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

2013 Annual Report – Summary

Effectiveness of SECO's Economic Cooperation and Development



Quality and Resources Unit (WEQA)

June 2014

For the full 2013 Annual Report, please refer to www.seco-cooperation.admin.ch

The Economic Cooperation and Development Division at the State Secretariat for Economic Affairs (SECO) is responsible for planning and implementing economic and trade policy measures in developing and transition countries. In 2013, SECO invested approximately CHF 350 million in cooperation with such countries. In order to draw overall lessons and recommendations on how to adjust and improve its development interventions, SECO's evaluation function reviews the results of its external evaluations on an annual basis. The report shall allow reviewing SECO's efforts on aid effectiveness as well as SECO's evaluation function from the perspective of current international debate.

Stable success rate of SECO projects 2005-2013

The 2013 performance results are similar to those of previous years, i.e. the large majority of SECO's operations are considered satisfactory, with an overall success rate of 76.5%. However, the sample of 17 projects subject to an external evaluation in 2013 cannot be regarded as sufficiently representative of SECO's overall portfolio. An aggregation of data over a longer period of time is more objective. Over the period 2005-2013, 183 external evaluations were used as reference, thus providing a sounder basis for the rating of SECO's operations. For this entire nine-year period, the success rate lies at 77%.

Taking into account the challenging and changing environments of development cooperation combined with the risks of failure of innovative projects, the donor community considers a success rate of 65-80% as a good and realistic outcome. Other development agencies or multilateral organisations have comparable success rates.¹

The project performance results by OECD-DAC criteria for the entire period 2005-2013 are as follows:

Main challenges in terms of sustainability

SECO's results reveal areas of success mainly with regard to relevance and effectiveness. The large majority of SECO's activities are highly relevant: they focus on the right area of support, are well aligned with the beneficiaries' priorities, respond to their needs and make use of SECO's comparative advantages. Furthermore, the up-front agreed activities for projects / programmes usually lead to the predefined objectives, thus producing satisfactory results in terms of effectiveness.

The efficiency of SECO's projects still has potential for improvement. However, it is important to note that improvements have taken place. In particular, the recently evaluated projects show improvements regarding their management structures, resulting in better decision taking. At the same time, comprehensive Key Performance Indicators and the respective targets within Results Monitoring Frameworks still need more attention in certain cases. Measures to tackle these challenges were defined during the restructuring of SECO's division for Economic Development Cooperation.

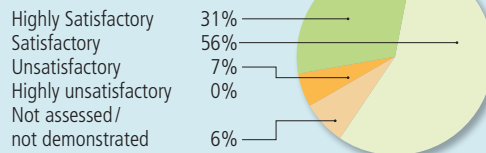
Challenges in the field of sustainability persist: Against the background of the evaluations conducted in 2013, the , compared to other indicators, inferior performance regarding the projects' sustainability appears as mainly based on insufficient local capacities, overoptimistic schedules, inadequate sequencing of capacity development in relation to other project components, as well as a general lack of ownership of partner institutions. Targeted measures are identified to follow-up on these challenges on a project level, as well as on an institutional level.

¹ In comparison, the World Bank achieved an average success rate of 70% between 2009 und 2011 (In 2012, no comparable data was published by the World Bank) while the Asian Development Bank published a success rate of 76% (see page 9, <http://www.adb.org/sites/default/files/defr-2012.pdf>). The institutions have targets set at 75% and 80%, respectively.

SECO's overall performance 2005-2013 regarding four OECD-DAC criteria

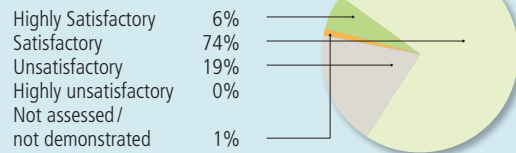
Graphic 1: SECO's overall performance 2005-2013 regarding four OECD-DAC criteria based on project related external evaluations.

Relevance



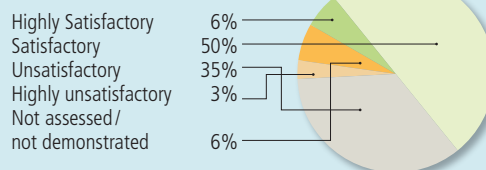
Relevance: For the large majority of projects, SECO's activities are highly relevant: They focus on the right area of support, are well aligned with the beneficiaries' priorities and responsive to their needs while utilizing SECO's comparative advantages. This also leads to the conclusion that SECO's internal processes for project identification and approval work well.

Effectiveness



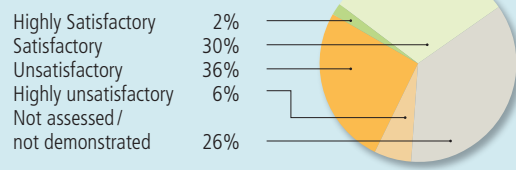
Effectiveness: According to external evaluations, SECO's projects and programmes achieve concrete results. While results are well reported at output level, evaluations continue to show weaknesses in reporting at the level of outcomes and possible impacts. The mandatory logframe for SECO projects with a budget of over 1 Mio. USD is increasingly used as a basis to assess project effectiveness.

Efficiency



Efficiency: The results under this criterion show that there is still a potential to improve. Efficiency has continuously improved during the past years but taken a slight dip in 2013. Based on last year's thematic part in the Effectiveness Report, concrete recommendations on how to improve efficiency were identified and follow-up measures were implemented.

Sustainability



Sustainability: As for other donors this criterion remains the most pressing challenge. It is widely acknowledged that continuous efforts are needed to improve the performance on this criterion. Therefore, follow up measures and additional efforts need to be identified on a broad level in order to guarantee a progressive improvement.

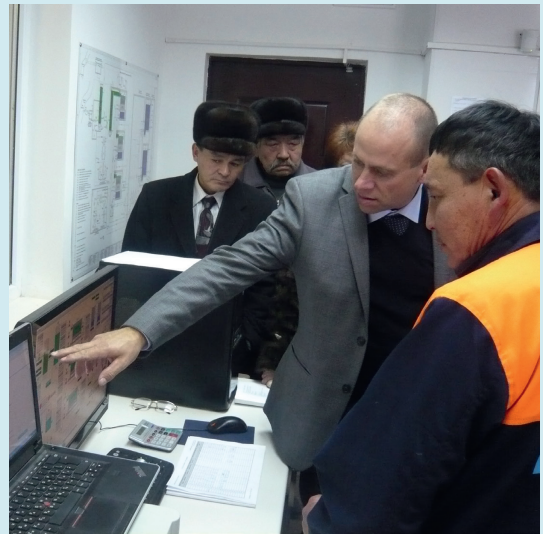
Note: Deviation from 100% due to rounded figures.

Example: Karakol Water Supply Project Kyrgyzstan

The Karakol Water Supply Project started in July 2005 and aims at rehabilitating the water supply infrastructure of the Karakol municipality. The municipality with a total population of about 70 thousand people is located in eastern Kyrgyzstan, near some of the best recreational facilities of the country with international tourism potential. Water supply infrastructure of the town was inherited from Soviet Union-times, but neglected since. This has a considerable negative impact on living conditions, public health and the economic development of the region.

The conclusions of the external mid-term evaluation carried out in 2013 were as follows:

Relevance: The evaluation on the water supply services in Karakol confirmed the high relevance of the project: lacking coverage, discontinuous water supply as well as unsafe water quality have significant consequences on the living conditions, public health and economic development of the region. The improvement of the water supply has consistently been on the top of the development agenda of the country and is one of the core competences of SECO.



Effectiveness: The new Water Treatment Plant (WTP) with a capacity of 18,000 m³ of treated water per day was found operational. Some deficits with regard to the water quality are the consequence of river water led into the network. This stems from the high consumption of water for irrigation during summer months. Wells and reservoir rehabilitation were almost completed while the network rehabilitation was still at an early stage. Within the project's timeframe the capacity of the utility's management and the project implementation unit was built up significantly. However, an inadequate tariff policy severely undermines financial viability of the service provider.

Efficiency: A project performance monitoring system was in place. However, a more systematic approach in its application would have allowed closer steering. The duration of the project had to be extended in order to achieve the agreed objectives.

Sustainability: Despite the recognized success of the project, a sequel was considered necessary to achieve the desired development impact. To ensure financial sustainability of the public service all buildings should be equipped with a water flow meter.



17 external evaluations undertaken in 2013

The 2013 results presented in this report represent the results of all external project evaluations conducted during the year under review. Projects / programmes are evaluated with regard to the four OECD-DAC criteria – relevance, effectiveness, efficiency and sustainability – and rated on a four-point scale from highly satisfactory to highly unsatisfactory.

The four OECD-DAC criteria²

Relevance: The extent to which the objectives of a development intervention are consistent with beneficiaries' requirements, country needs, global priorities and the 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.) are converted into 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.

SECO's evaluation system in the international context

Over the past years, the need to improve aid effectiveness has been reaffirmed by the efforts of the international community to launch and work in a global partnership on effective development cooperation.³ On an operational level, new ways are explored to link payments to results achieved. Such result-based financing models are an example, how monitoring and evaluation may become an integral part of project design and management. With the development of an evaluation system over the past nine years that complies with international standards, SECO has made available a structure that is ready to adapt and comply with new international requirements and to foster evidence-based decision making to strengthen effectiveness sustainably.

Conclusions

SECO needs to ensure that the number of external evaluations covers a representative part of its portfolio. The analysis of the external evaluations is an important source for the accountability and internal learning. The analysis shows a continuing performance, with 76.5% of the projects rated satisfactory. The criterion of sustainability continuously performs the poorest. It is undisputed that projects with a sustainable benefit should have priority. Consequently, SECO needs to intensify and broaden the measures that improve project sustainability. Concrete recommendations, based on the 2013 results, are to be found in the Management Response as part of the long version of this report.



² Source: Glossary of key terms in evaluation and results-based management, OECD-DAC, Paris 2002

³ The Global Partnership for effective development cooperation