Switzerland: Decreasing ODA funds, increasingly spent on migration and public-private partnerships

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Key points:

- In 2015, Switzerland achieved the objective set by Parliament to spend 0.5% of its Gross National Income for ODA. This was mainly reached however through a massive increase in in-donor refugee costs (IDRC). In 2017, the ODA ratio fell again to the 2013 level of 0.46%.
- In the last two years, ODA, exclusive of IDRC, decreased from 0.44% (2015) to 0.41% (2017). This is the result of two consecutive budget cuts in development cooperation.
- There is a strong demand from right-wing politicians to link migration with development cooperation. A clear example of this linkage is the push to make Eritrea a priority country for Swiss development projects. In recent years, Eritreans have represented the largest group of asylum seekers in Switzerland.
- The Swiss government is unwilling to entertain innovative or new sources of financing to reach its fair share in international climate finance. Instead, the funds are to be sourced from *existing* development cooperation budgets complemented by (up to now unspecified) “private contributions.”

Keeping ambitions high without dedicating the necessary means

In 2011, the Swiss parliament set an ambitious target for increasing Swiss ODA performance as a share of Gross National Income (GNI) to 0.5%. This goal was achieved in 2015, made possible because of growing budgets for development cooperation programs, but most particularly, by increasing expenditures for asylum seekers in Switzerland. According to international standards set by the OECD Development Assistance Committee (DAC), costs for asylum seekers for their first year in the donor country can be counted as a development expenditure.

Last September (2017), the National Council confirmed, with a clear majority, its intention to maintain the 0.5% target. However, current figures reveal that Switzerland has actually fallen back to 2013levels, with the ODA ratio at 0.46% of GNI in 2017. This declining performance is the result of a reduction in asylum applications as well as two successive austerity programs. Civil society organizations (CSOs) have also repeatedly criticized the use of shrinking ODA for public-private partnerships and climate finance without any exploration of additional or innovative sources of financing.

Mismatch between strategy and financial resources for development aid

In 2016, the Swiss Parliament adopted the *Dispatch on Switzerland's International Cooperation,* the main strategy guiding Swiss aid activities for 2017 – 2020.[1] It sets priorities and pledges for the funds allocated in the federal budget for the implementation of the Swiss aid program. The main controversies during the parliamentary debate at the time of its adoption continue to be at the heart of current debates: What is the amount of financing available for development cooperation? And should development cooperation be linked to migration policy?

The strategy for Swiss development cooperation is strongly oriented towards Agenda 2030 for Sustainable Development. It focuses on fragile states and countries in southern Africa. An important objective is to increase commitments to vocational training and cooperation with the private sector.[2]After the strategy was defined, however, a large-scale austerity program was launched (stabilization program 2017-2019). The right-wing majority in Government (the Swiss Federal Council is by definition a Grand Coalition) prevailed with its demands for savings and was supported by the equally right-wing majority in parliament.

The austerity program has had a disproportionate impact on development cooperation. With a share of just under 4% of the federal budget, it contributed 28% of the austerity measures. Compared to the original financial plan, the implementation of the strategy in the years 2017-2019 will therefore be reduced byUS$143 million, US$200 million, and US$243 million per year respectively.[3] Overall the strategy will need to be implemented with a cut of almost US$600 million. But the strategy has not been adjusted to take into account the significantly reduced resources.

The austerity measures have affected the various instruments of Swiss development cooperation in varying degrees. The Swiss Development Cooperation Agency’s (SDC's) bilateral cooperation has been massively cut back, with austerity measures translating to an absolute cut in resources. This has resulted in a mismatch between planned activities and available funds at the beginning of the implementation period. Instead of being able to expand programs as planned, programs have had to be significantly reduced.

Additional budget cuts beyond the austerity cuts described above were also made in the 2018 budget. Once again, development cooperation was hit disproportionately hard, resulting in a contribution ofapproximately20% of the savings measures. This means that between 2018 and 2020 there will again be a shortfall of US$150 million per year. Compared to the total amount originally planned, this means that more than one billion Swiss francs are missing for the implementation of the strategy defined in 2016, or approximately8% of the funds originally allocated.

In its Foreign Policy Report 2017, the Federal Council pointed out the consequences of these austerity measures: "For this reason, Switzerland must cut back existing programs ahead of schedule and can only expand its commitment to stabilization and conflict prevention in fragile contexts more slowly than planned. There will also be cuts in the education portfolio. The withdrawal from Bhutan, Vietnam and Pakistan must also be initiated early."[4]

Switzerland's ODA performance ratio had reached 0.5% of GNI for the first time in 2015. With the first austerity program, the ODA target was adjusted downwards. By 2020, the Federal Council set itself the target of maintaining an ODA/GNI ratio of 0.48%. In 2017, some members of Parliament called for a complete break with an ODA target, and for expenditure on development cooperation to be based purely on the state of the federal finances. In September 2017, however, a clear majority of the National Council rejected this demand and implicitly re-confirmed the ODA target of 0.5%.[5]

The latest figures for 2017 show that the austerity measures - together with a decline in asylum applications –have reduced the ODA ratio to 0.46%. While budgetary measures affected the ODA performance, the decline in the ODA ratio is primarily a function of the reduction in the costs for asylum seekers. But the ratio for development cooperation itself (excluding support for asylum seekers) has also declined for the third year in a row. In 2015 this ratio was still 0.44%, and in 2016 it fell to 0.43%. In 2017 it fell again to 0.41% of GNI. The most recently published data clearly indicates where the austerity programmes have hit hardest: In 2017, SDC, the Swiss development agency had almost US$175 million less available for long-term development cooperation than in 2015, a decline of 10%.

Civil Society: Mobilising for the 0.7% UN target

In the run-up to the 2016 parliamentary debate on the current strategy, civil society mobilised against the planned cuts with a "wake-up call against hunger and poverty". Seventy-five (75) organizations demanded that Switzerland finally implement its promises and allocate 0.7% of its GNI to development. The campaign received broad support. One positive result was that the parliament, by majority vote, opposed further cuts. But Switzerland still does not have a plan or clear date by when it hopes to achieve the ODA target of 0.7%.

20% of Swiss ODA spent in Switzerland to cover costs for refugees in 2016

Switzerland's ODA ratio has been trending upward since 2003. However, as of 2004, its in-donor refugee costs have been making up a substantial portion of this improved ratio, which is really intended to measure expenditure on official development assistance, not costs for asylum seekers. Since 2004 Switzerland has been including refugee costs in its calculation of ODA, and on average these costs make up 14% of ODA, increasing to 16% since 2008. In 2016, every fifth franc that was declared to be development funding actually went to cover refugee costs in Switzerland. Due to recent decreasing asylum applications, the proportion fell to 9.2% in 2017.

To make an international comparison, the proportion of its in-donor refugee costs for Switzerland is just below the average for countries represented in the OECD Development Committee (DAC) at 9.7%. For the first time in a long while, it is no longer one of the countries that counts the highest percentage of non-development costs as development funds.From2004 to 2013, Switzerland consistently had the highest share of refugee costs in its ODA as compared to other donor countries.

Calls for ODA-conditionality in field of migration

In 2016 there was a fierce debate on the need to make explicit links between the provision of ODA and the agreement of partner countries to accept rejected asylum seekers. A motion to this effect was very narrowly defeated in Parliament. However, a majority in parliament succeeded in softer variant with a motion combining development cooperation and migration. This motion calls for strategically linking international cooperation and migration policy - where it is in Switzerland's interest – by addressing the causes of conflict and migration. While it is still unclear how this initiative will be implemented it could result in stronger agreements and partnerships between development cooperation and migration.

In recent years, the minority parties at the national level have repeatedly advocated for this explicit link between development cooperation and migration policies, but have failed. However, right-wing bourgeois parties in the canton of Zurich have narrowly pushed through a similar demand in their cantonal law. This recently adopted law requires that the canton of Zurich makes its support for development projects dependent on whether the government of the developing country is prepared, at least in principle, to take back rejected asylum seekers. There is concern that the passing of this law at the cantonal level will give new impetus to the demands at federal level.

Right-wing politicians are calling for Switzerland to make Eritrea a priority country for development cooperation in the context of migration issues. Eritrea has been the country of origin for the largest number of asylum seekers for many years. Certain politicians hope to use development cooperation to negotiate re-admission agreements with the Eritrean dictatorship. Essentially, this would mean that Switzerland would withdraw development funds if Eritrea does not agree to take back its refugees. Switzerland stopped development programs years ago in both public and private development cooperation for Eritrea since the political conditions did not permit meaningful development work to take place.

Politicians who are calling for a resumption of this funding fail to recognize that this could be fraught with difficulties. Development cooperation with Eritrea solely based on the aim of obtaining a readmission agreement for rejected asylum seekers would not lead to meaningful projects. Instead it is likely to just finance projects in the interests of the authoritarian regime. Development cooperation must not be instrumentalized in this way. Under constant pressure from Parliament, however, the SDC has now initiated its first projects in Eritrea.[6] It will evaluate whether conditions are sufficient to allow for a larger commitment.

Funding Switzerland's fair share in climate finance: No more support for "new and additional"

With the ratification of the Paris Climate Agreement in 2017, Switzerland agreed to support the poorest and most vulnerable countries and communities in the fight against climate change and its growing impacts. This Agreement obliges "developed country parties" to scale up their financial support "to achieve the goal of jointly providing US$100 billion annually by 2020."[7] Each country must determine and communicate its individual contribution "on the basis of equity and in accordance with their common but differentiated responsibilities and respective capabilities."[8]

In February 2018, the Swiss Federal Statistical Office published new data, stipulating: "More than 60% of the greenhouse gas footprint originates abroad."[9] This statement confirms that Switzerland is directly responsible for 2.5 times as many emissions as was reported in the national greenhouse gas inventory. It corresponds to approximately1% of the world's total emissions, which is about the same magnitude of Switzerland's respective (economic) capability (e.g. GNI) compared to other developed countries.

In spite of the fact that Switzerland's fair share contribution to international climate finance amounts toapproximatelyUS$1 billion per year, the government intends to mobilize onlyUS$470 million – US$635 million per year as of 2020. As well, the government appears to be ignoring the climate framework convention's call for "new and additional funding." In its May 2017 report, the government proclaimed – for the first time explicitly – that funds would be sourced from *existing* development cooperation budgets and (up to now unspecified) "private contributions." This contradicts the findings of a 2011 study, where the Swiss government identified potential innovative financial sources adhering to the polluter-pays principle, concluding that mobilizing adequate new and additional public climate finance was, in principle, possible.

In view of continuing cuts in ODA and its growing diversion of these funds to climate finance, there is great risk that Switzerland's climate finance allocations will undermine other commitments to poverty reduction. In the absence of any viable private funding sources, the once proclaimed allocation of 12.5% of the ODA for climate-related interventions (US$ 300 million per year) may soon be surpassed.[10]Further, if Switzerland responds to growing international pressure by increasing its contributions to climate finance so that they are more aligned to its true responsibility and capability, the growing diversion of existing ODA towards climate finance may eventually reduce SDCs budget by up to 35-40%.

Partnerships with the private sector

As in other countries, the Swiss development agency is increasingly seeking partnerships with the private sector. The current dispatch/strategy explicitly states that the number of such partnerships will double by2020. This objective is problematic for several reasons. Instead of seeking out local partners in the South and supporting Southern small and medium enterprises, SDC is mostly partnering with Swiss multinationals, such as Nestlé, Holcim, Swiss Re or Syngenta. Projects created through these partnerships are usually based in middle-income countries such as Vietnam, India or Latin American countries rather than in the poorest places that should be a priority for development aid. Rationales for partnerships with the private sector are centered on incentives for Swiss based private companies, ones that decrease risks associated with unknown, less stable markets in developing countries. This approach essentially subsidizes the entry of Swiss companies into new markets, under the generally positively umbrella of development cooperation. In the worst-case scenario, a big Swiss player takes over a market segment, undermining the possibility for a local market to develop and grow. To date, a comprehensive analysis of these risks is lacking.

Instead of offering incentives to Swiss multinationals by supporting their implementation of projects with a development focus, a better approach would be to insist that Swiss-based multinationals respect human rights and environmental rights throughout their value chain. Offering decent jobs, respecting people's rights and providing for a healthy environment would greatly contribute to meaningful development and peoples' agency.

Agenda 2030 and policy coherence for development?

As mentioned above, the Swiss development strategy is strongly linked to Agenda 2030 for sustainable development. In order to realise the seventeen SDGs, Goal 17.14 is central – "Enhance policy coherence for sustainable development." It would guarantee that the implementation of Agenda 2030 would be done in a coherent way with the aim of fostering comprehensive sustainable development. Trade-offs between single SDGs must not be accepted. These targets require that all policy decisions, whether in trade, tax or security, must promote sustainable development.

Switzerland still has a long way to go to realize this approach to achieving the Goals. Its aggressive international tax policy, for example, which leads to an erosion of public funds available in developing countries, only exacerbates a disappointing trend of incoherence.

A major concern in the context of Agenda 2030 is the fact that the Swiss government is not prepared to put additional financial resources to support the implementation of this Agenda. According to the Federal Council (Swiss government), the Agenda must be implemented with the funds currently available. As shown in the analysis above, the current reality is decreasing means for international cooperation, pitting the costs for climate finance against the funding for development cooperation.

In the end, the ambitious global objectives set out in Agenda 2030, and their adoption by the Swiss government, will remain a paper tiger, in the absence of the appropriate funds and the political will for strong policy coherence for (sustainable) development.

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[1]See Dispatch on Switzerland's International Cooperation 2017–2020. Key points in brief

[2]Ibid.

[3]Bundesgesetz über das Stabilisierungsprogramm 2017–2019, March 17, 2017, in: federalgazette 2017, p. 2449

[4] Bundesrat, Aussenpolitischer Bericht 2017, in: federalgazette 2017, p. 1836[author'stranslation].

[5] The National Council rejectedtheproposalofitsFinanceCommissiontoabandonthe 0.5% ODA-target, cf Motion 17.3362 „Fixation du montant du financement de l'aidepublique au développement"

[6] Bundesrat, Aussenpolitischer Bericht 2017, in: federalgazette 2017, p. 1837.

[7]UNFCCC (2015): The Paris Agreement, COP Decision CP1/15, Art. 115, p. 17. FCCC/CP/2015/10/Add.1

[8]UN (1992): UN Framework Convention on Climate Change, Art. 3.1, p. 4. FCCC/INFORMAL/84

[9]FSO News (Feb 2018): "More than 60% of the greenhouse gas footprint originates abroad." (https://www.bfs.admin.ch/bfs/en/home/statistics/territory-environment/environmental-accounting.assetdetail.4322945.html; accessed March 22, 2018)

[10]Dispatch on Switzerland's International Cooperation 2017-20, in: federal gazette 2016, p. 2389.