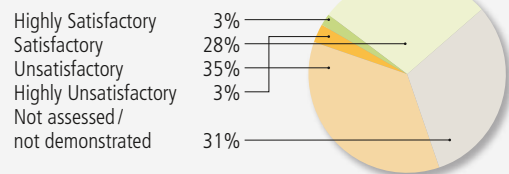
**Effectiveness:** SECO is achieving concrete results in the implementation of its projects/programmes. For projects that did not achieve their outcomes, the most common reason is over-ambitious targets to be achieved in an unrealistic time-frame.

### Efficiency



**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. Although the monitoring system of projects is more consistently applied throughout the projects' cycle, with logframes more rigorously identified at the design stage, their effective use during implementation stages, as well as at reporting level, still suffer weaknesses.

### Sustainability



**Sustainability:** This is the criterion which shows the weakest results, but without further aggravation over the recorded year. Moreover, it is encouraging that from the four ex-post evaluations carried out in 2010 (to be considered as more adequate to judge about the sustainability of project's achievements, since they are taking place two to five years after the closing of a project), two of them assessed sustainability as successful and one as highly successful. The following main shortcomings behind weak sustainability have been identified: unrealistic assumptions at the project outset, overoptimistic assessments of the potential to achieve sustainability, insufficient involvement of stakeholders, too little concern for the question of financial sustainability, and insufficient monitoring of critical assumptions.

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

### What can be improved?

Generally, it can be concluded that, considering the context in which SECO conducts its development activities, it achieves good and credible results largely along the performance achieved by other donors and multi-lateral institutions. Regarding weaknesses identified, it is to be expected that SECO's recently strengthened decentralisation approach would contribute to improving some of the indicators in the forthcoming years – thanks to the proximity of SECO staff with the reality of beneficiaries – in particular in terms of strengthening the monitoring of projects and in more rigorously identifying possible risks and inappropriate assumptions on projects' objectives.

When **planning and implementing projects**, the following is recommended:

1. SECO should pursue its efforts to further **strengthen its monitoring system** and should secure the necessary human resources for such tasks.
2. SECO should **better integrate the concept of sustainability** into the design and implementation of projects. SECO should adopt more realistic project design (including an exit strategy) with a long-term perspective and phasing approach in order to maximise the probability of success.

When **managing evaluation processes**, the following is recommended:

1. SECO operational divisions should maintain their commitment to conduct **more ex-post evaluations**, as a complementary approach in order to get real indications of the sustainability of development assistance.
2. To further strengthen the **quality of evaluation reports**, SECO operational divisions should recruit external companies on a competition basis. SECO should pay special attention in the complementarity of the evaluators' skills in subject-specific knowledge and in evaluation methodology.
3. In order to enhance and promote the **systematic use of evaluation lessons learned**, SECO should systematically produce a *management response* at the end of an evaluation exercise.

The 2010 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<sup>4</sup>.

#### Example: Ex-post evaluation of IFC Corporate Governance Projects in Russia

The goal of this evaluation (2010), was to assess the longer-term impact of IFC advisory activities in Corporate Governance in Russia, supported by SECO. The assistance (dissemination of best practices, improvement of legislation and regulatory environment, work with educational institutions, public awareness) was designed to improve corporate governance (CG) practices in Russian companies and banks, thereby enabling them to gain easier access to capital.



The ex-post evaluation showed that significant long-term impacts of the projects are observed three to five years after the projects had closed:

##### **Long-term impact of work with companies/banks:**

Companies and banks reached by the projects displayed significant results in applying CG practices compared to non-beneficiaries. They are more likely to adhere to CG best practices and recommendations (52% vs. 32%), they show better practices in terms of internal documents, and they are more likely to have key documentation in place (75% vs. 52%).

##### **Long-term impact of legislative/regulatory environment work:**

Among the 12 laws/regulations commented upon by the IFC, six took into account IFC recommendations.

**Long-term impact of work with educational institutions:** 100% of the 15 surveyed universities reported still using project materials to introduce new courses or to amend the content of existing courses.

##### **Long-term impact of awareness-raising activities:**

The 250% increase recorded during the project in the number of Russian media mentions of CG-related terms in Russia is confirmed by the ongoing media attention to this subject.

*Source: Joint IFC-SECO External Evaluation of IFC Corporate Governance Projects in Russia, ex-post External Evaluation, February 2010*

<sup>4</sup> These two statements are available in the preamble of the long version of the 2010 Annual Report on the Effectiveness of Switzerland's Economic Cooperation and Development.

## Focus on

# Capacity Development (CD) in SECO programmes

Capacity Development (CD) is a key element or objective (explicit or implicit) within most development interventions. The importance of CD is stressed by the 2005 Paris Declaration on Aid Effectiveness and developed further in the 2008 Accra Agenda for Action.

### Definitions of Capacity Development (according to 2006 OECD-DAC guidelines):

- Capacity refers to the ability of people, organisations, and society as a whole to manage their affairs successfully.
- Capacity development is the process by which people, organisations and society as a whole create, strengthen and maintain their capacity over time.

Capacity Development is about organisational or institutional capacity; it addresses primarily the transformation of the organisation or institution and, to a lesser extent, the transactional capacity gaps, which is usually the task of technical assistance. Therefore, adequate contextual analysis is an absolutely vital requirement for success. Sustainability depends critically on the appropriate design of CD-interventions and their proper implementation.

In the context of the aid effectiveness agenda, there are good reasons for pushing the current limits of CD in SECO activities:



- Effective capacity development is increasing the sustainability of the results of development projects, because it empowers people and organizations to meet new demands and standards without outside support.
- A more systematic approach to CD, namely designing projects in line with good practice of CD will increase the effectiveness of projects and programmes and most likely also their cost-efficiency.
- Monitoring systems appropriate for reporting results of CD will provide evidence of the results at outcome level, which is the main focus of donors' accountability reporting.

In SECO's operations capacity development has also gained importance over the years as an important approach supplementing technical assistance. Basically, the following forms of CD support are provided by SECO:

- *Training* is delivered either as a specific project for building capacity of specialised institutions (e.g. *training of trainers for a Bank Training Centre*) or as one element of a project which supplements the main project activities (e.g. *training of utility staff*). It ranges from formal class-room training, to on-the-job training and/or coaching by technical assistance, particularly in infrastructure projects.
- *Exposure* in different forms (e.g. *workshops for awareness creation, participation in fairs, study tours*) is a frequent form of CD, particularly in trade promotion projects;
- *Support to improving framework conditions* (i.e. *policy development, enabling environment*) is typically (but not only) applied in macro-economic projects, private sector development and trade-promotion.

## Example: Vietnam Bank Training and Consultancy (BTC)

The Bank Training and Consultancy (BTC), set-up in 2001, is a joint stock company in Vietnam owned by ten leading Vietnamese commercial banks. BTC was the first institution to provide bank-specific training in the Vietnamese market and has, as of the end of 2009, delivered more than 500 training programmes to over 13 000 staff members of banks.

SECO support to BTC (CHF 910 000 for 2005–2010), was allocated to: 1) subsidies for bank-specific training, 2) training material development, 3) training needs assessment, 4) subsidies for consultancy, and 5) technical advisory for capacity building of BTC staff.

The external evaluation provides the following assessment:



■ **Relevance:** Before the creation of BTC in 2001, Vietnam had no training provider specialising in bank-specific training. The project has therefore been relevant to the development of the Vietnamese bank training market and to the development of BTC.

■ **Effectiveness:** All objectives have been met. As the first institution to provide bank-specific training with training materials adapted to the Vietnamese context, BTC has built a reputation as a leading provider of bank-specific training.

■ **Efficiency:** The balance between resources spent and result achieved was commensurate. By combining training development with subsidies for specific bank training, BTC was able to attract more clients.

■ **Sustainability:** BTC is now capable of providing training services according to international standards. Since donor support has already expired, BTC is facing the challenges of tight fixed-cost management and limited means to develop new training material.

*Source: Final Evaluation of BTC, External Evaluation, March 2010*