

# Boosting Swiss aid

Switzerland is among the world's richest countries, yet its government has been tight-fisted with development aid contributions. In 2008, parliament increased the aid budget, but many NGOs say it's not enough.



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Swiss development assistance has always been focused on poverty reduction. Most of the country's aid funding is directed to the poorest people and countries, as

specified in the constitution. One of Switzerland's foreign policy objectives is to 'alleviate need and poverty in the world'. Other objectives include furthering the peaceful coexistence of nations, promoting respect for human rights, democracy and the rule of the law, as well as promoting Swiss economic interests abroad.

Since 2005, Swiss official development assistance (ODA) has been about 0.4% of its gross national income (GNI); in 2007 it was 0.37%. This is less than the average 0.46% for Organisation for Economic Cooperation Development (OECD) countries and is nowhere near the internationally agreed upon 0.7%. Furthermore, since 2003, spending for asylum seekers during their first year in Switzerland, as well as the nominal values of debt write-offs, have been included in the calculation of GNI percentage, which means that actual ODA is even lower.

NGOs have been protesting the falling ODA percentage. In the summer of 2007, the Swiss Alliance of Development Organizations, Alliance Sud, coordinated a coalition of 70 Swiss relief agencies, environmental protection bodies, youth and women's organizations, trade unions and churches and

launched the '0.7% – Together Against Poverty' campaign. In May 2008, the campaign delivered a petition with 201,000 signatures that called for an increase of Swiss aid contributions in accordance with the United Nations Millennium Declaration of 2000 to parliament.

## Increasing aid

In March 2008, the Swiss Federal Council – the cabinet, which consists of seven ministers and is today dominated by a center-right austerity policy – decided to fix the allocation to ODA at 0.4%. The larger Chamber (*Nationalrat*) of the Federal Assembly initially agreed. But after the smaller Chamber (*Ständerat*) increased the budget, the *Nationalrat* decided, in early December, to gradually increase ODA to 0.5 % of GNI by 2015. How this increase will be financed has not yet been determined.

This was the first time that parliament approved a budget larger than that proposed by the Federal Council. Alliance Sud was satisfied. In a press release, it stated that 'until now the credit line was either accepted or reduced. This time, there was not a single motion for reduction. Both Chambers repeatedly cited the petition signatures as proof that a large portion of the population want to see more commitment by Switzerland to poverty reduction'.

## Private donors

Many Swiss citizens donate to private development organizations – in fact, the Swiss public are among the most generous private donors. The fundraising campaigns of the 'Swiss Solidarity', an efficient network of media and relief organizations, have been particularly successful. The average amount of aid provided by national development NGOs between 1980 and 2005 was higher only in Ireland, Norway and the Netherlands. A 2005 poll shows that, although the Swiss people focus more on private relief organizations than

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Alamy / Eddie Gerald

Statue of Henry Dunant at the Red Crescent museum, Geneva, Switzerland

on their government's role in development assistance, a majority support ODA. NGOs will continue to pressure the government to reach the internationally agreed norm of 0.7% of GNI for aid spending.

### Questioning aid effectiveness

Calls for increasing development aid have been accompanied by debates on its effectiveness. The populist right-wing Swiss People's Party (SVP) launched political attacks against the Swiss Agency for Development and Cooperation (SDC), calling asylum seekers and migrants 'freeloaders' and criticizing the UN and particularly the impact of aid in Africa. They and other critics claim that Swiss assistance has contributed nothing to economic growth, has not lessened poverty and often flows into the wrong pockets.

In response to this criticism, Alliance Sud published a book titled *The Development Aid Controversy. Do more, but Do the Right Thing!* Author and director of Alliance Sud, Peter Niggli, explained, 'the overall criticism conceals that which really must be criticized: much of development funding is being misused to safeguard the interests of the "donors". In contrast to geostrategically active states like the US or France, aid from small countries is much more independent and not bound to strategic or economic interests. That's why the Nordic countries, and small countries such as the Netherlands and Switzerland, are much more efficient'. Doing the right thing, according to Niggli, means 'to concentrate where development cooperation obviously is successful: to fight diseases and build basic care systems, promote primary education or drinking water supply or rural development'.

Even if many parliamentarians have commended the quality of Swiss development cooperation, in response to the controversy about aid effectiveness, a parliamentary inquiry called on the government to come up with a more coherent

development cooperation strategy. The Federal Council announced in March 2008 that Switzerland was going to focus on three issues: poverty reduction, human security and development-promoting globalization.

### Reorganization of SDC

Another consequence of parliament's call for leadership and concentration in aid assistance was the reorganization of the SDC. When former SDC-Director Walter Fust retired after 15 years, foreign minister Calmy-Rey appointed the experienced troubleshooter Ambassador Martin Dahinden as his successor and charged him with the reform. Dahinden started in May 2008 and presented the new structures in summer. In October the headquarters in Berne started a new era.

The SDC now has two main operational divisions: one with geographically assigned activities (bilateral cooperation with individual partner countries) and the global cooperation division, which means to help solve global problems such as climate change, food insecurity and migration. Aiming at a concentration of efforts, SDC now cooperates more closely with the Federal Ministry of Foreign Affairs, of which it is part.

In 2009, the second phase of the reorganization will focus on the relationship between the work done in SDC headquarters and the actual results on the ground in developing countries. 'The core issue here is ensuring that as many SDC resources as possible actually reach the partner countries', Dahinden says. 'It is important that we are visible in the field'. This is in line with parliament's wish for the government to focus on bilateral aid. In recent years, the percentage of multilateral aid rose because although total budget means were stagnating, the level of multilateral aid is fixed by international agreements. Parliament decided to limit multilateral aid to 40% of the total budget.



### Swiss bilateral aid

The earliest official development aid efforts of Switzerland consisted of contributions to technical assistance programmes managed by the United Nations after World War II. Switzerland participated in the work of many of the UN's specialized institutions. In 1956, Switzerland took its first steps toward establishing its bilateral aid programme. The first partner countries were Ecuador, Peru, Nepal, India and Rwanda. The legislative framework for the Swiss development aid programme dates to a 1976 federal law. Switzerland's aid budget grew steadily in the years that followed. Today, the most important destinations of Swiss assistance are Sub-Saharan Africa, South and Central Asia and mountain regions in Latin America. After the fall of the Berlin Wall, aid to Eastern Europe and the Community of Independent States (CIS) increased. In 2006, the Swiss Parliament refused to allow the government to offset Switzerland's contributions to the new EU member states against the development cooperation budget.

The Swiss have long focused on the agricultural and health sectors. In 2002, the International Year of Mountains, Switzerland's particular knowledge of development in mountainous areas was officially recognized by the Food and Agriculture Organization (FAO).

### International Geneva

Switzerland's global humanitarian commitment is strongly associated with Geneva. The city is home to numerous international organizations, including the European Headquarters of the United Nations and the headquarters for both the World Health Organization (WHO) and the World Trade Organization (WTO). When the world recently celebrated the 60th anniversary of the Universal Declaration of Human Rights in December 2008, Minister Calmy-Rey presented the 'Agenda for Human Rights', a Swiss initiative that proposes a research agenda for human rights, co-chaired by former UN High Commissioner for Human Rights, Mary Robinson. 🇨🇭 The city of Geneva has an image as the capital of human rights, hosting the UN Human Rights Council, the UN High Commissioner for Human Rights and the UN High Commissioner for Refugees.

Geneva is also home to the Red Cross headquarters. As an impartial, neutral and independent organization, the International Committee of the Red Cross (ICRC) is involved in humanitarian work to protect the lives and dignity of victims of conflict. The ICRC was founded in Geneva in 1863 by the Swiss Henry Dunant, four years after he witnessed the horrors of war at the legendary Battle of Solferino, Italy. Dunant's efforts also led to the Geneva Conventions on the treatment of wartime non-combatants and prisoners of war, and laid the foundations of international humanitarian law, which was further developed after the two World Wars. Switzerland is the depositary state of the four Geneva Conventions of 1949 and the two Additional Protocols of 1977.

The Conference on Disarmament, the sole multilateral disarmament-negotiating body, is also based in Geneva. In the field of security policy, the city hosts three institutions known as the Geneva Centres: the Geneva Centre for Security Policy, the Geneva International Centre for Humanitarian Demining and the Centre for the Democratic Control of Armed Forces.

Geneva hosts the secretariats of the Basel, Rotterdam and Stockholm Conventions. Last but not least, Geneva hosts the North-South-Centre for NGOs, which collaborates with the UN and WTO, the International Secretariat of Disaster Reduction (ISDR), and the Global Humanitarian Forum founded by former UN Secretary General Kofi Annan.

### Tax haven

Switzerland is known as an important trading and banking centre. It is often accused of being an offshore and tax haven, something the government denies. At the Financing for Development conference in Doha, Qatar, last December, Foreign Minister Micheline Calmy-Rey emphasized the Swiss commitment to fighting illegal cash flows. She talked about the millions of dollars that Switzerland has returned to developing countries over the past years. NGOs acknowledge this, but argue that Switzerland should not only fight illegal capital flight but also tax evasion. Both cost developing countries more than they gain through development aid.

### Development research in Switzerland


The UN-Millennium Declaration led to the creation of guidelines for research in Switzerland. Research efforts must have relevance to the international poverty reduction agenda and generate knowledge and methods to improve the effectiveness of Swiss development cooperation. Swiss research should moreover help to increase research capacity in the South. Several bilateral research partnerships have gained considerable international recognition. An example is the cooperation between the Swiss Tropical Institute in Basel and the Ifakara Health Institute in Tanzania to fight malaria. A recent study on the effectiveness of Swiss water programmes commended these for including democratic and conflict prevention components. This was partly thanks to the practice-oriented research of swisspeace. Switzerland's aquatic research institute Sandec played an important role in putting sanitation on the international agenda. Some other important research hubs are the National Centre of Competence in Research (NCCR) North-South at the University of Berne, the Graduate Institute of International and Development Studies in Geneva and the South Centre, Intergovernmental Policy Think Tank of Developing Countries in Geneva. (See the online version of the article for a comprehensive list of all relevant research institutes.)

### NGOs: important development partners

Swiss official aid is closely interlinked with the work of NGOs, many of which receive funding from the state. Among the major organizations are Swissaid, Catholic Lenten Fund, Bread for all, Helvetas, Caritas and Interchurch Aid. In 1971, to delegate a part of their political work, they founded the Swiss Coalition of Development Organizations, today called Alliance Sud. Over the past decades Alliance Sud has been trying to ward off budget cutbacks and ensure that development assistance reaches the poorest populations. Another main advocacy organization is the Berne Declaration, founded in 1968. Alongside their work on development policy, both organizations tackle financial and trade issues. The two organizations co-founded the Tax Justice Network, which cooperates with the Aktion Finanzplatz Schweiz, an independent network monitoring the Swiss financial system founded in 1978. Recent campaigns concern odious debts, dirty money and Apartheid debt.

Approximately 20 Swiss NGOs support the Clean Cloth Campaign for decent production conditions and labour rights in manufacturing industries. Switzerland is a leading country in Fair Trade consumption. Many NGOs in this sector cooperate with partners in the South, some supported by SECO's 'trade and development' programme. There are at least 500 NGOs in Switzerland working on international development issues.

## Two main players

Unlike other countries, Switzerland has two institutions that make and implement aid decisions. First, there is the Swiss Agency for Development and Cooperation (SDC), which is part of the Federal Department of Foreign Affairs (FDFA). The other is the State Secretariat for Economic Affairs (SECO), which is part of the Federal Department of Economic Affairs (FDEA). An OECD peer review some years ago judged there was need for a more unified vision.  But the Swiss government decided not to merge the two sections and recently rejected a proposal for department reform.

SECO and FDEA are responsible for Switzerland's relations with the World Bank Group, the Regional Development banks and for trade agreements. The Economic Cooperation and Development Division of SECO links poverty reduction to macroeconomic stability and to trade and investment promotion in advanced developing countries. Its main objective is to support sustainable economic growth in order to reduce poverty and to further the integration of partner countries into the world economy.

## Conflicts of interest

The varying interests of the Foreign Affairs and Economic Affairs ministries result in different preferences regarding which countries should receive Swiss aid. 'Development-friendly globalization' is a new strategy within Swiss development policy. With SECO focusing on emerging markets such as Ghana and Vietnam, Alliance Sud is wary that Switzerland may be using aid partly to promote its own economic interests in such countries.

Other conflicts of interests were clear when, in the 1990s, the government approved export risk guarantees to Swiss firms for constructing dams in China, and recently to build dams in the conflict-ridden Kurdish area of Turkey. Alliance Sud and the NGO Berne Declaration declared in a press release that 'human rights and environmental issues were outweighed in both cases by the advantages such as jobs in Switzerland, need for clean energy production and economic growth in both countries'. Coherence between aid and trade remains a challenge in Switzerland.

There are positive examples of SDC/SECO cooperation. In the early 1990s, in response to an NGO campaign, the parliament established the Swiss Debt Reduction Facility (SDRF) to mark the 700th anniversary of the Swiss Confederation. The programme was given an initial endowment of CHF 500 million. The responsibility for the created 'counter funds' – the programmes were designed together with experts in the developing countries – was delegated to SDC, SECO and Alliance Sud. Cooperation in the Debt for Development Unit (DDU) was found to be excellent.

Ten years ago, Switzerland was among the pioneers developing the international debt relief initiatives for Highly Indebted Poor Countries (HIPC). But only recently, and after much hesitation, did the Swiss government decide

to participate in the Multilateral Debt Relief Initiative (MDRI). The government charges roughly 40% of the costs to bilateral aid, thus negating international agreements which recommend that debt relief be financed through additional resources and not be at the cost of development spending. Switzerland, moreover, is reluctant to participate in new financial mechanisms such as global taxes (for example, currency transaction tax or air ticket levies).


## Neutrality and diplomacy

Switzerland plays an active role in international financial institutions such as the World Bank, the regional Banks and the International Monetary Fund (IMF). Swiss voters, however, did not approve membership of the IMF and World Bank until 1992. The same reluctance goes for the UN. Despite close cooperation ever since its foundation, Switzerland did not become a full member of the UN until 2002. It was the first country to join the UN as a result of a national vote. Previously, the Swiss had rejected membership, citing fears of losing neutrality and of involvement with military action abroad.

Today, Minister Calmy-Rey promotes an active neutrality and dialogue policy. She considers peace building an element of combating poverty and eliminating a potential cause of war. This serves the principle foreign policy objectives of human safety and security. For example, based on its long commitment to development in Nepal, Switzerland played a key role in the pacification of the Himalayan country, which resulted in a peace agreement in November 2006. In 2002, Switzerland was a central player in brokering a truce agreement between the Sudanese government and the Sudan People's Liberation Army for the conflict in the Nuba Mountains.

Meanwhile, the role of diplomacy in conflict resolution is controversial in Switzerland. Minister Calmy-Rey promotes dialogue with all parties, including groups that some consider beyond the pale. She was criticized for her diplomatic missions in Columbia and, in summer 2008, for mentioning Osama bin Laden in a speech about dialogue. Despite this criticism at home, Switzerland's contributions to dialogue and peace building are widely recognized internationally. ■

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 A longer version of this article can be found at [www.thebrokeronline.eu](http://www.thebrokeronline.eu).