

Subsidy audit concerning COVID-19 measures in developing countries

Swiss Agency for Development and Cooperation

Key facts

In April 2020, the Swiss Agency for Development and Cooperation (SDC) responded to the call from the G20 and the United Nations (UN) system to adapt its international cooperation activities to the COVID-19 pandemic. Initially, additional funds were allocated to multilateral organisations in the health and humanitarian fields. The Federal Council allocated CHF 332.5 million in May 2020: CHF 57 million to the COVID-19 Tools Accelerator (ACT-Accelerator), CHF 200 million as a loan to the International Committee of the Red Cross, CHF 25 million to an International Monetary Fund assistance fund and CHF 50.5 million to international humanitarian organisations (IHO). In May 2021, the SDC granted CHF 226 million in additional credit to the ACT-Accelerator.

Swiss representations abroad and cooperation offices have reinvested the savings generated by the pandemic in measures to combat its impact. The Swiss Federal Audit Office (SFAO) estimates that CHF 322 million was reallocated over the course of two years. These reallocations mainly concerned the cooperation offices' bilateral partners.

The SFAO examined the SDC's allocation of COVID-19 funds in terms of the clarity and measurability of the criteria. It examined whether the choice of organisations was based on a prior analysis of their competencies and their institutional and absorption capacities. The SFAO also examined the SDC's monitoring of multilateral partners that received COVID-19 funds.

The results of the audit were positive on the whole, in particular with regard to the allocation and monitoring of contributions in the health and humanitarian sectors. The SDC's pragmatic and flexible approach, as well as the good coordination between its various funding instruments, explain these results. The SFAO identified potential for improvement in the coordination of allocations and the monitoring of multilateral partners. In particular, the SFAO noted the lack of a financing tool tailored to the impact of sudden crises for the cooperation offices. The SFAO made seven recommendations to the SDC.

Clear and transparent allocation of the SDC's health and humanitarian responses

The SDC's health response followed clear and qualitatively measurable criteria. Support provided to ACT-Accelerator IHOs was weighted and consistent. It was based on knowledge of how they operate, and their needs and capacities. Despite difficulties, initiatives systematised and improved coordination among the respective international commitments of the SDC and the Federal Office of Public Health. The cooperation offices adapted their country programmes to health-related requirements. They ensured that contributions to multi- and bilateral partners are complementary. These local actions were co-ordinated with the SDC's global health actions through a structured thematic approach.

The humanitarian response followed the usual SDC humanitarian aid framework, which is based on a centralised structure and a rule for distributing resources between multi- and bilateral partners. The limited number of stakeholders and close monitoring of partners

ensured their proper selection and the appropriate definition of contribution levels. The criteria for international cooperation, together with speed and coordination on a large scale, ensured transparent allocations.

The socio-economic response followed clear and qualitatively measurable criteria. The SDC increased its expectations from UN agencies in line with the UN system reform that started in 2019. The allocation of contributions to UN humanitarian agencies involved in socio-economic activities and to international cooperation agencies active in the humanitarian field was not coordinated. The SFAO recommends that the SDC establish common criteria for the two areas.

The representation visited by the SFAO in Tajikistan was not able to respond adequately to the socio-economic impact of the pandemic, particularly in terms of food security. To remedy this, the SFAO recommends that the SDC provide the cooperation offices with financing tools that are tailored to sudden and/or major crises. It also invites the SDC to extend the modus operandi followed in the health sector to other areas of international cooperation, such as food security.

The figures on COVID-19 measures compiled by the SDC are reliable enough to be used for steering purposes and/or for external communication. The SDC statistics on COVID-19 reflect the impact of the pandemic on its central and decentralised activities.

Contractual supervision of multilateral partners needs to be strengthened

The SDC carried out its supervisory function in the area of humanitarian aid with due diligence during the COVID-19 period. However, in the area of cooperation and development, its supervision is incomplete. In the absence of systematic coordination between the SDC and the cooperation offices, the cooperation offices are not in a position to carry out comprehensive and risk-based supervision of multilateral organisations. The main reason for this is the lack of a holistic partnership-based management of these organisations. The SFAO recommends that IHOs' focal points in the regions where international cooperation is implemented be generalised to support the cooperation offices in their activities.

The supervision of multilateral partners is based on model contracts that include extended access to information and extensive monitoring capabilities. The SFAO would like to emphasise their added value. In addition, the SDC reinforces humanitarian IHOs by seconding Swiss experts to them. The SFAO identified a clause in a contract that stipulates prior consultation with the SDC in the event of significant budget deviations. It recommends that this clause be included wherever possible. The maximum amount of administrative costs for multilateral partners is defined in the contract, but the definition of administrative costs is not harmonised. This harmonisation is necessary, as is the contractual definition of the maximum administrative costs for multilateral organisations' implementing partners. Voluntary residual contributions to multilateral partners remained very marginal during the pandemic. The SFAO noted the preventive effect of contractual provisions that stipulate their repayment. It recommends that the SDC ensure that such repayment options be included in contracts with multilateral organisations.

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