

SDC guidance for engagement with Swiss NGOs



Schweizerische Eidgenossenschaft
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Federal Department of Foreign Affairs FDFA
Swiss Agency for Development and Cooperation SDC

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Introduction

The context for international cooperation has changed fundamentally over the last decade. Engagement between a range of state and non-state actors is increasingly important in addressing global problems and ensuring sustainable international cooperation. The 2030 Agenda for Sustainable Development is the global response to the complex challenges we face. It also provides a basis for rethinking partnerships and strengthening networks to support the poorest and most vulnerable. The new *SDC guidance for engagement with Swiss NGOs*¹ is in response to the dynamic international context.²

An independent evaluation of SDC partnerships with Swiss NGOs in 2017 confirmed the relevance of the programme contributions while also identifying a number of weaknesses. One particular criticism, reiterated by the recent OECD/DAC Peer Review,³ was the lack of strategic justification for SDC engagement with NGOs. The evaluation also recommended a transparent and clear system for allocating programme contributions, standardised impact measurement, clearly defined reporting guidelines and better communication. It has thus provided a major impetus for reorienting the SDC's engagement with NGOs.

The present SDC guidance explains why and how the SDC will engage with NGOs, and especially Swiss NGOs, in future.

Taking as its starting point the changed context that influences the cooperation between the SDC and NGOs, it sets out the basis for the SDC's engagement with NGOs (section 1). It goes on to define the goal and principles of engagement with Swiss NGOs (section 2), the modalities of this engagement (section 3) and the reporting and accountability (section 4).

1 NGOs: non-governmental organisations (see glossary).

2 The present guidance replaces the SDC's 2007 NGO policy.

3 OECD (2019), *OECD Development Co-operation Peer Reviews: Switzerland 2019*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/9789264312340-en> (see Recommendation 3, p. 16).

This guidance outlines the allocation system for programme contributions, one of the three possible modalities of NGO engagement. The allocation system has been redesigned to ensure transparent, clear and fair distribution of programme contributions, with a greater emphasis on competition and innovation (Annex 1).

1. Engagement with Swiss NGOs

1.1. Basis for engagement

The Federal Act of 1976 on International Development Cooperation and Humanitarian Aid (including ordinances) and Switzerland's strategy on international cooperation provide the legal basis for the SDC's engagement with NGOs.⁴

Switzerland has joined the Global Partnership for Effective Development Cooperation (GPEDC) and adheres to the principles for enhancing the effectiveness of contributions to implementation of the Sustainable Development Goals.⁵ The GPEDC partners have committed to "*support civil society in playing its full role as an independent development actor in its own right*"⁶ and to strengthen national and local structures, including NGOs.⁷ Switzerland has a long and successful track record in this regard.

Implementation of the 2030 Agenda for Sustainable Development will require governments and non-state actors to work together effectively and efficiently in future.⁸

4 *Entwicklungshilfegesetz (Bundesgesetz über die internationale Entwicklungszusammenarbeit und humanitäre Hilfe vom 19. März 1976)*: Article 11 Support for private endeavours: "The Federal Council may support the endeavours of private institutions that comply with the principles and objectives of this Act with the means at its disposal. The institutions shall provide an appropriate contribution of their own".

5 <http://effectivecooperation.org>

6 Nairobi Outcome Document, 1 December 2016, Nairobi p. 2 (<http://effectivecooperation.org/our-work/the-nairobi-outcome-document/>).

7 e.g. Agenda for Humanity. The Grand Bargain, 23 May 2016 (<https://www.agendaforhumanity.org/initiatives/3861>).

8 https://www.eda.admin.ch/dam/deza/en/documents/publikationen/Diverses/MainstreamingAgenda2030_EN.pdf

Long-standing engagement in poverty reduction and emergency aid

Thematic and operational expertise and know-how

Broad-based support and trust within Swiss society

Education and awareness-raising in Switzerland

1.2. Added value of Swiss NGOs

The SDC works with Swiss NGOs that provide added value over other partners when it comes to implementing the 2030 Agenda and Switzerland's strategy on international cooperation, as set out below, and that meet the quality criteria in terms of governance, accountability and risk management.

Key comparative advantages of Swiss NGOs include:

- *Long-standing engagement in poverty reduction and emergency aid as well as the promotion of human rights, democracy and sustainable development*: through their competent and internationally recognised and respected work, Swiss NGOs contribute to Switzerland's good reputation. Having their head offices in a neutral country can often be an important advantage, especially in conflict areas and when advocating human and civil rights.
- *Thematic and operational expertise and know-how*: Swiss NGOs mostly work across sectors and thus complement the SDC's thematic work in its priority countries.
- *Broad-based support and trust within Swiss society*: appropriate certification⁹ boosts trust in the effectiveness and efficiency of Swiss NGOs.
- *Education and awareness-raising in Switzerland*: an important task for Swiss NGOs is to sensitise the Swiss public, in particular young people, to global challenges and to raise awareness about the close links between peace, security, sustainable development and prosperity.

⁹ <https://www.zewo.ch>

2. Goal and principles of engagement

2.1. Goal

The SDC's engagement with Swiss NGOs aims to create synergies and multiplier effects in order to achieve the objectives of Switzerland's international cooperation. Cooperation with NGOs that are well anchored in the Swiss population also strengthens understanding for this foreign policy activity.

This common goal is achieved by the following measures:

1. **Strengthening civil society¹⁰ in developing and transition countries as well as in humanitarian crises:** a strong and well-organised civil society is essential for effective advocacy of human rights, promotion of gender equality, inclusive and sustainable development and participatory political processes.
2. **Enabling access to Swiss expertise, innovation and services:** with their thematic and operational expertise and know-how and their sound knowledge of local contexts, Swiss NGOs are well positioned to disseminate knowledge and innovations to local actors.

¹⁰ See glossary

2.2. Principles of engagement

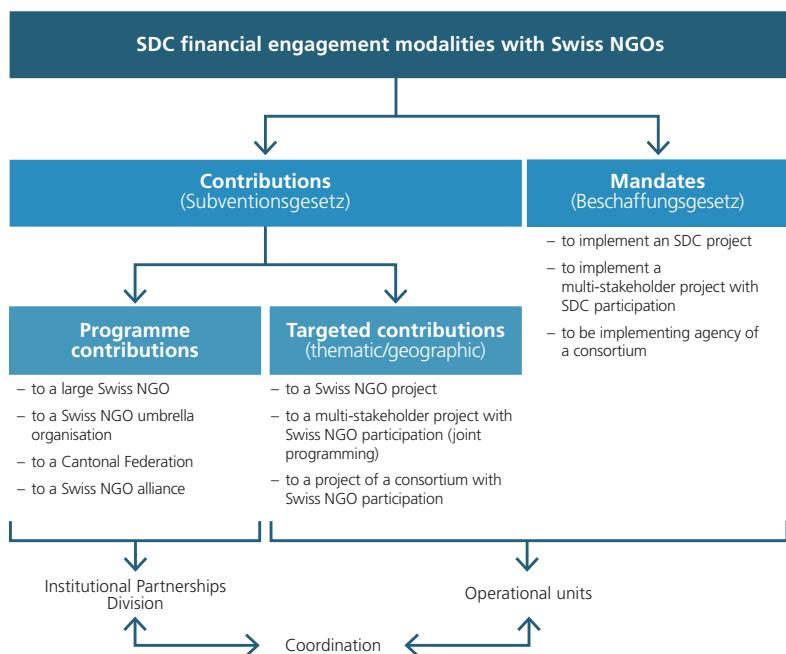
The SDC's engagement with Swiss NGOs is guided by the following seven principles to ensure the effectiveness, sustainability and efficiency of international cooperation.

1. Strengthening the humanitarian-development nexus
2. Applying a human rights-based approach to mainstreaming gender and good governance
3. Integrating policy dialogue
4. Promoting partnerships and cross-sector cooperation
5. Promoting and respecting national ownership
6. Promoting and respecting effectiveness, transparency and accountability
7. Optimising cost-effectiveness and minimising transaction costs .

3. Modalities of engagement with NGOs

The SDC can provide contributions and award mandates (Figure 1) in order to achieve the goal stated in 1.3. Contributions represent SDC support for NGO-initiated activities, whereas mandates are SDC-initiated activities carried out by NGOs or other actors. The Subsidies Act (for contributions) and the Public Procurement Act (for mandates) are applicable.¹¹

Figure 1: SDC financial engagement modalities with Swiss NGOs



¹¹ *Bundesgesetz über Finanzhilfen und Abgeltungen (Subventionsgesetz)* and *Bundesgesetz über das öffentliche Beschaffungswesen*.

3.1. Contributions

Contributions support NGO-initiated programmes and projects. The SDC differentiates between programme contributions and targeted contributions.

3.1.1. Programme contributions

Programme contributions are grants provided to Swiss NGOs' international programmes. They enable the NGOs to respond flexibly to changing situations. They promote agile management, strengthen work across the humanitarian-development nexus and allow NGOs to test innovative approaches. Programme contributions are financed through three different SDC framework credits (south, east and humanitarian).

Programme contributions are designed for larger recipient entities. They can thus be granted to four categories of NGOs: large Swiss NGOs, Swiss NGO umbrella organisations, cantonal federations and Swiss NGO alliances. Smaller NGOs may obtain programme contributions as members of umbrella organisations, cantonal federations or alliances.

Fulfilling any or all eligibility requirements does not, in itself, entitle an organisation to programme contributions.

3.1.2. Targeted contributions

The SDC may provide targeted contributions for specific projects or initiatives by Swiss or foreign NGOs. Such contributions are granted for activities that are in line with the SDC's thematic and regional or country strategies. Projects or programmes supported by targeted contributions are initiated, implemented and monitored by the NGOs themselves.

This modality can be used in particular by smaller or 'start-up' NGOs.

Targeted contributions are granted by SDC operational units at head office and at regional or country level. SDC operational units may also invite Swiss NGOs to submit proposals for specific topics and challenges.

3.2. Mandates

Mandates are contractual arrangements to provide services. The SDC awards mandates to NGOs to implement projects in accordance with the objectives of Swiss cooperation strategies, humanitarian aid or SDC global programmes.

There are essentially three procedures for awarding mandates: the tendering procedure, the invitation procedure and the direct award procedure. The requisite procedure is determined by financial thresholds. Calls for bids may explicitly mention Swiss expertise as a requirement, to strengthen the 'Swissness' of the mandate's implementation.

Mandates are awarded by SDC operational units at head office or in the representations. Mandates may be awarded to implement not only SDC projects but also multi-stakeholder projects with SDC participation.

3.3. Combining engagement modalities

Programme contributions, targeted contributions and mandates are not mutually exclusive, i.e. a Swiss NGO may concurrently engage with the SDC through all three modalities. However, double financing of activities and overhead costs must be excluded. NGOs have to prove that there is no double financing.

4. Reporting and accountability

Cooperation between NGOs and the SDC is defined according to clear objectives and measurable indicators. Reporting on the achievement of objectives and accountability for the use of financial resources are based on uniform guidelines laid down for mandates and contributions.

The financial reports form an integral part of the contractual reporting requirements. They are audited externally. The efficient use of resources and adapted risk management are reviewed in accordance with the Subsidies Act and the Public Procurement Act. In addition, the SDC regularly requests that NGOs undertake evaluations or internal reviews.

Requirements for mandates

On the basis of the planning documents (programme documents, logframes or results frameworks) with detailed basic and target values at outcome level, contractors must provide detailed annual reports with indicators to render account for their results and the impact of their implementation activities as well as the efficiency of the funds deployed.

Requirements for contributions

Programme contributions: reporting and accountability on the implementation of programme contributions is provided through standardised annual reports and audited financial statements. NGOs are required to report on the achievement of their objectives by means of results-oriented reporting with key indicators.

These reports are based on the NGO's programme documents with detailed target values (logframes or results frameworks) and contractually agreed budgets. On the basis of a detailed analysis of the financial and operational reports, the SDC's financial control mechanisms ensure the proper use of SDC funds.

These control mechanisms draw in particular on the audited financial statements in accordance with Article 727 of the Swiss Code of Obligations (CO) and commit the NGOs to full transparency (in accordance with the recommendations of Swiss GAAP FER 21) in order to ensure traceability in the allocation of SDC funds as set out in the operational report. Approval of the operational and financial reports is a precondition for disbursement of the contributions.

Targeted contributions: following the procedure described for mandates, beneficiaries must, in summary form, render account for the use of targeted contributions to thematically or geographically oriented projects. In contrast to mandates, the objectives and operational procedures to be reviewed are specified by the partner organisations.

Annexes

Annex 1: Allocation system for programme contributions

The implementation of programme contributions, including eligibility requirements, the application process and allocation system, is described below.

A. Description of programme contributions

A.1 Purpose

Programme contributions are grants¹² awarded to the international programmes of Swiss NGOs.

Contributions to international programmes of Swiss NGOs serve to achieve the goals set out in the SDC guidance for engagement with Swiss NGOs.

A.2 Categories

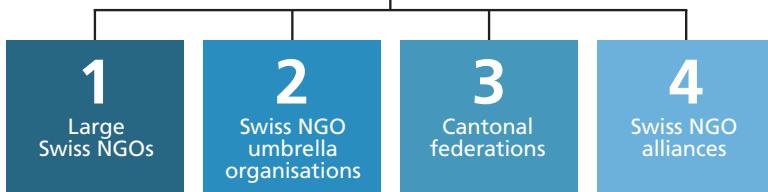
Programme contributions are granted to the following four categories of NGOs:

1. Large Swiss NGOs
2. Swiss NGO umbrella organisations
3. Cantonal federations
4. Swiss NGO alliances

For details on the categories see Table 1.

¹² Contributions must be in accordance with the Subsidies Act [*Bundesgesetz über Finanzhilfen und Abgeltungen (Subventionsgesetz)*].

Categories of NGOs



An NGO may apply for a programme contribution in one category only. Individual large Swiss NGOs may apply for programme contributions directly. Small NGOs may obtain programme contributions as members of umbrella organisations, cantonal federations or NGO alliances.

NGO alliances are open to NGOs of all sizes and do not require the constitution of a separate legal entity. Other Swiss actors, whether public or profit-making (e.g. universities, businesses), may be members of an alliance, yet may not themselves receive programme contributions. Each member of an alliance remains responsible for contributions that are received directly. In principle, the responsibility for risk management lies with the individual members.

A.3 Eligibility requirements

NGOs applying for programme contributions must be Swiss NGOs and must fulfil all of the following eligibility requirements:

- The NGO is headquartered in and manages its operations from Switzerland.
- The NGO generates more than one third of its financial resources in Switzerland and/or Liechtenstein.
- NGOs that receive programme contributions must be certified by ZEWO.¹³

¹³ ZEWO, see glossary.

Table 1: Overview of the four NGO categories

	Categories			
	(1) Large Swiss NGO	(2) Umbrella organisation	(3) Cantonal federation	(4) Alliance
Description	An organisation with an annual budget of over CHF10 million (average of past three years) including international and domestic activities.	An organisation that coordinates the activities of several member organisations that pursue a common purpose.	An association of NGOs organised at the cantonal level that are engaged in international development cooperation.	A partnership of independent NGOs formed for the purpose of submitting a joint proposal for programme contributions through a common board of directors.
ZEWO certification¹⁾	Required	2 options: <ul style="list-style-type: none"> • The umbrella organisation is certified, thereby all its members are guaranteed eligibility • The umbrella organisation is not certified, consequently members applying for contributions are required to obtain certification. 	Member organisations that receive programme contributions from the federation must be ZEWO-certified.	Required for all NGOs that receive programme contributions as members of the alliance.
Ceiling for programme contributions	30% of the international programme budget ²⁾	40% of members' aggregated international programme budgets ^{2) 3)}	40% of the federation's budget.	40% of members' aggregated international programme budgets ^{2) 3)}
Maximum contribution	CHF 8 million per NGO	CHF 8 million per umbrella organisation	CHF 8 million per cantonal federation	CHF 8 million per NGO member of the alliance

1) ZEWO is a Swiss quality seal that sets specific standards for Swiss NGOs. These standards cover ethics and integrity, corporate governance, efficient use of funds, results, true and fair accounting, transparency, accountability as well as fundraising and communication.

2) An NGO's international programme in this context is understood to mean its development and/or humanitarian programme in developing and transition countries as well as in humanitarian contexts, which is funded from private and public donations/grants/contributions, income from investments, etc. All activities financed through mandates or targeted contributions are not considered part of an NGO's international programme.

3) For umbrella organisations and alliances, the maximum possible programme contributions are calculated on the basis of the international programmes of individual members so as to avoid the ceiling of CHF 8 million.

B. Application process

The application process is synchronised with the four-year cycle of Switzerland's strategy on international cooperation.¹⁴ No applications are processed during the strategy cycle.

Programme contributions to Swiss NGOs are granted according to the following three-step process:

- (1) Call for tender and eligibility clearance
- (2) Application for programme contributions and assessment
- (3) Approval and allocation of funds.

B.1 Call for tender and eligibility clearance

Once every four years, and synchronised with Switzerland's strategy on international cooperation, the SDC publicly invites Swiss NGOs to apply for programme contributions in accordance with a specified procedure posted on its website.

Interested Swiss NGOs may apply for eligibility clearance in one of the four categories (section A.2).

B.2 Application for programme contributions and assessment

The SDC invites Swiss NGOs that have been found eligible to submit proposals for programme contributions. The proposals follow a uniform application format provided by the SDC. An approval panel examines the proposals and determines which NGOs (or entities thereof) will receive programme contributions. Proposals are assessed according to the following quality criteria, in particular: (1) adherence to the seven principles (section 2), (2) strengthening civil society in developing and transition countries as well as in humanitarian crisis areas, and (3) enabling access to Swiss expertise, innovation and services. Particular attention is paid to the chosen measurable indicators.

¹⁴ Switzerland's Strategy on International Cooperation (2017–20, 2021–24, etc.)

B.3 Approval and allocation of funds

Applicants meeting the criteria set out in paragraph B.2 are included in the process for allocation of funds.

The amount allocated to each programme depends on the quality of the proposal (quality criteria, section B.2), the SDC's overall budget available for programme contributions, and the number of recipients of such contributions.

In addition, ceilings are defined for maximum possible programme contributions in order to maintain the NGOs' financial independence. These are calculated as a percentage of the NGO's international programme budget. The SDC may specify uniform criteria in this respect.

Umbrella organisations, cantonal federations and NGO alliances may receive up to 40% of their members' aggregated international programme budgets. Large NGOs may receive up to 30% of this budget.

In addition, no NGO (individually or as a member of an alliance), cantonal federation or umbrella organisation may receive a programme contribution of more than CHF 8 million. On the basis of the funds allocated, every applicant is required to submit an adapted programme document for the credit proposal and the programme contribution contract.

The responsibility for fund allocation lies with the SDC.

Annex 2: Abbreviations

DAC	Development Assistance Committee of the OECD
GPEDC	Global Partnership for Effective Development Cooperation
NGO	Non-governmental organisation
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
SDC	Swiss Agency for Development and Cooperation
WHO	World Health Organisation

Annex 3: Glossary

This annex explains key terms used in this document.

Alliance: A partnership of independent NGOs that have joined forces to submit a joint proposal for programme contributions.

Cantonal federations: An association of NGOs organised at the cantonal level and engaged in international development cooperation. There are seven cantonal federations in the French and Italian-speaking cantons. The members of the seven federations include over 250 foundations and associations.

Civil society: The space for collective action around shared interests, purposes and values, generally distinct from government and commercial for-profit actors. Depending on how it is defined, civil society may include charities, development NGOs, community groups, women's organisations, faith-based organisations, political parties, professional associations, trade unions, social movements, coalitions, advocacy groups, etc. In general, the term usually refers to that part of society which is not managed and organised by the state and its entities (authorities, administrations).¹⁵

Effectiveness: Extent to which an objective has been met, measured as the ratio of the achieved outcome with respect to the defined outcome. Indicates how close the actual result has come to the desired result.

Efficiency: Measurement of economic efficiency. Simply put, efficiency can be defined as effectiveness divided by costs. Therefore, in order to measure efficiency, the effectiveness and costs must be known.

International programme of an NGO: A development and/or humanitarian programme in developing and transition countries or in humanitarian contexts, which is funded from private and public donations, grants, contributions, income from investments, etc. Activities financed through mandates are not considered part of an NGO's international programme.

Mandate: Contractual arrangements to procure services from NGOs or other actors for implementing an SDC project in accordance with the objectives of Swiss cooperation strategies, humanitarian aid or SDC global programmes.

¹⁵ https://www.who.int/social_determinants/themes/civilsociety/en

Nexus: The humanitarian-development nexus builds on the recognition that humanitarian, development and peacebuilding efforts are complementary and that different instruments should be applied simultaneously in order to augment, effectively intertwine and operate synergistically to enhance outcomes for the target population.

Non-governmental organisations (NGOs): Any non-profit private entity organised at a local, national or international level to pursue shared objectives and ideals, without significant government-controlled participation or representation. NGOs are part of civil society. (Source: OECD/DAC)

ODA: Switzerland's official development assistance comprises all contributions from the federal government, cantons and communes that are meant to facilitate the social and economic development of recipient countries.

Programme contributions: Grants provided to the international programmes of Swiss NGOs that are initiated, implemented and monitored by the NGOs.

Strategy on international cooperation: Switzerland's four-year strategy for international cooperation; also called 'Dispatch on International Cooperation' in the context of the Swiss legislative process. The strategy on international cooperation lays down the strategic direction and the credits for international cooperation.

Swiss NGOs: NGOs that have their headquarters and management in Switzerland and whose revenues are predominantly generated in Switzerland and Liechtenstein.

Targeted contributions: Thematic or geographical contributions provided by the SDC for specific projects or initiatives of Swiss or foreign NGOs. Such contributions are granted for clearly defined activities in line with the SDC's thematic and regional or country strategies. Projects or programmes supported through targeted contributions are initiated, implemented and monitored by the NGOs themselves.

Umbrella organisations: An organisation that coordinates the activities of a number of member organisations that pursue a common purpose.

ZEWO: A Swiss quality seal that sets standards for Swiss NGOs. These cover ethics and integrity, corporate governance, efficient use of funds, results, true and fair accounting, transparency, accountability, fundraising and communication. (Source: ZEWO)

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