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Swiss Agency for Development and Cooperation SDC

The SDC's Guidance on **Governance**

Executive summary

Inclusive and accountable governance is fundamental to delivering sustainable development. Good governance is therefore a Sustainable Development Goal (SDG) in itself – Goal 16 for peace, justice and strong institutions – and a means to achieve all 17 SDGs. The Swiss Agency for Development and Cooperation's (SDC) approach to governance can build on long-term experience and Swiss values based on its own political practice. With these guidelines the SDC confirms and refreshes its commitment to good governance and defines priorities and working approaches for Switzerland's international development cooperation.

Challenges

SDC partner countries are facing manifold and ever more complex development and governance challenges, exacerbated by the COVID-19 crisis. To improve governance and contribute to achieving the SDGs, responses are required to tackle equally: (1) persistent development challenges such as poverty, gender inequalities, armed conflict, violations of human rights, weak rule of law and systemic corruption; (2) challenges in a globalised world such as policy incoherence in global economic governance, climate change and natural resource management, migration and urbanisation; as well as (3) emerging political and technological trends, in particular the backslide of democratic governance and the rise of authoritarianism with shrinking space for civil society and independent media that threaten democratic foundations and values, and the new opportunities and related risks arising from rapid digitialisation.

Priorities *(see Annex 1)*

To respond to these multiple governance challenges, the SDC has identified five priority areas and pillars as being key to where progress must be achieved. These are:

1) Promoting democratic governance, participation and accountability
2) Supporting decentralisation and well-functioning multi-level governance
3) Combating corruption on all levels
4) Responding to governance opportunities and challenges arising from digitalisation
5) Strengthening governance as a lever and transversal theme.

The SDC applies a dual-track approach with targeted governance programmes and interventions and working transversally through other thematic sectors to establish good governance practices across the governance system.

A systemic approach: how the SDC works on governance

The SDC's work is based on a systemic and contextualised understanding of governance. Governance interventions are always embedded and understood within the broader system. Participatory approaches and local ownership of governance changes must be at the heart of any cooperation. In particular, the SDC's systemic approach includes:

1) Addressing three dimensions of governance: the structures and institutions, the quality of performance and processes (governance principles), and the actors and stakeholders
2) Being aware of power dimensions ("thinking and working politically")
3) Working on governance dynamics with a multi-level perspective
4) Strengthening stakeholders in their governance roles (with a human rights-based approach)
5) Striving for increased policy coherence for sustainable development.

The modalities to implement the SDC's governance priorities and approach are (1) applying a context and conflict sensitive approach and adaptive programming, (2) striving for the use of country systems, (3) integrating governance into steering and programme management, (4) investing in building capacities and partnerships, and (5) understanding implementation as a joint endeavour.

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1. Introduction

Confirming and refreshing the SDC commitment

Inclusive and accountable governance is fundamental to delivering sustainable development and must be at the heart of our efforts in tackling today's ever more complex global development challenges. In the 2030 Agenda for Sustainable Development, adopted by the UN General Assembly in 2015, good governance is key in two ways: good governance is a Sustainable Development Goal (SDG) in itself – Goal 16 for peace, justice and strong institutions – and at the same time, good governance is recognised as a means to achieve all 17 SDGs; it is an essential lever of the systemic transformations needed.[1]

With this guidance, the Swiss Agency for Development and Cooperation (SDC) confirms and refreshes its commitment to good governance. Governance is omnipresent in the SDC's development interventions and it can look back to long-standing practice and experience in governance programming in partner countries and globally. Addressing old and new governance deficiencies is thus a cornerstone of Switzerland's strategy on international cooperation contributing to the achievement of the 2030 Agenda.[2] In particular, the SDC aims to strengthen the quality of governance in core public governance functions and applies a governance lens to all its interventions and actions, from managing education or food security systems to adapting to climate change or providing humanitarian protection.

The "Swissness" of its approach is a clear added value and makes the SDC a credible and renowned partner. The SDC's approach is based on the values enshrined in the Swiss constitution, focusing on the wellbeing of all people – men and women, individuals and groups – promoting active citizenship and human rights, legitimate institutions and inclusive, participatory multi-level democracy for sustainable development. While the key characteristics of Switzerland's political system can serve as a source of inspiration, the SDC supports countries in achieving their own context-adapted forms of good governance. It builds on the reputation of Switzerland as a neutral country, recognising the right of each state to define its own form of governance.

Thinking and working politically is a sine qua non when working with and on governance. Based on its own experience, Switzerland is aware of the complexity of governance systems. The SDC therefore pays due attention to the different levels of government, the variety of involved state and non-state stakeholders as well as their different interests and aspirations. It focuses on concrete problems and internally driven solutions. It recognises the political dimension of its engagement and the need to understand and take into consideration different forms of visible and invisible power dimensions.

This guidance sets out the general orientation on the SDC's stance and commitment to governance. It is directed at SDC staff and SDC implementing partners and serves to inform the larger public about SDC engagement in this field. It explains the concept of governance and the SDC's vision, values and principles in this respect, and outlines the thematic priorities of the SDC and its approach to work on governance.

The guidance builds on existing policies, but has the advantage of including all governance related principles and approaches into one single document. It thus replaces earlier policy documents, in particular the Democratisation, Decentralisation and Local Governance Policy (DDLG), which remains valid as a thematic document.[3] It draws on the SDC's long-standing experience and learning in supporting governance and integrates the international state of the art.[4]

1 Global Sustainable Development Report 2019, p.29 (GSDR Report).
2 Switzerland's International Cooperation Strategy 2021–24, objective 4 on Peace, Governance and Gender Equality.
3 For other thematic guidance documents closely related to governance, see Annex 2 on the Peace, Governance and Equality cluster.
4 See Annex 4 for a timeline of SDC governance engagement and findings of the thematic evaluation of 2015.

2. Governance for sustainable development

Strengthening governance is key for sustainable development

Governance is about the way a country manages its public affairs, the manner in which public authority and power is exercised and how political decisions are made. It sets the conditions for the inclusive and peaceful negotiation of public interests and shapes the relations between citizens[5] and the state. It lays the foundations for the provision of quality services for all, regulates the distribution and access to public goods and resources, and it frames the conditions for sustainable and inclusive economic development. Weak governance is a key constraint for inclusive, sustainable and peaceful development.

The 2030 Agenda provides a global reference framework for good governance throughout the 17 goals and 169 targets. For good governance, a twin track approach applies: it is an end in itself and a means through which to improve people's wellbeing. SDG 16 is dedicated to good governance, calling for "promoting peaceful and inclusive societies for sustainable development, providing access to justice for all, and building effective, accountable and inclusive institutions at all levels". At the same time, governance is an essential lever of the systemic transformations needed to achieve all 17 SDGs. Governance is the largest official development assistance (ODA) sector, with a total of USD 112 billion spent in the period 2009–18.[6]

The objective of good governance is not only enshrined in SDG 16, but is closely related to other SDGs striving for equality; namely, SDG 1 on eradicating poverty, SDG 5 on gender equality and women's empowerment, SDG 10 on reducing inequalities between and within countries and SDG 17 on global partnerships for sustainable development. Governance is strongly interlinked with and an important means for fighting the multidimensional factors of poverty and exclusion to ensure that "no one is left behind", and for promoting gender equality and human rights and peaceful coexistence and resolution of conflicts. Improving governance is thus an important means to achieve these mutually reinforcing aims.[7]

Respecting, protecting and fulfilling human rights are the foundation of the SDC's approach to governance. Human rights are guaranteed by law, in treaties, customary international law, and other sources of international law. These oblige states and other duty-bearers to respect, protect and fulfil the human rights of individuals and groups, without discrimination. These human rights obligations are key for democratic governance as well as for fighting poverty, social injustice and exclusion. The SDC uses binding human rights treaties and mechanisms as a legitimate common basis for action-oriented partnership and political dialogue on governance at the bilateral and multilateral level.

Development challenges are governance challenges

The achievement of the SDGs depends largely on how governance takes place and the manner in which governance deficiencies are addressed. Development and governance challenges are manifold and strongly intertwined. This is truer than ever in view of the COVID-19 pandemic crisis that is compounded by a major economic and financial crisis, and reveals and exacerbates existing social, economic and political fault lines.

Persistent development challenges

- **Poverty and inequality** remain the major global development challenges. The important progress in poverty reduction in the last decades risks being reversed by the impact of the global COVID-19 crisis. Increasingly, inequality becomes more pronounced within individual countries. It goes hand in hand and is reinforced by weak governance leading to unequal access to public services such as health, education and social protection as well as resources, information and decision-making processes. The dynamics of exclusion, driven by a growing polarisation and intolerance based on ethnic identity or religion, gender, or sexual orientation perpetuate and exacerbate poverty. These dynamics contribute to fragility and conflict, weaken social cohesion, and may compel citizens to migrate or force vulnerable groups to leave their homes and seek refuge elsewhere, either within their countries or beyond.
- **High gender inequality is an indicator of weak governance**, and often for fragility and conflict as well. Women's rights are jeopardised when governments and governance systems are not functioning well and they face violence in the public and private sphere. Large gender gaps persist that limit the opportunities and capabilities of half of the world's population: women generally have less influence than men on decisions made in politics, the economy, in society and in the household. They are underrepresented in political offices, administrative structures and judicial authorities, and often have little voice in the distribution of resources and political agenda-setting. They are more vulnerable and disproportionately affected by poverty and conflict, and face obstacles such as entrenched social prejudices, a lack of time, skills and political networks.
- **Unsustainable use of increasingly scarce natural resources** such as water and fertile ground and/or uneven access to them is often the result of failed governance due to weak capacities, lack of knowledge and conflicting interests among the responsible authorities. The pressure on these resources is exacerbated by

5 The SDC understands "citizens" as an inclusive concept, referring to all people living in a given territory as rights holders, irrespective of their citizen or migration status.
6 OECD DAC (2020). DAC Official Development Assistance to Governance: An Overview (2009–2018).
7 This comprehensive understanding is reflected in objective 4 on peace, good governance and gender equality in Switzerland's International Cooperation Strategy 2021–24, and the related sub-objectives 8, 9 and 10. It also serves as rationale for the Peace, Governance and Equality cluster, encompassing the four SDC networks: Fragility, Conflict and Human Rights, Governance, Gender, and Poverty/LNOB (see Annex 2).

A journalist from Studio Kalangou interviewing in the streets of Niamey. Photo: Anne Mimault, Fondation Hirondelle

the impacts of climate change and demographic developments. Effective and inclusive policies for sustainable use of soil, water, forests, biomass and national water bodies are key to counter further depletion and degradation, reduce the exposure to natural disasters and secure the livelihood of large parts of the population, particularly marginalised and vulnerable groups.

- → **Armed conflict and widespread violence** weaken already fragile state institutions and state legitimacy as well as erode the capacity of public authorities to deliver basic public services and social protection. The sheer absence of state authority in entire countries or important parts of countries is a growing concern. Bad governance – or the absence of the state – can be among the reasons for the emergence of violence and terrorism. In fragile situations, state functions are often taken over by informal authorities – or even warlords or extremist groups – and in many cases with low standards of governance. As a result, an increasing number of SDC partner countries are facing complex humanitarian emergency situations in fragile and conflict-affected environments where the legitimacy and the capacity of state actors are dysfunctional.
- → **Violations of human rights, lack of access to justice and disregard for the rule of law** undermine international and national obligations, democratic governance and make existing legal standards useless. Abuses of power are frequent and an inherent element of weak governance, with negative consequences for the respect of individual human rights, particularly of vulnerable groups, women's rights, and economic and social rights. Respecting, protecting and fulfilling all human rights is a key ingredient of governance, as is equal access to justice and the adherence to the rule of law – the absence of which is detrimental to all fields of development. For example, having access to an adequate justice system is also important for economic development and the private sector, in particular for the small and medium enterprises that suffer from legal insecurity.
- → **Widespread and systemic corruption** that involves public authorities curbs the state's ability to serve the interests of its population and deliver services where they are needed most, thus affecting the poorest and most vulnerable people disproportionately. The negative consequences of corruption are pervasive and multidimensional and go far beyond the loss of financial resources. Corruption has severe detrimental effects on the rule of law, and it undermines democratic legitimacy and contributes to the current crisis in democracy around the world. Corruption hinders inclusive economic development and the sustainable use of natural resources, and it limits development results more broadly.

Challenges to policy coherence in a globalised world

- → **Market globalisation and international interdependence of financial systems and economic production** may have increased the macroeconomic wealth of many countries, but risks and benefits are rarely distributed evenly. Globalisation has also increased countries' vulnerability to economic shocks, as the current COVID-19 crisis shows. While much progress in various fields of economic governance has been achieved in the last two decades, these are continuously challenged by competing national and international interests. In addition, **illicit financial flows (IFF)**, stemming from many sources – among them corruption, organised crime, tax evasion and avoidance – are weakening the economic and social fundamentals of many states, while allowing some transnational companies and/or national and local elites to cement their privileges, wealth and power.[8]
- → **Exploitative forms of extraction, global trade of commodities and appropriation of land all increase the risks for environmental degradation and climate change** and lead to conflicting interests both within countries and internationally. They give rise to growing geopolitical tensions over the use of and control over natural resources as a global public good, which in turn results in often weak, poorly enforced or incoherent global, regional and national regulations and systems governing these resources.[9]
- → **Internal and transborder migration and rapid urbanisation** provide development perspectives to many, but the reason why people migrate and move in the first place is very often linked to bad governance resulting in deprivation and conflict. Migration impacts on the economies, the societies and the political and administrative systems of the countries of origin as well as the transit and new host countries. In conjunction with demographic trends

8 Switzerland has shown considerable efforts for combating IFF. In particular, Switzerland (1) fights against tax evasion and applies (i) the automatic exchange of information pertaining to financial accounts (AEIO) with 97 partner countries and (ii) the administrative assistance in tax matters with 141 countries; (2) has a broad bilateral and multilateral framework for Mutual Legal Assistance to fight transboundary criminality, including grand corruption; (3) fights against money laundering and financing of terrorism and has (i) further adjusted the national legislation to international FATF standards (Financial Action Task Force against Money Laundering and Financing of Terrorism) and (ii) supports developing countries in their fight against money laundering; (4) has a proactive policy in terms of recovery of stolen assets stemming from corruption (Asset Recovery), having returned more than USD 2 billion; and (5) supports the Extractive Industry Transparency Initiative (EITI) and is member of the EITI board.

9 The SDC is actively promoting global frameworks governing the responsible and sustainable use of natural resources. Notably, the SDC played a key role in the drafting of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests, the framing of SDG 6 promoting clean water and sanitation and advocates for an effective system of the Nationally Determined Contributions (NDCs) as an instrument to implement the Paris Agreement.

paired with climate change, migration contributes to fast-growing cities and peri-urban areas thereby challenging the traditional ways of managing resources. Effective governance systems capable of managing public affairs and delivering basic services in these fast-developing territorialities are key.

Emerging political and technological trends

- → **The backslide of democratic governance and increase of authoritarianism** challenge the paradigm of democracy as a universal and shared value and foundation. In many countries, political power and decision-making is dominated by more and more authoritarian approaches, sometimes paired with inefficient and weak state institutions unable to deliver on basic public tasks.[10] This trend is very likely to be reinforced by the political implications of the COVID-19 response requiring strong executive powers.
- → **Shrinking space for civil society and independent media** makes it more difficult for citizens' groups to make their voices heard in political processes and increases the exclusion of important groups from development processes and benefits.[11] It further delegitimises state institutions, which are not able to play their role of balancing conflicting interests to ensure conditions for inclusive development.
- → **Opportunities and challenges of digitalisation**: Rapid digitalisation has increased the possibilities for collecting, accessing and communicating most needed information and data within and beyond national borders, often in real time, at scale. Digitalisation can be an important tool for individual citizens to access information and get their voices heard. Improved data availability for economic actors, civil society and state institutions contributes to more transparency and effective policy-making. At the same time, digitalisation involves considerable risks for data protection, of manipulation of information and abuse by private stakeholders as well as by (authoritarian) states. Digitalisation has also affected international mobility of people, goods, services and data, in ways that have tremendously changed how social interaction is taking place, and how national economies, individual enterprises, civil society organisations and states are working. The governance of these rapid digital developments becomes a pressing issue, both domestically and internationally.

These governance-linked challenges are context-specific, evolve over time and are extremely dynamic – as evidenced by the multiple governance impacts of the current COVID-19 crisis. In the SDC's experience, there is a high risk of a vicious circle of weak governance leading to greater challenges and in turn, to even weaker governance. Breaking the vicious circle and improving governance is thus key for achieving sustainable development.

The SDC responds to these challenges by prioritising a comprehensive governance approach and focusing on areas that have high impact and in which the SDC has proven expertise. Thereby, the SDC closely collaborates with other units of the federal administration, in particular the State Secretariat for Economic Affairs (SECO) regarding economic governance and the Human Security Division (HSD) for governance in fragile contexts.

Civil society organizations discussing with municipality officials in Bolivia, dialogue and collaborative support project (DAC). Photo: Swiss Cooperation in Bolivia/Lucano

10 Various data sources (i.e. the V-Dem Annual Democracy Report and EIU Democracy Index) point to democracy in decline in virtually all regions of the world. At the same time, authoritarian countries have become increasingly assertive. The data suggest that the so-called third wave of democratisation (ca. 1990–2005), which has brought unprecedented expansion of accountability, transparency and inclusion and a tripling of electoral democracies, has ended and the trend has now reversed. The specific characteristic of the new trend to authoritarianism is that it is gradual and often happens within and through the law and democratic processes. According to DAC figures (2017), a majority of ODA is allocated to countries classified either as authoritarian (36%) or "hybrid" (41%).

11 Controlling the media and curtailing the space of civil society are often the first signs of democratic backsliding, before electoral integrity and other aspects of democratisation suffer (Democracy Report 2020. Varieties of Democracy Institute (V-Dem).

3. The SDC's vision and its guiding principles of governance

How the SDC defines governance

Governance is the political process through which public authority is created and exercised. The SDC conceives governance as the way in which core public functions are performed, public goods are produced and distributed, and power is exercised and negotiated by a multitude of governmental and non-governmental actors at multiple levels (from the sub-national to the national state level to the global level). Governance processes form citizen–state relations and are shaped by established formal and informal rules, institutions and processes through which public duties are exercised, and needs, interests and differences are articulated, negotiated and mediated.

The SDC's vision of good governance

Good governance is a well-functioning global, national and sub-national governance system that contributes to building and maintaining peace and promotes sustainable development. A well-functioning governance system focuses on the wellbeing of all people – women and men, girls and boys, all groups of society, including migrants and forcibly displaced persons. It would "leave no one behind" and respect the diversity of citizens' ideas of a good life. With a view to realising this vision, the SDC aspires to contribute to building and strengthening governance systems that:

- Promote equal access to services and social protection, resources, information and justice for all
- Foster inclusive participation of citizens, work in a non-discriminatory way and allow for peaceful negotiation of conflicting interests
- Ensure the rule of law, human rights and establish legitimate and accountable politics
- Enable sustainable and inclusive economic development
- Strive for efficient, effective, transparent, rule-based, accountable and legitimate institutions and processes.

Fundamentally, governance issues always involve power relations, and governance interventions often directly challenge power holders. Governance touches on core features of how states are organised and operate. **Thinking and working politically** is thus an integral part of the SDC's understanding of governance. The SDC is aware of the risks of working on governance – as well as the risks of not tackling governance concerns – and it is committed to support partner countries in addressing their particular governance challenges. The SDC's understanding of governance is not only concerned with achieving the benefits of good governance as the ultimate goal; moreover, it equally encompasses **how** governance processes are managed – whether the stakeholders themselves are able to jointly agree on inclusive solutions according to the roles and responsibilities relating to problems identified.

Swiss values

Switzerland's governance practice is based on values that are at the heart of its political stability and economic prosperity. Respect for diversity and individual liberty, the rule of law, power sharing, federalism and decentralisation based on the subsidiarity principle, direct democracy and the promotion and protection of private property as well as a strong spirit of cooperation, solidarity and consensus building are part of these values and result in responsive and legitimate institutions. The Swiss Constitution specifies that democracy, human rights and peaceful coexistence are self-standing goals for Switzerland's engagement in international cooperation and foreign policy (Art. 54/2 Cst.). These values are built on Switzerland's long-standing humanitarian tradition. As the constitution recognises, supporting other countries in achieving these goals also serves the interest of Switzerland's welfare and security (Art. 54/2 Cst.).

The SDC's guiding principles of good governance

Improving governance means moving forward, towards "better" governance, measured by quality standards as defined in the international human rights framework and derived from internationally recognised principles. The SDC's work is guided by its vision of good governance, by Swiss constitutional values and by the principles of good governance that are aligned with OECD DAC principles and standards. The SDC governance principles are thus human rights-based and are defined as follows:

The governance principles are overlapping, interdependent and closely interlinked (see Figure 1). They are generic enough to be adaptable to different realities and allow public systems to respond adequately to multiple development challenges.

The SDC applies these principles to assess the functionality and quality of governance processes and develop problem-based interventions. The governance principles do not all have the same weight. Depending on the objectives and the context, one or several aspects might be more important than others or "trade-offs" may require negotiating priorities; for instance, from the perspective of corruption prevention, at the forefront might be transparency, accountability and the rule of law. When promoting democratic governance, effective and quick service delivery may have to be balanced against an inclusive yet lengthy participative process.

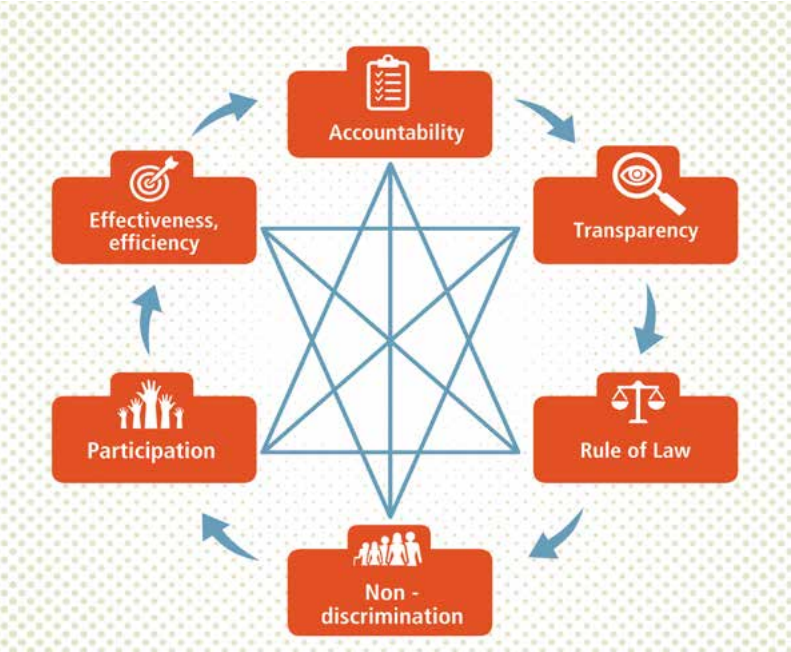


Figure 1: Governance principles

Principles of good governance

- **Transparency:** The public – or at least those affected by a decision – must obtain information from the decision-makers about the rationale, criteria, and expected impacts of their decisions.
- **Accountability** refers to the control over power exercised within state and society. Power holders have to inform about, explain and justify their decisions, and they are sanctioned if their behaviour does not comply with their duties.
- **Participation** refers to the voice that stakeholders and the population at large must have in public decision-making, which is crucial to ensure public institutions become truly responsive to their needs.
- **The rule of law** means that state institutions and power holders must abide by international and national legal standards – rights and obligations – that are equally enforced towards all citizens (and residents).
- **Effectiveness/efficiency** implies the result-oriented performance of state institutions. Financial and human resources are used in an optimised way, without waste, corruption or delays.
- **Equality and non-discrimination/inclusion** refers to the vision of equal opportunities and dignity for everyone – and the principle of "leaving no one behind". Women and men have the same rights, without distinction or exclusion.

4.
The SDC's governance priorities

To address the above-mentioned multiple governance challenges, the SDC identified five priority areas and pillars: (1) promoting democratic governance, participation and accountability; (2) supporting decentralisation and well-functioning multi-level governance; (3) combating corruption on all levels; (4) responding to governance opportunities and challenges from digitalisation; and (5) strengthening governance as a lever and transversal theme in all interventions.

The SDC considers these as key areas of change where progress must be achieved to further good governance, peaceful, just and inclusive societies and the wellbeing of all people. The SDC addresses the priorities with a dual-track approach either through targeted governance programmes and interventions and/or by working transversally through other thematic sectors. Good governance in a sector helps establish democratic practices across the governance system and consequently it positively influences the overall "rules of the game".

4.1. Promoting democratic governance, participation and accountability

In democratic systems, the legitimacy of political representatives and institutions is based on people's participation and consent, either by direct vote or by representation, public oversight and accountability. Democratic systems are perceived as less prone to concentration and abuse of power since they require compromise and inclusion, and they are backed by the principles of separation of powers and the rule of law. Inclusive democratic decision-making processes and democratic elections offer opportunities for accountability and change. The SDC encourages the constructive, mutually reinforcing interplay among different democratic forces, institutions and actors. It builds on homegrown dynamics and is oriented towards democratic values rather than promoting specific models.

The democratic backslide and rise of authoritarian rule and trends in many countries threaten these foundations and values. There are controversial debates on how democratic development correlates (or does not correlate) with the wider development outcomes (such as service delivery and economic development for poverty reduction), which raises the question of the "business case for democ-

Members of the Social Accountability Monitoring Committee, Gairo District, Tanzania. Photo: Foundation for Civil Society

racy". In the SDC's understanding of governance – as a means and an end in itself – good governance is a precondition to addressing the multidimensional factors of poverty and exclusion. To uphold democratic governance and values and to promote, preserve and protect democratic and civic space is thus a key priority.

Pillar 1: The SDC contributes to the strengthening of democratic institutions and processes to preserve, protect and increase democratic and civic spaces for inclusive participation of all people.

- → **Enabling effective citizens' participation and protecting and/or increasing civic space** by empowering women, men, children and youth of all parts of society, including "left behind" and excluded groups such as minorities or migrants, as informed citizens to make their contribution and participate and influence decision-making in the public affairs of their localities, and demand responsiveness and accountability from the authorities without fear. This includes an enabling environment for a civil society capable of voicing concerns, participating in policy-making and holding those in power accountable.
- → **Promoting transparent, inclusive and fair elections** and **stimulating issue-based political parties** that respond to the interests of citizens and encourage the constructive engagement between political parties and other institutions, such as civil society, the media and election management bodies.[12]
- → **Promoting representative, effective and accountable parliaments** to fulfil their legislative, oversight and representative roles as legitimate state institutions capable of balancing the power of the Executive.[13]
- → **Fostering horizontal and vertical accountability mechanisms** and **legitimacy of public institutions** by building capacities of state and independent oversight bodies at different levels to create incentives for power holders to act for public interest and in a citizens-oriented way.
- → **Strengthening independent and pluralistic media** by giving support to enabling framework conditions for and capacities of media broadcasters (press, radio, TV, online media) to produce and distribute truthful, comprehensive information and give voice to different parts of a society, communicating between groups within a society their respective opinions and attitudes, and offering a platform for public debate.
- → **Promoting independent, impartial and accessible justice** by enhancing the capacity of state and non-state justice sector institutions and empowering the poor and other disadvantaged rights holders to access these institutions and seek and secure remedies to vindicate their rights.[14]

Parliament support in North Macedonia

The SDC has collaborated for more than 10 years with the Parliament of North Macedonia. In the initial phase, the SDC supported the establishment of a Parliament Institute to conduct research and analysis in support of the Members of Parliament. Since 2019, the programme has provided more comprehensive support to the parliament's institutional development, its oversight and legislative capacities, and its transparency and accountability towards citizens. For instance, the introduction of predictable parliamentary calendars increasingly allows sufficient time to review laws and consult civil society regarding them. Upgrades of the parliament's website and e-parliament system allow better information, enygagement and communication towards citizens.

Support to local media in Benin

In Benin, the SDC has been supporting rural community radio in a holistic way, thereby making the community radio sector viable in the long term. It has been building its capacity step by step, starting with lobbying for a law which gave radio stations the right to broadcast in the first place, giving technical equipment, training, support for community management, solving energy supply problems, and helping to cover specific themes like HIV/AIDS, gender and rural poverty, and also governance and accountability. Key learnings include: (1) the necessity for regular monitoring of the political positions taken by radio stations to avoid them becoming a one-sided political voice; (2) the need to support an umbrella group of nationally recognised radio stations for guidance and representation of their interests at the national level; and (3) as donor, to provide practical support (e.g. studio equipment) with a commitment for policy dialogue at the government/diplomatic level (i.e. for freedom expression or pressuring government for less punitive taxes for community radios).

12 In the area of democracy and election support, the SDC coordinates with the Human Security Division which works with the Elections and Democracy to Peace (E2P) approach and, in particular, facilitates negotiations on codes of conduct for political parties and candidates to prevent electoral violence.

13 In the area of parliament support, the SDC cooperates and seeks support of the Swiss Parliamentary Services, based on the tripartite "memorandum of understanding" between the Parliamentary Services, the SDC and the Human Security Division.

14 Access to justice and human rights as key ingredients to democratic governance are covered by the thematic unit and network Fragility, Conflict and Human Rights.

Open Budget Meeting in Bangladesh, Sharique Project, 2012. Photo: Helvetas Swiss Intercooperation, Jens Engeli

4.2. Supporting decentralisation and well-functioning multi-level governance

Decentralisation defines the framework conditions for multi-level governance and determines the roles, functions and power, and the financial and human resources of sub-national authorities. If assigned functions, funds and decision-making authorities are in congruence and multi-level cooperation is ensured, localised arrangements can lead to more effective and efficient development processes, better accessible and accountable state institutions and more active participation by citizens. The SDC contributes towards improving domestic capacities for decentralisation reforms and adequate, predictable and transparent intergovernmental transfers as well as broad-based reform dialogue and the protection of interests of sub-national governments. At the same, the SDC fosters democratic sub-national governance structures and the capacities of sub-national institutions in fulfilling their functions. This implies inclusive provision of good quality services such as education, health and social protection, collaborative solutions towards local development, the efficient and responsive management of public finances, effective citizen participation and democratic accountability and oversight.[15]

Decentralisation, a capable local government, and democratic principles are also preconditions for successful local economic development (LED). LED focuses on promoting sustainable and inclusive economic growth geared to local conditions and resources, creating income and employment opportunities for all segments of the population. It aims to improve the competitiveness and economic situation of a territory and explores complementarities between economic sub-sectors and common institutional infrastructures.

Sub-national governments are increasingly facing and dealing with global challenges such as migration, rapid urbanisation and climate change, all putting pressure on already strained infrastructure and service delivery systems. Weak peri-urban governance, lack of inclusive economic development and dysfunctional rural–urban value chains challenge the traditional ways of managing public affairs, delivering basic services and dealing with conflicts.

15 See SDC Policy on Democratisation, Decentralisation and Local Governance, 2016.

Pillar 2: The SDC contributes to well-functioning multi-level and sub-national governance, leading to more democratic control, greater efficiency and accountability in public service delivery and stronger foundations for inclusive economic development.

- → Supporting the **administrative, political and fiscal decentralisation** and strengthening capacities, practice and behaviour change of sub-national governments.[16]
- → Strengthening the **quality of local public finance management** and the **capacities of sub-national governments** to diversify and increase their **finance base** and their access to new finances.
- → Enhancing **local economic development** by promoting fiscal policies and investments for public goods and services, sustainable economic growth as well as local infrastructure development.
- → Addressing the **challenges of rapid urbanisation**, particularly secondary cities, stressing the importance of rural–urban linkages for development.

A representative of the Civil Society Organisation eSigurnost (information security) speaking at a public event of theProgramme For an Active Civil Society Together, December 2019, Serbia. Photo: SDC

16 In fiscal decentralisation and public finance management reforms, the SDC cooperates closely with SECO. Both the SDC and SECO apply a systemic perspective: the SDC's focus is primarily on the sub-national level, but facilitates alignment with national-level policies, while SECO works mostly on macroeconomic conditions and national-level policies, but also supports sub-national implementation of these policies.

Decentralised sectoral budget support in Mali

In Mali, decentralisation is an important part of the overall peace architecture and the government is placing the regional authorities at the heart of it. Switzerland supports the regions Sikasso, Mopti and Tombouctou in their local development. For the disbursement of the finances to these regional entities, Switzerland has established a Decentralised Sectoral Budget Support (Appui Budgétaire Sectoriel Décentralisé, ABSD) with the government, recorded as state budget revenue and managed according to national procedures (management autonomy). It finances targeted expenditures in one or more sectors agreed upon by the government, local authorities and the SDC, and is transferred to a local authority (project owner) or to decentralised line ministry structures which provide technical and advisory support at the local level. The local authorities establish a multiannual investment plan, relying on existing committees that approve the plans and ensure consistency between local and national programmes. The ABSD resources are disbursed in two tranches, subject to conditions specified in the framework agreement and to the achievement of results (performance based).
The ABSD mechanism using the country's public finance system has proven to be effective, even in fragile contexts, as it ensures the effective delivery of aid directly to the population and local elected representatives and entrusts them with greater responsibility in the exercise of capital or investment management.

4.3. Combating corruption on all levels[17]

Pillar 3: The SDC contributes to the global efforts of combating corruption as a major development obstacle, raising awareness of its negative impacts and leading the dialogue with partner governments and development partners.

Good governance is key to ensure the integrity of power holders and fight corruption as a major obstacle to inclusive development. Corruption has negative effects for the provision of basic services and the theft of public resources creates financial gaps, subverts the rule of law and undermines democratic governance. The importance of fighting corruption is reflected in SDG 16, which has a specific target to it. Corruption as "the abuse of entrusted power for private gain" (Transparency International) has many different forms at different levels (such as petty corruption, grand corruption or political corruption and state capture). Newer research highlights corruption as a multifaceted and highly complex phenomenon. A better understanding of the different types and drivers of corruption in its specific context is thus critical to develop effective strategies to fight corruption.

The SDC follows a two-pronged approach to address corruption: (1) supporting specific anti-corruption programmes and (2) incorporating anti-corruption measures across sector programmes, with a focus on accountability, transparency and the rule of law. The SDC engages in a constructive dialogue with governments and other relevant stakeholders to promote the integrity of state institutions and line ministries, including transparency of financial management, and the integrity of the business sector. It supports programmes that strengthen oversight functions and capacities of parliaments and other independent state institutions as well as the watchdog role of media and civil society through social accountability initiatives to empower citizens to take action and encourage social norms and behaviour change to foster a corruption adverse environment. To stop the vicious circle of impunity, the SDC invests in capacity building of anti-corruption commissions, state prosecutors and the judiciary to enhance the effectiveness of investigation and prosecution of corruption cases. The SDC also takes measures to prevent corruption and ensure compliance in its own work and engages with international initiatives, standard setting and competence centres.

- → **Investing in better analysis and understanding of the structures and factors driving corruption** in different contexts and identifying risks of anti-corruption interventions inadvertently contributing to misuse of law enforcement in fragile and authoritarian contexts.
- → **Increasing strategic interventions against corruption** through specific anti-corruption programmes and initiatives, in particular with key government and independent oversight institutions, independent media and civil society as well as the private sector, and promoting digital tools.
- → **Integrating an anti-corruption perspective in sector programmes** focusing on accountability and oversight, transparency, integrity and social behaviour change.
- → **Promoting political dialogue** with authorities, and strengthening coordination and collective action with local, national and international partners and stakeholders.
- → **Engaging in global initiatives** tackling corruption, in particular in the area of asset recovery and illicit financial flows, improving transparency and integrity in the extractive industries and commodity trading or in sector-specific areas such as water and natural resource governance.[18]

17 See new SDC Guidance on Fighting Corruption, 2020 (forthcoming). This guidance will be aligned with the forthcoming strategy on the prevention and detection of corruption of the Federal Administration.

18 Anti-corruption is a whole-of-government effort. The SDC thus works in close coordination with all relevant Swiss stakeholders, in particular with SECO on economic governance, or the State Secretariat for International Finance (SIF) for illicit finance flows (see also footnote 8). SECO, SIF and the FDFA jointly manage the Swiss platform for commodities and monitor the implementation of the commodities report with its 16 recommendations. Regarding responsible business conduct, the SDC supports the engagement of the Federal Council enacted in the Action Plan on Corporate Social Responsibility and the National Action Plan on Business and Human Rights.

Tanzania Anti-Corruption Support Programme

The programme comprises two complementary initiatives to foster an institutional and social environment that is adverse to corruption: (1) strengthening law enforcement capacities of the Prevention and Combating of Corruption Bureau (PCCB), the Tanzanian anti-corruption agency, through technical assistance on complex financial investigations and asset recovery by embedded experts from the International Centre for Asset Recovery (ICAR) of the Basel Institute on Governance; and (2) addressing social norms that drive corruption through a multimedia integrity campaign, implemented by a non-profit organisation. It built on the narrative of the locally produced film *Bahasha*, which sold over 10,000 DVD copies, had 60,000 online viewings and was screened by Ethiopian Airlines as part of its in-flight entertainment. The innovative social behaviour change approach has now been adopted by the PCCB Community Education Division.
The programme was developed during a moment when the political leadership took decisive anti-corruption actions. An external review shows promising results while also taking apparent political risks: the law enforcement component was highly effective and managed to successfully process cases of unjustified wealth and cases requiring complex financial investigations from foreign jurisdiction. This substantive focus also helped to mitigate political risks, as simple law enforcement support can be misused for political instrumentalisation.

Support to Anti-Corruption Efforts in Kosovo (SAEK)

Similarly, the SAEK programme follows a comprehensive approach to prevent and suppress corruption in Kosovo by focusing on three main elements: (1) improving the policy and legal framework; (2) enabling authorities to better detect, prosecute and adjudicate grand corruption and financial crime; and (3) strengthening civic engagement mechanisms to hold institutions accountable.
Selected results are the development of the Anti-Corruption Strategy and Action Plan 2019–2023 and the Law on the Kosovo Anti-Corruption Agency; the accreditation of 43 Kosovo corruption investigators as Licensed Fraud Examiners; effective e-tools and monitoring mechanisms; corruption risk assessments for the Bar Association, the national anti-money laundering regime and extractive industries; integrity plans in selected municipalities – after recognising the high risk for corruption in education, the municipality of Pristina opened a new e-recruitment procedure for hiring teachers and directors. The SAEK programme also supported a public platform where citizens can report corruption cases through Kallxo.com, an organisation that follows up on stories through legal analysis and exceptional investigative journalism. Since 2016, 986 reports have been verified, leading to 591 follow-ups resulting in 98 disciplinary, administrative and criminal anti-corruption measures by the authorities.

4.4. Responding to governance opportunities and challenges from digitalisation

Rapid digitalisation is a key development trend that will shape and impact governance processes in many different ways. Modern forms of democratic participation, new media and (social) accountability are closely linked to the digitalisation of societies, the economy and the public sphere. However, in countries with high power imbalances and weak rule of law, or in the hands of authoritarian governments, digital technology may become a powerful tool of repression, control and surveillance. New forms of digital governance are expected to contribute to more efficient and transparent public management and prevent and reduce corruption risks, but it may also involve governance risks in terms of accountability, the rule of law or equality. Digitalisation provides opportunities to harness data generation in areas where non-availability of data prevents evidence-based decision- and policy-making, such as the limited data availability on sub-national levels and of "left behind" groups. Yet, adequate international and national governance structures and processes will be needed to steer the public and private use of new technologies and digital solutions to ensure they are geared towards the benefit of the people as well as being useful for sustainable development.

Pillar 4: Contribute to improving digital governance by managing the digital transformation for the public good and based on principles of good governance.[19]

- → Promoting research and learning on **the potentials and risks of (rapid) digitalisation** and supporting partners' **capacity building** to profit from digitalisation potentials and respond to its challenges.
- → Promoting **digital governance** as a process of establishing public goods in a digital form and exploring avenues for **digital democracy** in the SDC programmes in a way that contributes to good governance, avoids widening the digital gap and mitigates risk.
- → Engaging in **dialogues and initiatives on global digital governance** for coherence in global and national regulation of digitalisation.
- → Promoting **data availability** on all levels of governance, with a focus on sub-national data availability and on data relevant to "left behind" groups and gender equality, to promote effective and evidence-based policy-making.

19 The SDC's engagement on governance and digitalisation is aligned with the SDC's guidance on digitalisation in international cooperation.

In the village of Kovalivka, a couple receives EGAP digital services at home, far from the administrative center. Photo: EGAP

E-Governance for Accountability and Participation (E-GAP) in Ukraine

In Ukraine, citizens in contact with the administration are often faced with corruption, restricted access to information and insufficient quality of public services. With the E-GAP project, the SDC aims to reduce corruption and to allow citizens better access to public services. In particular, the project promotes accountability and efficiency of public services like business or birth registration or pension payments through newly established *digital governance* portals. Some 718 local officials were trained to support the public administration to launch and manage the platform. The use of *digital democracy* also enables citizens to participate in political decision-making processes. From 2015 onwards, a range of instruments were developed, including electronic petitions, online budgets, electronic consultations and online complaint procedures for services.

The popularity of e-democracy initiatives in Ukraine has exceeded SDC expectations. Until 2019, the project showed very good results: the one-stop-shop platform was used by 211 municipalities and registered 885,000 citizens and government actors. Some 14,886 petitions (of which 18.5% were officially accepted) and 21,660 complaints were registered and followed up, and 72 online budgets were published. The Ministry of Digital Transformation has been established, which is now a partner of the project. The ministry supports the drafting of new laws on digital governance and assesses their inclusiveness and their relevance for decentralised units like regions or oblasts. The collaboration with the ministry and the adoption of these laws will ensure the sustainability of the interventions.

4.5. Strengthening governance as a lever and transversal theme

Governance is a Sustainable Development Goal in itself (Goal 16) and a means and essential lever of the systemic transformations needed to achieve all 17 SDGs, and the SDC applies this dual-track approach in its own operations. On the one hand, the SDC invests in dedicated governance programmes with the principal objective to address governance deficiencies and achieve specific governance results in SDC priority areas (see Sections 4.1–4.4). On the other hand, given the cross-cutting character of governance and based on the SDC's commitment of thinking and working politically, the SDC takes a "transversal approach": it strengthens governance as a lever and integrates a governance perspective and the good governance principles in all sectors and areas of cooperation. To implement governance in sectors, the SDC applies a systemic and contextualised understanding of governance.[20]

Community Consultation, Laos © SDC/Nithsa Vongphanakhone

Pillar 5: Promote good governance and governance objectives as a lever to achieve effective, transformative and sustainable development results in all sectors and interventions.

- → **Systemic approach**: Analyse and address the governance system (of a sector) by looking at three dimensions: structures, processes and actors, and address governance dynamics with a multi-level and multi-stakeholder perspective.
- → **Governance principles**: Use the good governance principles to assess the quality of governance processes and identify sector-specific entry points as well as monitoring and reporting of governance results.
- → **"Thinking and working politically"**: Adopt a political approach to governance with consideration for underlying power dimensions and formal and informal rules and norms, and facilitate dialogue to strengthen local problem-solving mechanisms. Promote capacities for political economy analysis and adaptive programming.
- → **Peace, governance and equality (PGE)**: Apply a coherent approach towards PGE with joint analysis and instruments to further the integration of PGE dimensions within the SDC's transversal themes.[21]

20 See the SDC Governance Toolbox and Governance as Transversal Theme. A Practical Guide to Integrating Governance in SDC Sectors and Priority Themes.
21 See the integrated Peace, Governance and Equality Framework, developed by the PGE cluster.

Governance as a transversal theme: governance of education systems as example

Taking the governance of education systems as an example, in order to integrate governance as a lever and transversal theme an examination of the governance systems and challenges in the sector is required. This can be analysed in three dimensions: (1) **the governance structures**, by assessing sector laws, policies and financing, formal control institutions, or the status of sector decentralisation; (2) **the governance processes** by asking about formal and informal rules and the quality in view of good governance principles, such as the effectiveness of the public sector management and service delivery, transparency and spaces for participation in policy and decision-making, or accountability and compliance with rules and regulations; and (3) **the key actors** that shape the sector, their motivation, behaviour and incentives, and their visible and hidden power.

Decentralisation of the education sector in Niger: On the basis of Swiss expertise in the decentralised management of education by the cantonal governments, the SDC supports Niger in the effective transfer of resources and competences to local and regional authorities. The decentralisation process contributes to the reinforcement of the quality of education through:
Supporting the communes and regions in the management of various aspects of education, including classroom construction, literacy, school mapping, supplies and the management of middle schools and high schools *as well as* vocational training;
Implementing the "leave no one behind" principle by taking into account regional disparities and by increasing school enrolment and the retention and success of young girls.

Federalising vocational skills in Nepal: As a principle, all SDC interventions in the Nepal programme have the ultimate goal to support federal state building. The TVET portfolio, with the NVQS (Nepal Vocational Qualifications System) and ENSSURE (Enhanced Skills for Sustainable and Rewarding Employment) projects therefore strengthen governance at different levels within and beyond the TVET sector. The strategic governance interventions include:
"Federalising TVET": The SDC, with support from ETH Zurich, supports the government in federalising the TVET system by defining roles, responsibilities and financing schemes of the different institutions at the different levels.
Cross-sectoral linkages: To take advantage of the synergies between TVET and labour migration, the SDC considers the needs of the domestic and the international labour markets and engages with multiple stakeholders (private sector, professional associations and technical training facilities). Through the NVQS, the SDC has initiated the Recognition of Prior Learning (RPL) system for skill testing and certification of returnee migrants. This enables them to have quality jobs in the national and international labour market.
Inclusion and participation: Based on the GESI (Gender Equality and Social Inclusion) approach, the SDC ensures that access to vocational training promotes gender equality and is inclusive and accessible to all; for example, through career guidance and dissemination of information on the available opportunities to all, in collaboration with municipalities.

5.
A systemic approach to governance: how the SDC works

The SDC's interventions are based on a **systemic and contextualised understanding of governance**. This means that governance interventions (e.g. promoting local governance) are always embedded and understood within a broader system. **The SDC's approach to governance and development challenges** is such that the facilitating of change processes is as important as the specific issue it works on ("the how is the what").

The SDC's systemic approach means and includes:

- → Addressing structures, processes and behaviours
- → Being aware of power dimensions ("thinking and working politically")
- → Working on governance dynamics with a multi-level perspective
- → Strengthening stakeholders in their governance roles (with a human rights-based approach)
- → Striving for increased policy coherence for sustainable development.

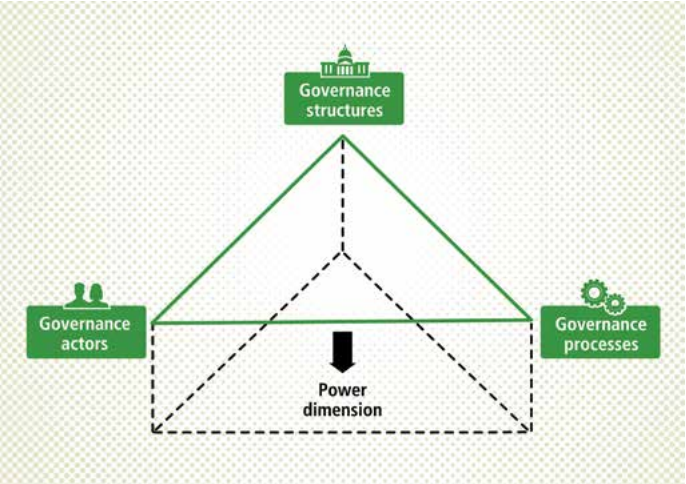


Figure 2: Three dimensions of systemic governance

5.1. Addressing structures, processes and actors

The politics and functionality of governance systems are shaped by different dimensions, namely structures, processes and behaviours. They are interdependent and can be understood as the points of a three-dimensional triangle (see Figure 2), namely:

- → The **structures and institutions** in place (the legal framework, the institutional set-up, sector policies and finances, formal and non-formal rules and institutions, etc.)
- → The **quality and performance of processes** (decision-making, implementation, problem-solving), in view of the quality of processes and good governance principles and the informal "rules of the game"
- → The **behaviours, attitudes and value systems of actors and stakeholders**. Behaviours are influenced by the actors' motivations, capacities, formal and informal power and incentive structures that are in place. Understanding the beliefs and values, for example of strong leadership, will be key to understand authoritarian behaviour and non-democratic contexts.

Therefore, in order to have impact, cooperation is needed on all three dimensions, in a systemic way. For example, just supporting the change of regulatory framework (structure), without altering the process in which this regulatory framework is embedded, particularly its transparency and accountability systems, will not lead to sustainable change. In the same vein, if a process is changed but the involved actors hold on to old belief systems, they will find a way to work around a new procedure. Thus, participatory approaches to and local ownership of governance changes are at the heart of any cooperation.

An accountable transition for Tunisia: leveraging the role of independent state institutions

The new SDC project in Tunisia called TRUST takes a comprehensive perspective on the countries' horizontal accountability institutions. The set of young independent institutions established by the constitution of 2014 manages or oversees key governance functions. These include among others the management of elections, the regulation of audiovisual communication, the fight against corruption and the prevention of torture and human rights. TRUST strengthens the capacity of these institutions to perform according to their mandates. It puts an even stronger emphasis on the interactions between the institutions and the pillars of the state; first with parliament, informing its oversight and legislative role, but also with the relevant ministries, the judiciary and civil society. Tunisian citizens shall better understand the roles of these institutions and the remedies available in claiming public services and rights, and also will increasingly trust checks and balance processes in the consolidation of the democratic transition.

5.2. Being aware of power dimensions ("thinking and working politically")

Governance is about managing power and authority, based on the historical trajectories of every country and context. Inevitably, governance processes influence and are influenced by power relations between governance actors, be they formal or informal, visible or hidden. Often, the persistence of poor policy and dysfunctional institutions have less to do with a lack of knowledge or finance than with the actions of powerful actors, groups or movements who gain from existing arrangements and are not interested in change. Thus, governance changes often involve the renegotiation of power and resources. Also, governance changes are complex and unpredictable. Hence, it is important to understand:

- → **The roles played by formal institutions** (e.g. rule of law, elections) and **informal rules, ideas and norms** and how these shape political settlement, economic competition and development policies
- → **The role of leaders, their interests and incentives** and how those who have a stake in the process may encourage or hinder development reforms and programmes
- → That such **change is never just a technical exercise**, but is shaped by political processes of contestation, bargaining and building alliances among different interest groups.

Therefore, the SDC "thinks and works politically". The SDC supports and facilitates dialogue and cooperation between different interest groups, with a view to strengthen local problem-solving mechanisms and manage conflicts of interest with peaceful means. To do so, the SDC strengthens capacities for political economy analysis and adaptive management.

5.3. Working on governance dynamics with a multi-level perspective

Governance systems are defined in terms of their boundaries, internal subdivisions, multiplicity of actors and institutions, and the interactions amongst them. Different governance systems (from global governance architectures to national and sub-national political systems or regional organisations and international networks) are interconnected and influence each other.

- → **In partner countries, the SDC fosters linkages and cooperation vertically** on national and sub-national governance levels and **horizontally** between peer institutions and sectors. For example, well-functioning multi-level systems are a necessity for the effective transfer of power and responsibilities to lower-level governments in decentralisation processes, but also cooperation between peer governments and institutions on the same level (i.e. associations of municipalities).
- → **At the global level, the SDC promotes policy coherence between the local, national and global policies and across sectors.** It supports the global architecture of governance through its multilateral and international partners and effective and accountable institutional set-ups. In particular, the SDC works towards **strengthened sectorial governance of selected global themes** by working at different levels to connect them and influence policy-making both upwards and downwards (the so-called "elevator principle"). It develops and carries out innovative projects in local and national settings and leads a policy dialogue to further develop the respective global governance frameworks.
- → For example, the SDC works towards improved global and regional policy frameworks on migration and supports countries along major migration corridors to put in place effective policies that protect the human rights of migrants and forcibly displaced persons. A further example is the SDC's engagement in climate change mitigation. The SDC supported India to develop the country's first regulatory framework for the construction of residential buildings. It now shares these local- and national-level experiences with the Global Alliance for Buildings and Construction (GlobalABC) and the Energy Efficiency in Emerging Economies (E4) programmes.

Therefore, the SDC always takes a **multi-level perspective** when working on governance dynamics.

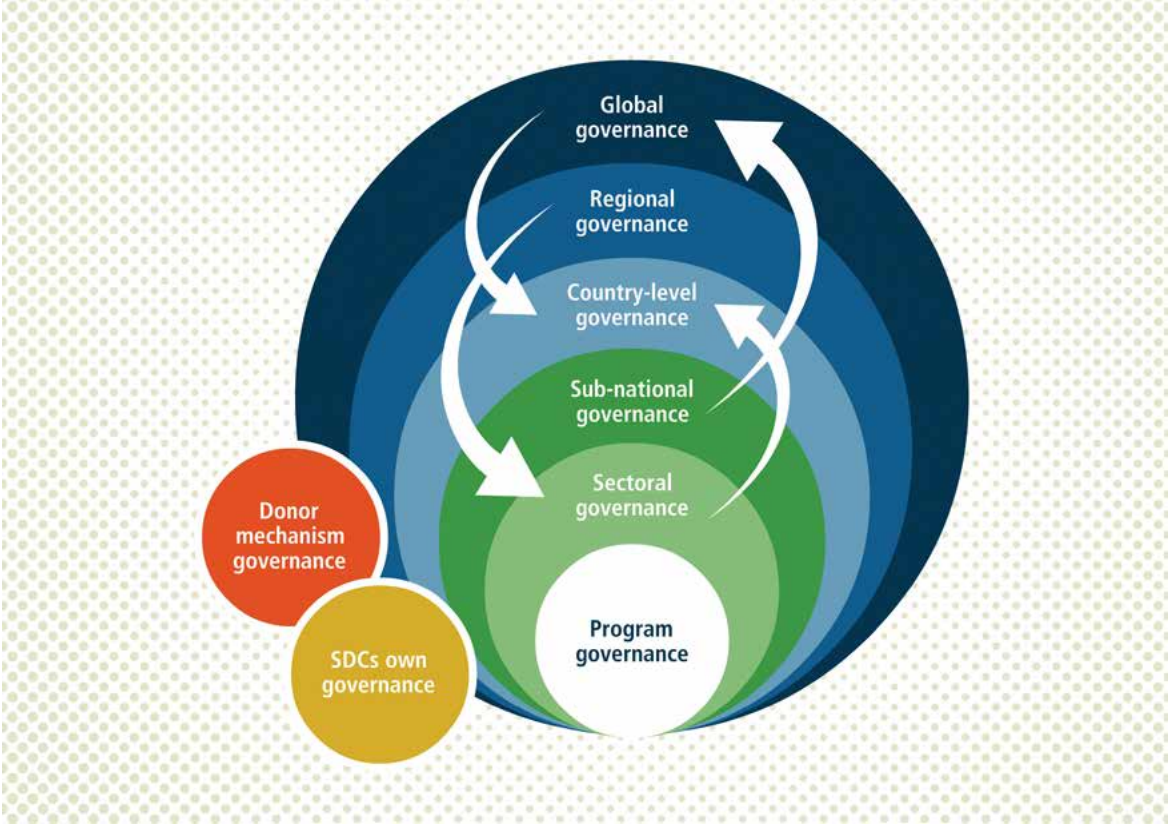


Figure 3: Multi-level governance

The Green Climate Fund (GCF): multi-level and multi-stakeholder governance at the core

The GCF is the only multilateral climate fund exclusively financing climate mitigation and adaptation projects in developing countries. Designed as an operating entity of the United Nations Framework Convention on Climate Change (UNFCCC), the GCF provides funds directly to a broad range of accredited entities, both national (direct access modality) and international. Switzerland is among the top 10 donors. The GCF is also the first climate fund with a dedicated Private Sector Facility fostering high-level private sector engagement at international and domestic levels in recipient countries. Since its operationalisation in 2015, the GCF has approved nearly 130 projects in more than 100 countries, benefiting an anticipated 350 million people with increased resilience and avoiding 1.6 billion tonnes of CO_2 equivalents.

To implement GCF projects effectively, strong governance on all levels is key; for example, through the direct access modality, recipient countries' capacities and country ownership are strengthened. This results in more effective projects in designated areas (such as energy, transport, sustainable infrastructure, food and water security or health) at both national and sub-national levels. Private sector and civil society representatives for both developing and developed countries participate as active observers in the Board meetings, thus ensuring an inclusive multi-stakeholder dialogue. As a member of the Board, Switzerland advocates for enhanced GCF governance and independent oversight mechanisms, including transparency in decision-making, sound accreditation of partner organisations and project management standards, and ambitious social inclusion and gender policies.

5.4. Strengthening stakeholders in their governance roles (with a human rights-based approach)

The political dynamics and functionality of the State and other institutions in the public sphere are shaped by a multitude of governmental and non-governmental actors in the governance system. "Government" does not equal "governance" – government alone does not shape the governance of a country or a sector; it is the interplay of the various governance actors that matters:

- → While citizens are at the centre of democratic governance, **the range of governance actors that are important power holders** include state authorities at different levels of state (including executive, legislative and judiciary bodies, and independent oversight institutions), civil society organisations to make voices heard and monitor governments, political parties, the media and informal authorities (e.g. religious, traditional).
- → **The private sector** is essential to promoting economic development, building public infrastructure and delivering public services. Private sector actors are therefore important stakeholders in governance systems and processes. For the private sector to play its vital role in achieving the SDGs, an enabling institutional framework that is predictable, rule based and legitimate while also ensuring non-discrimination and inclusive economic development for all is key.
- → Depending on the country context, **the roles and relevance of the different actors in the governance system may vary considerably**. National governance systems are primarily steered and managed by national and local actors that have the authority and legitimacy to do so. International donors have a supporting role, particularly by contributing to building capacity and commitment of the actors for improving governance.

Therefore**, the SDC supports positive governance dynamics among all governmental and non-governmental actors and stakeholders**, in line with their respective roles in the governance system (see Figure 4). In doing so, **the SDC adopts a human rights-based approach**: strengthening state institutions so they comply with their obligations, and empowering citizens so people know and can claim their rights.

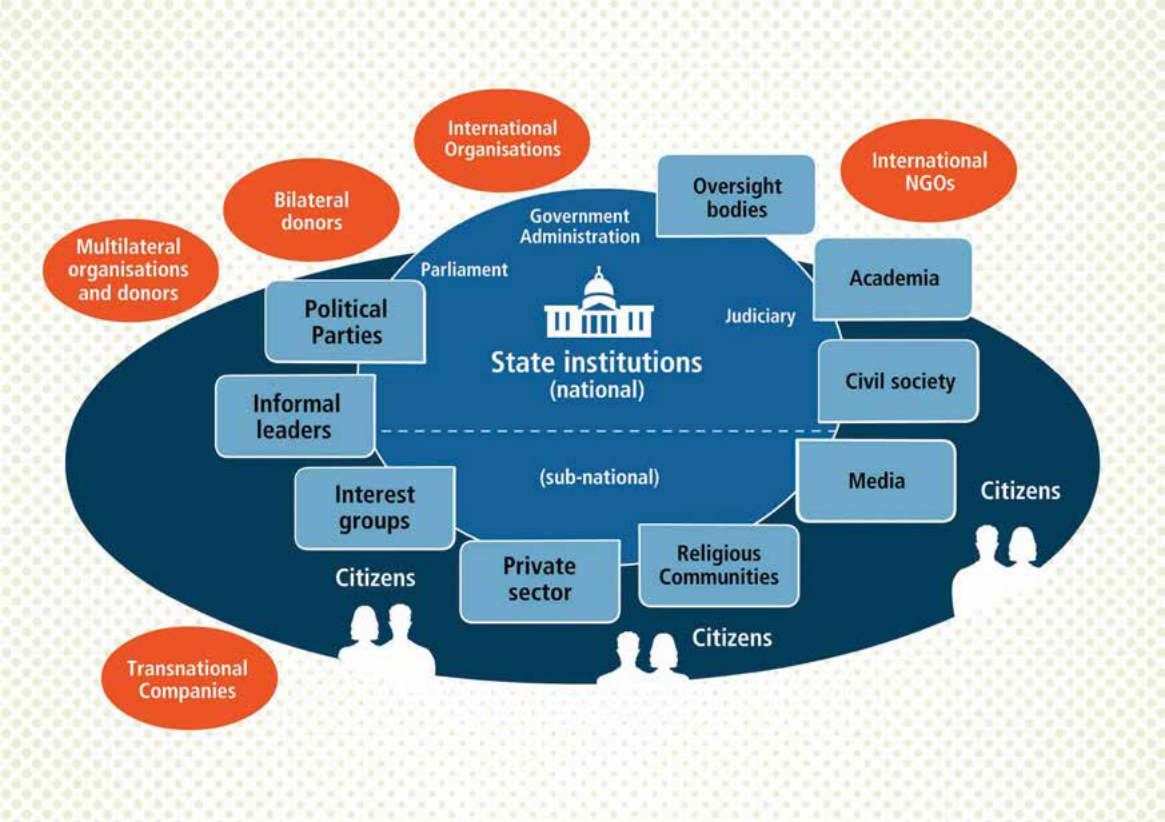


Figure 4: Governance stakeholders

Prabriddhi – Local economic development (LED) at district level in Bangladesh

Bangladesh accounts for an impressive growth of around 6% of GDP over the last 15 years; however, not all the regions of the country were able to profit to the same extent from this economic transformation. This is why the inclusion of districts into the economic development process, using local potentials for market development, is crucial. With the promotion of local economic development (LED) in its project Prabriddhi, the SDC introduces a stronger territorial view into economic development. The LED programme is complementary to the ongoing efforts of decentralisation and helps to link urban, peri-urban and rural areas to foster economic wellbeing of the overall territory.

A strong emphasis is on linking the different stakeholders on the intermediate level in the district and the local actors in the two pilot municipalities. The public, private and civil society sectors jointly engage in strategising, planning and implementation. A competitiveness as well as a gender study have been conducted. So far, 12 sub-projects and schemes have been identified, and financing and resources from municipalities and the private sector have been mobilised. A so-called "national anchor" in one of the ministries ensures alignment with and visibility at national level.

5.5. Striving for increased policy coherence for sustainable development[22]

Development partners and aid agencies are actors in the global governance system and those of partner states, and their interventions across sectors can impact on the partner state's governance, improving – or worsening – governance, with a negative effect on the sustainability of the expected change. To ensure and strengthen policy coherence on all levels, the SDC undertakes the following:

- → It strives for a **coherent approach among Swiss government actors** with a view to promote good governance principles in Swiss foreign policy (whole-of-government approach). The SDC particularly promotes a coherent governance approach in complex humanitarian, fragile and conflict-affected situations (the triple nexus) and with respect to Swiss policies and actions towards economic governance. On these, the SDC works in close cooperation with the Human Security Division and SECO.
- → The SDC relies on expertise and is committed to **collaborate with key actors in Switzerland** on development-related governance issues, such as civil society, the private sector and academia as well as other professional and interest groups.
- → Following the same logic, the SDC contributes to the **international debate and engages in a policy dialogue** with like-minded donors and partners to promote harmonised policies and approaches to further good governance, addressing global governance challenges and resisting the democratic backslide.[23]
- → The SDC supports and participates in **global and national alliances monitoring the implementation of SDG 16** (including the SDG16+ initiative on promoting peace and ending violence) and the overall governance commitments of the 2030 Agenda.

Therefore**, the SDC is committed to work towards increased policy coherence both globally and domestically.** Cognisant of its own role, the SDC pays due attention to the interaction between its interventions and each context.

22 According to the OECD recommendation on policy coherence for sustainable development (PCSD), policy coherence is an approach to integrate the dimensions of sustainable development throughout domestic and international policy-making. Its objectives in the context of the 2030 Agenda are to advance the integrated implementation by: (i) fostering synergies and maximising benefits across economic, social and environmental policy areas; (ii) balancing domestic policy objectives with internationally recognised SDGs; and (iii) addressing the transboundary and long-term impacts of policies, including those likely to affect developing countries.

23 In particular, the SDC is an active member in the OECD DAC Network on Governance (GovNet), the Anticorruption Task Team (ACTT), the Civil Society Working Group of the DAC and the development partners platform for Decentralisation and Local Governance and (DeLoG). The SDC also engages in policy dialogue with and through its partners (see Annex 5 on the SDC's governance partners).

Economic governance – a case for policy coherence

In today's highly globalised economy with its interdependent financial markets and economic systems, increased policy coherence for sustainable development is key for the international economic governance frameworks (shaping investments, trade and taxation) to contribute to the realisation of the SDGs. Addressing potential negative transboundary effects of policies on developing countries (spillover effects) is of particular importance. Laos, a Swiss partner country, provides a relevant example. During the last decade, there was a strong focus on economic growth; however, the focus on large investments in the areas of hydropower, mines and industrial agriculture has created hardly any jobs for the Laotian population. In addition, the country is running into debt for decades to come, while the profits from the investments flow mainly to the wealthy elite and foreign investors. Instead of reducing poverty, growth has led to increasingly precarious living conditions for a large part of the Laotian population – namely the rural poor.[24]

In Switzerland, economic governance (both at national and international levels) is under the responsibility of different actors including SECO, the State Secretariat for International Finance (SIF), and the Federal Department of Foreign Affairs (FDFA) with the Human Security Division (HSD) focusing on business and human rights, and the SDC. Within the SDC, different units work on topics related to economic governance, such as alignment of international taxation and investment with the SDGs; addressing risks of illicit financial flows, including in the extractive sector; or fostering effective public finance management of partner countries on sub-national levels which contributes to broadening and increasing the local tax base, a key factor for domestic resource mobilisation.

24 Bieri, Sabin and Thomas Breu. "Wirtschaftswachstum ist kein Allzweckmittel", Die Volkswirtschaft 5/2020, p. 50–52.

6. Implementation modalities

Applying a context/conflict-sensitive approach and adaptive programming

- → **The SDC takes the context as a starting point and works with a conflict-sensitive approach** to avoid harm and maximise positive impacts for good governance in partner states. In order to work in context and conflict-sensitive ways, harmful blueprint interventions must be avoided.
- → The SDC supports **adaptive programming** through **continuous and careful context and outcome monitoring**. It flexibly adapts its programmes to changing governance, power and conflict dynamics, identifying new opportunities and risks that may arise rapidly, particularly in fragile and conflict-affected situations. Practical ways to do adaptive programming are, for example, designing outcomes in a flexible way (outcome harvesting), supporting "payment by results" approaches with transformative goals, or undertaking joint assessments with programme partners to evaluate if the adopted theory and pathway of change is still relevant.

Striving for the use of country systems

- → Whenever possible, **the SDC works through country-specific governance systems and domestic institutions** to strengthen governance actors in their respective roles, leading a policy dialogue with all national key stakeholders. The SDC's understanding of "using country systems" goes beyond financial systems. It includes all arrangements and procedures for public sector planning and budgeting and systems of accountability in financial, administrative and political terms (including working through civil society). For the SDC, working through the public sector is less a question of whether or not to do so but rather is a sequenced and gradual approach accompanied by a transparent dialogue with the partner country. For example, if a project has been running for four years, working more through the country system may be considered for implementing the next phase.
- → The SDC considers governance aspects when choosing partners and implementing institutions. Its governance interventions **align with relevant national strategies and policies** as well as international commitments.
- → The SDC is aware of **the long-term nature of governance processes** and the "limited" role that external actors can play. It therefore engages, with its partners, in a long-term perspective of change that allows for short-term wins, and iterative and continuous learning and adaptation.

Integrating governance into steering and programme management

- → Governance interventions are **implemented by the SDC's bilateral and multilateral instruments** of development cooperation and humanitarian aid, through dedicated governance programmes, governance in sectors as well as policy dialogue, addressing political and technical issues.
- → The SDC adopts a **problem-driven approach and a clear theory of change** to identify entry points, intervention strategies and transformative outcomes. Possible trade-offs and contradictions between different governance objectives and principles are explicitly reflected and mitigated as far as possible.
- → The SDC **monitors and evaluates governance results and processes** for effective result-aligned resource management and learning. Adequate assessment and monitoring instruments are developed to capture the dynamics of governance processes.[25]
- → The SDC is committed to respect good governance in its own institutional governance as well as those of its implementing partners, and to **lead by example**. It designs respective internal management procedures and cooperation modalities.

Investing in building capacities and partnerships

- → The SDC ensures that **governance know-how and experience** is available for SDC staff and partners and allocates **adequate resources**. In particular, the SDC invests in strengthening the capacity for governance and political economy analysis and the translation of the analysis in governance programming.
- → The SDC's **thematic networks cooperate on common governance issues**, exchange experience and harmonise related guidance. The SDC also engages with Swiss civil society and helps in building public awareness on governance.
- → The SDC **invests in partnerships** for promoting expertise and research of high quality and expert dialogue on the SDC's governance priorities. Partners also contribute in building evidence of what works in governance approaches and provide sound and evidence-based inputs and guidance for policy influencing and dialogue.[26]

25 The SDC's institutional instruments for systematic monitoring of governance results are: (1) the Aggregated and Thematic Reference Indicators (ARI and TRI) on governance, and (2) the Governance Policy Marker (based on the DAC Participatory Democracy/Good Governance (PD/GG) marker), measuring the financial commitments for dedicated and transversal governance engagements (principle/significant). See Annex 3 for further outline.

26 See Annex 5 for an overview of key partners and policy platforms.

→ The SDC is **dedicated to cooperation and partnerships** with partner countries by supporting them in their own reform priorities; with development partners through coordinated approaches and joint programming, and with Switzerland's own civil society by acknowledging its key role in strengthening civil society in developing countries.

Implementation is a joint endeavour

→ **The SDC Directorate** steers the strategic orientation, sets the priorities and ensures policy coherence and a whole-of-government approach with other entities within the Swiss government.
→ **The operational divisions at headquarters and in the SDC offices/embassies** implement governance programmes and mainstream governance at all levels in assessing contexts, designing interventions, implementing, monitoring and evaluation, policy dialogue, office management and collaboration with partners.
→ **The thematic focal point and networks** monitor and steer the implementation, provide advice for operations and guidance on thematic priorities, and conduct capacity building to strengthen the overall governance competence of the SDC.
→ **Partners and contractors** integrate the governance principles and priorities as key stakeholders in the implementation. The SDC works towards integrating the main aspects into its partnership relations and mandate agreements.
→ **Multi-stakeholder partnerships** are key for integrating governance in joint programming, implementation and policy dialogue. The SDC is committed to continuous dialogue on governance in (national and international) multi-stakeholder partnerships as a strategic task.

Annex:

1a Governance priorities

1b Theory of change

2 Peace, Governance and Equality – the PGE cluster approach

3 Monitoring governance

4 The SDC's governance experiences and achievements

5 Key partners and international platforms for policy engagements

6 Glossar

Annex 1a: Governance priorities

SDC's governance vision and objective: A well-functioning global, national and sub-national governance system that contributes to building and maintaining peace and promote sustainable development, focusing on the well-being of people – women and men, all groups of society to: promote equitable access to services and social protection, resources, information and justice for all, foster inclusive participation of citizens, enable sustainable and inclusive economic development, ensure the rule of law, human rights and establish legitimate politics and strive for efficient, effective, transparent, rule-based, accountable institutions and processes.

Contributing to

- Switzerland's International Cooperation Strategy 2021-2024: Promoting peace, good governance and gender equality (Obj.4), by promoting good governance and rule of law and strengthening civil society (sub-objective 10)
- Agenda 2030, SDG 16: Promoting peaceful and inclusive societies for sustainable development, providing access to justice for all, and building effective, accountable and inclusive institutions at all levels.

Pillar 1:

Democratic governance, participation & accountability

- Effective citizens' participation and protecting and/or increasing civic space
- Transparent, inclusive and fair elections and issue-based political parties
- Representative, effective and accountable parliaments
- Horizontal and vertical accountability mechanisms, legitimacy of public institutions
- Independent, pluralistic media
- Impartial and accessible justice

Pillar 2:

Decentralisation and multi-level governance

- Administrative, political and fiscal decentralisation, capacities of sub-national governments
- Quality of public financial management and municipal finances
- Local economic development
- Governance challenges of rapid urbanisation

Pillar 3:

Combatting corruption

- Better analysis of factors driving corruption
- Strategic interventions: key oversight institutions, independent media, digital tools, private sector
- Anti-corruption in sectors: accountability, oversight, transparency, social behaviour change
- Policy dialogue, engaging in global initiatives

Pillar 4:

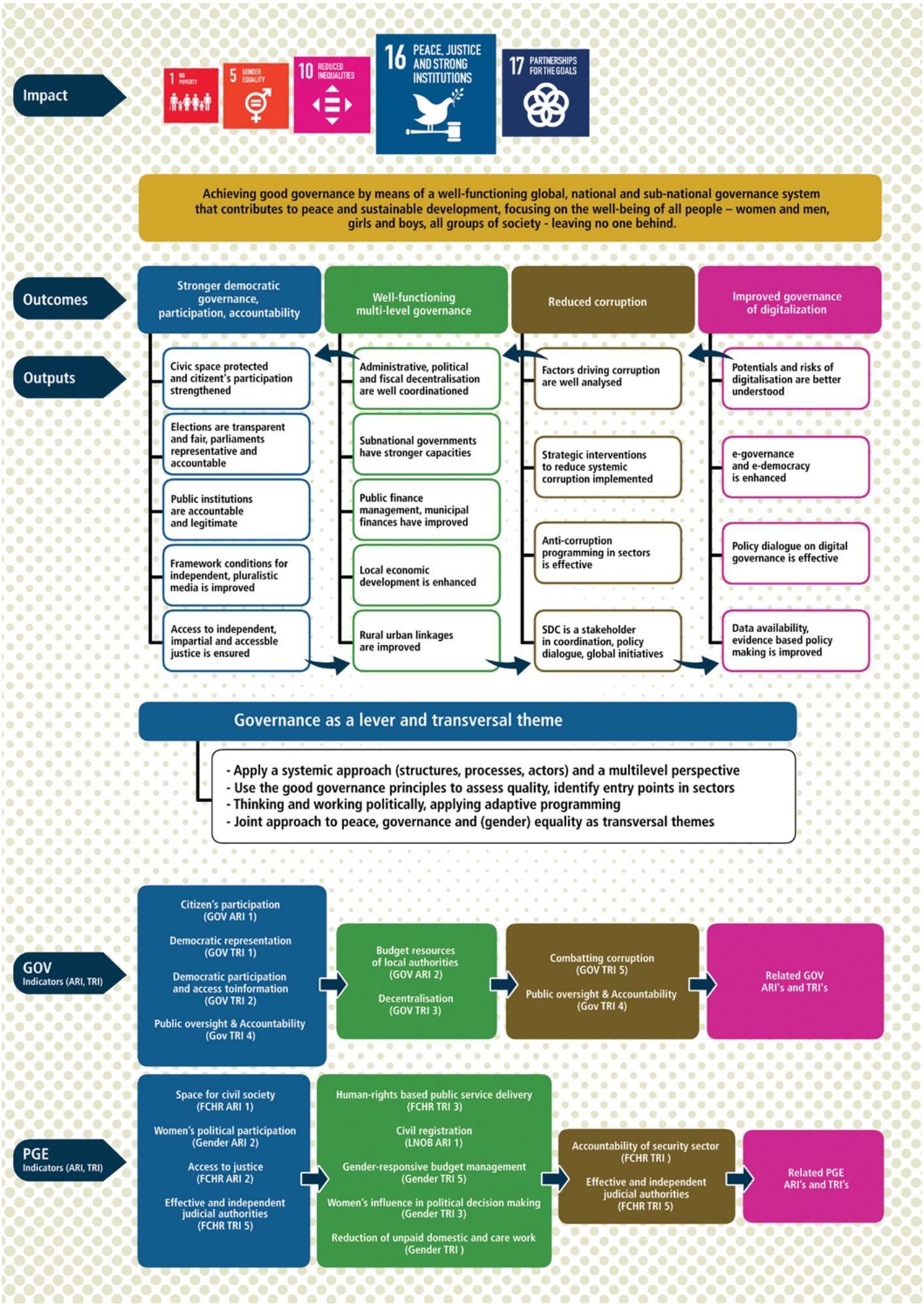
Governance opportunities, challenges from digitalization

- Research, learning on potentials, risks of (rapid) digitalisation, and capacity building of partners
- Promote and explore digital/ e-governance and e-democracy
- Engage in dialogues and initiatives on global e-governance
- Promote data availability for effective and evidence-based policy making

Pillar 5: Governance as a lever and transversal theme in other sectors

- Systemic approach: Analyse and address the governance system (of a sector) by looking at its three dimensions structures, processes and actors.
- Governance principles: Use the good governance principles to assess the quality of governance processes, identify entry points in sectors and report on governance results.
- "Thinking and working politically": Adopt a political approach to governance considering underlying power dimensions, formal and informal rules and norms and facilitate dialogue to strengthen local problem-solving mechanisms. Promote capacities for PEA and adaptive programming.
- Peace, governance and (gender) equality (PGE): Apply a coherent approach towards governance, peace and (gender) equality with joint analysis and instruments to integrate PGE dimensions within SDC's transversal themes

Annex 1b: Theory of change



Annex 2: Peace, Governance and Equality – the PGE cluster approach

The rationale

The objective of good governance is enshrined in SDG 16, but closely related to other SDGs striving for equality: SDG 1 on eradicating poverty, SDG 5 on gender equality and women's empowerment, and SDG 10 on reducing inequalities between and within countries. Key development challenges related to these objectives such as inequality, exclusion and power imbalances, dysfunctional state institutions, despotism and violence are strongly interlinked. Fighting the multidimensional factors of poverty and exclusion to "leave no one behind", promoting gender equality and human rights and peaceful coexistence and resolution of conflicts requires a multidimensional response and joint collaboration along common thematic interfaces.

This comprehensive understanding of key development challenges is the basis and rationale for the SDC's Peace, Governance and (Gender) Equality (PGE) cluster that has evolved by a rapprochement along common interfaces of four thematic networks and units: (1) Governance/DDLG (democratisation, decentralisation and local governance), (2) Gender, (3) Fragility, Conflict and Human Rights (FCHR), and (4) Poverty/leave no one behind (LNOB). The topics of the PGE cluster are also reflected in objective 4 on peace, good governance and gender equality and the related sub-objectives 8, 9 and 10 in Switzerland's International Cooperation Strategy 2021–24.

The integrated thematic approach of the four thematic fields can be summarised as follows:

The SDC's orientation to fight poverty corresponds to the "leave no one behind" principle of the SDGs: the SDC's guidance on leaving no one behind builds on a concept of multidimensional poverty.[27] The focus is on people living in poverty, giving special consideration to the poorest of the poor, and recognising the multiple dimensions of poverty. Based on the principles of good governance, it aims for transformative change by tackling exclusion, discrimination and inequality.

The governance dimension is at the heart of the SDC's gender equality objectives. By addressing systemic gaps and tackling underlying power relations, governance can be geared towards the achievement of the SDC gender equality objectives, namely combating all forms of gender-based violence, promoting women's sexual and reproductive health, women's economic empowerment including the reduction and redistribution of women's unpaid care and domestic work, and enhancing women's political participation.[28] The SDC governance interventions leverage the effectiveness of all gender interventions and vice versa. For example, the empowerment of women in the governance arena, characterised by persistent disparities at all levels, is critical for realising good governance. Decision-making processes about public resources cannot be effective unless they understand the gender-specific needs and perceptions and include women and men on equal footing.[29]

Governance is closely interrelated with the SDC's strategic focus on fragility, conflict and human rights.[30] Fragile and conflict-affected contexts are always characterised by incidents of state and non-state violence and power abuses, weak and/or contested institutions and political processes as well as low levels of trust. If not managed effectively, conflict can erode state legitimacy and accountability, fracture social relations, impede the provision of public services and polarise political culture, thus badly affecting the quality of governance. The SDC works with drivers of positive change – both governmental and non-governmental actors – to strengthen and rebuild inclusive, just, accountable and non-violent governance structures and processes that enable the performance of core state functions, foster constructive state–society as well as inner-society relations and favour legitimacy of political decisions – hence setting the basis of a functioning state.

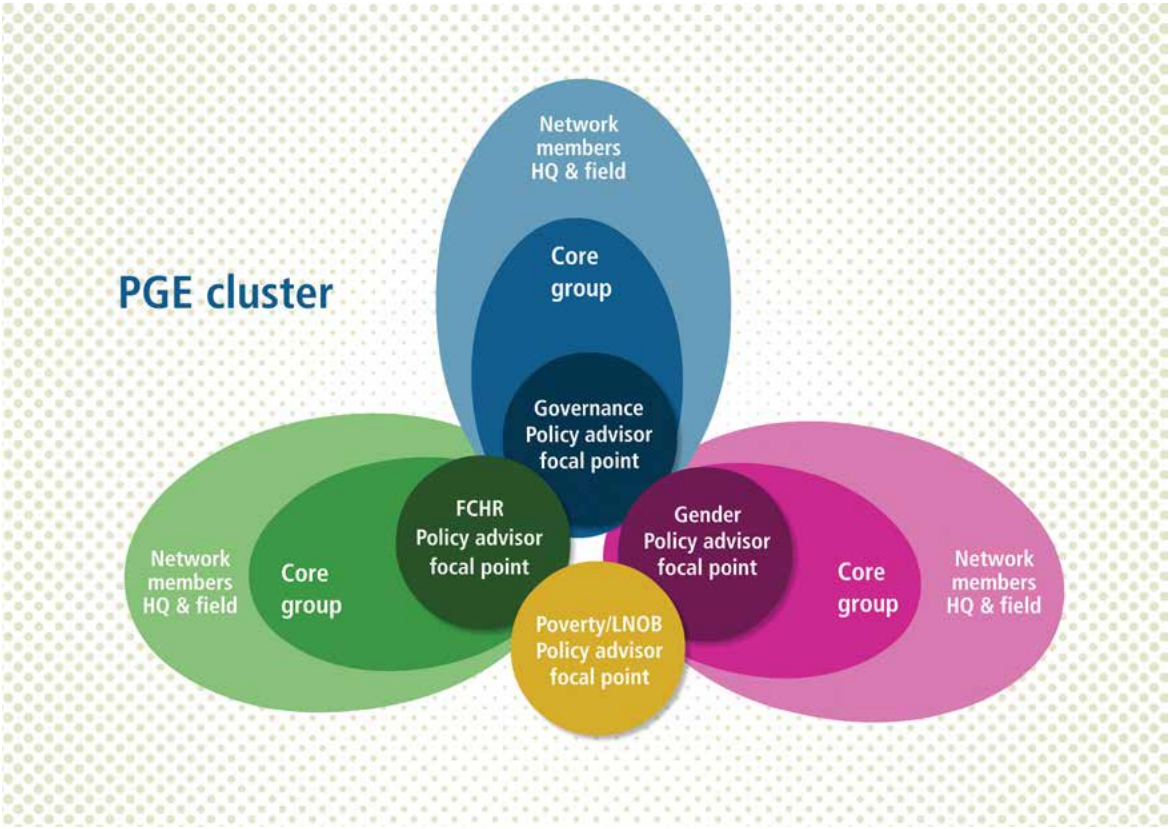
Respecting, protecting and fulfilling human rights are the foundation of the SDC's vision of governance.[31] Voluntarily agreed international conventions and national constitutions enshrine responsibilities of state authorities that are key for democratic governance as well as for fighting poverty and social injustice and exclusion. The SDC works with a human rights-based approach supporting duty bearers to deliver human rights-based and oriented services and strengthening the human dignity of poor and marginalised groups, promoting the empowerment of the powerless and their meaningful participation in the development process. The SDC uses binding human rights treaties and mechanisms as a legitimate common basis for action-oriented partnership and political dialogue on governance at the bilateral and multilateral level.

27 See SDC Guidance on Leave No One Behind (2018). The concept of multidimensional poverty builds on five interrelated aspects of human capabilities: economic (income, consumption, assets); human (health, education, nutrition, shelter); political (human rights, voice, participation, political freedom); socio-cultural (valued membership of society, social status, dignity); and protective (withstand economic shocks, natural disasters, conflicts).
28 See FDFA Strategy for Gender Equality and Women's Empowerment (FDFA 2017).
29 Thematic Guidance Sheet on Gender and Democratisation, Decentralisation and Local Governance (SDC 2017).
30 See Peace Building and State Building Strategy for SDC's Work in Fragile and Conflict Contexts (SDC 2015).
31 See SDC's Human Rights Policy for Development – Towards a Life in Dignity, Freedom and Peace (SDC 2019).

Working as a cluster

The cluster has the potential for **greater coherence and effectiveness**. It aims to function as a **knowledge and competence hub** for PGE-related policies, topics and tools. While each of the networks/units remains anchored in different operational divisions, the PGE cluster collaborates under a common strategic approach:

- → The cluster aims for greater efficiency through a service hub **for coordinated, pooled resources ("one-stop shop")** that will enhance quality of performance and simplify management of the transversal PGE topics and thus reduce workloads for operational divisions.
- → The cluster approach allows for better **thematic steering, leveraging priority topics and joint work** related to: (1) policy dialogue and partner dialogue, (2) learning and knowledge management, (3) operational advice and capacity building, and (4) thematic quality assurance on PGE themes. Priorities are defined in a joint annual planning exercise to identify topics and activities for common action and integrated approaches.
- → **Challenges remain** with striking the balance with "good enough" expertise on PGE issues while maintaining the depth of the thematic expertise of the four fields, as well as building and maintaining a critical mass of PGE knowledge in the rotation system.



Annex 3: Monitoring governance

The SDC monitors governance at different levels: at the organisational level to monitor and report to the International Cooperation Strategy and at country level based on the respective country programme and projects.[32] This annex outlines the two main instruments for the monitoring of governance at the organisational level.

The Aggregated and Thematic Reference Indicators (ARI, TRI) on governance

The SDC introduced Aggregated Reference Indicators (ARIs) in 2016 to complement the indicators used in the results frameworks of country and global programmes. The ARIs allow communicating on selected achievements across a wide range of situations and countries where the SDC intervenes. ARIs primarily serve accountability and communication needs and are linked to the main SDG target they contribute to. Thematic Reference Indicators (TRIs) are outcome indicators to which the SDC contributes, but are not attributable to the SDC only. Both ARIs and TRIs are oriented towards monitoring the achievements of the SDGs.

ARI

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

GOV ARI 1 / Citizen's participation (SDG 16.7)
Indicator: Number of citizens (M/F) participating in and influencing public service provision, decision-making and budgets in their localities.

GOV ARI 2 / Budget resources of local authorities (SDG 16.6)
Indicator: Number of supported local authorities which have benefitted from increased budget resources a) due to fiscal transfer schemes and/or b) due to local tax income and private investments.

TRI

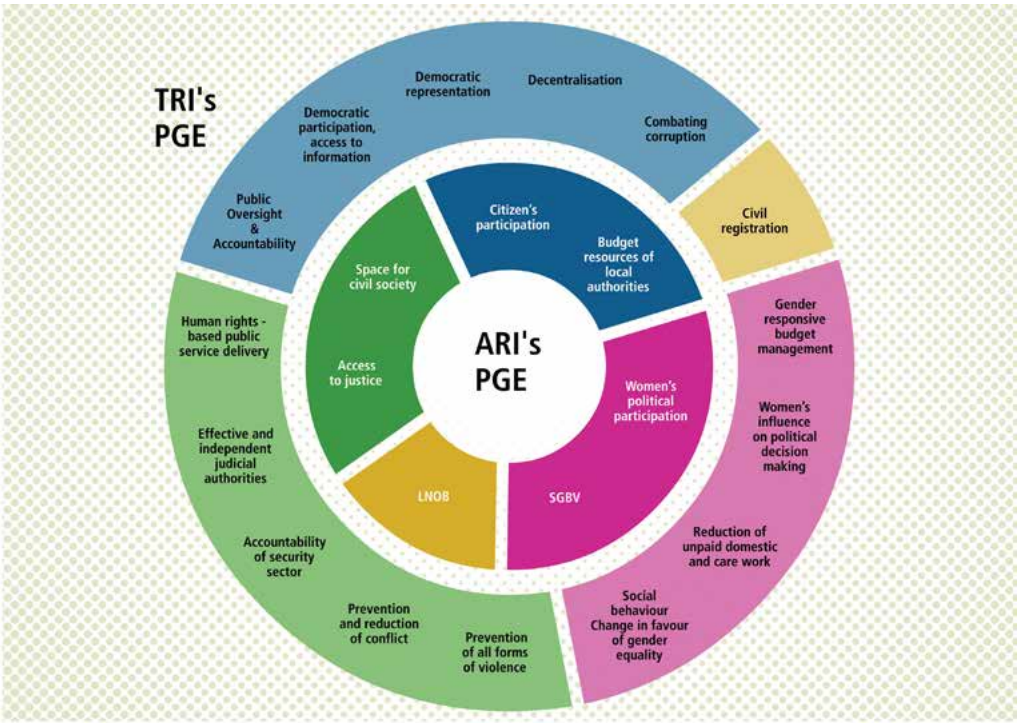
GOV TRI 1 / Democratic representation (SDG 16.6)
Indicator: Proportion of people satisfied with their parliament (fulfilling their legislative, representative and oversight role).

GOV TRI 2 / Democratic participation and access to information (SDG 16.7, 16.10)
Indicator: Proportion of population who believe that they are better informed and have more to say (due to supported civil society initiatives or public interest media).

GOV TRI 3 / Decentralisation (SDG 16.6)
Indicator: Proportion of supported subnational governments that are satisfied with the dialogue and responsiveness of other government units (vertical and horizontal interactions).

GOV TRI 4 / Public Oversight & Accountability (SDG 16.6)
Indicator: Proportion of corrective measures taken in relation to number of reports filed by supported public supervisory bodies on either performance or control of government authorities.

GOV TRI 5 / Combating corruption (SDG 16.5)
Indicator: Proportion of persons who had at least one contact with a public official and who paid a bribe to a public official or were asked for a bribe by those public officials, during the previous 12 months (SDG indicator 16.5.1).



The governance ARIs and TRIs are closely linked and should be used in a complementary way with the full set of PGE indicators, and other governance-related indicators in other topics, such as the policy effectiveness indicators of the global programmes.[33]

32 See the Governance Toolbox for a more detailed overview on the different levels and focus on monitoring and reporting on governance.
33 The full set of the SDC's ARIs and TRIs are available at: https://www.collaboration.eda.admin.ch/en/Documents/sdc-guidance-results-indicators_EN.pdf

The Governance Policy Marker: monitoring financial commitments

The SDC's Governance Policy Marker is a tool to monitor and track resources allocated to governance for dedicated and transversal governance interventions (principle/significant), based on the SDC's internal codification system (SAP). The policy marker is aligned with the DAC Participative Democracy/Good Governance (PD/GG) marker (about to be revised). The SDC designed a checklist to guide the assessment of the governance policy marker.

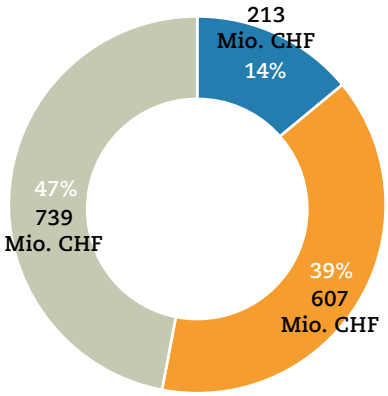
According to the latest DAC Analysis (2020), the SDC is ranking no. 12 among DAC donors in terms of ODA for governance disbursed for the period 2009–18 (total SDC disbursement for this period is USD 2,123.211 million, with the highest amount achieved in 2018 with USD 326.226 million).34

The Governance Policy Marker also allows to monitor commitments per priority topics (analysis of the sector codes defined as sub-topics). The highest share of governance spending is on democratic participation, decentralisation and public sector policy. Other notable engagements are on public finance management, legal and judicial development and elections while commitments to anti-corruption institutions and programs have lower values (or are not coded as such).

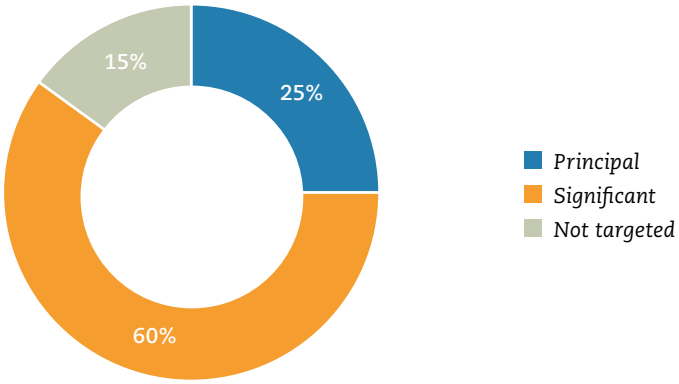
For the new cooperation strategy 2021–24, the SDC aims to increase its governance-related commitments and has adapted the target values: a total of 85% of "governance focused" commitments, with a minimum of 25% principal and a corresponding significant value of 60%. For humanitarian aid, lower target values have been defined (a total 45% governance focused with a minimum of 5% principal).

These targets have been defined based on the 2019 analysis as baseline. (s. figures below).

Total Governance – Baseline 2019



Total Governance - Target values 2021–2024



34 DAC Official Development Assistance to Governance: An Overview 2009–2018 (OECD DAC 2020).

Annex 4: The SDC's governance experiences and achievements

History and timeline of SDC's governance work:[35]

1990s	Governance emerged as a field in international development, after the end of the Cold War, with particular emphasis on good governance.
2001	**The SDC establishes the thematic division** (Fachsektion) to support bilateral cooperation programmes. The governance section encompasses Governance, Human Rights and Gender, and the Conflict Prevention and Transformation (COPRET) section covers fragility and conflict. Other thematic sections were e+i, social development, natural resources and environment.
2006	**SDC's Human Rights Policy: Towards a Life in Dignity** establishes the human rights-based approach (HRBA) to operationalise human rights in development. The document built on the human rights policy from 1998, which was evaluated in 2004 and revised in 2019.
2006	The SDC Strategy on Fighting Corruption.
2006	The SDC holds the chair of the DAC Policy Network on Governance (2006–2010). It was also an active member in the DAC working group that developed the Principles for Good International Engagement in Fragile Countries and Situations (2007).
2007	The SDC publishes **Governance as a Transversal Theme: An Implementation Guide**. With this guide, the SDC established governance as a transversal theme, as it did with gender (Gender Policy 2003). It supports the integration of governance through the five governance principles: accountability, transparency, participation, non-discrimination and efficiency.
2008/9	**The SDC establishes the thematic networks** as part of its so-called "Re-organisation II". Governance becomes a network (as Democratisation, Decentralisation and Local Governance (DDLG) network); other networks with closely related themes are Political Economy and Development (dissolved in 2012), Conflict and Human Rights, and Gender.
2015	The SDC Thematic Evaluation on Governance (see below).
2016	**The SDC Policy Democratisation, Decentralisation and Local Governance (DDLG**) policy is a normative document and defines the SDC's orientation and scope in the area of governance. The five good governance principles were complemented by elements of the SDC's human rights policy and also rule of law and effectiveness/efficiency.
2017	Governance as a Transversal Theme: A Practical Guide to Integrating Governance in SDC Sectors and Priority Themes.
2020	**The SDC's Guidance on Governance** sets out the orientation, approaches and thematic priorities of the SDC's governance engagement and work. It is an overarching document, encompassing both thematic governance priorities and the SDC's commitment to governance as a transversal theme. It replaces previous normative documents (DDLG Policy 2016) which remain valid as thematic position papers.
2020	**The SDC's Guidance on Anti-Corruption** (forthcoming). Based on the Directorate's decision in August 2019, the SDC's strategy to fight corruption is being revised, to be published in late 2020. Anti-corruption is also one the pillars of the governance guidance. It is the only "governance topic" which will have its own guidance document.

35 Other guidance documents from related topics are outlined in Annex 2 on the Peace, Governance and Equality cluster.

Key findings from the thematic evaluation on the SDC's governance work (2015)

Overall findings:

- → First, **spending on governance accounts for more than one third** (and as much as 60% in some bilateral programmes) of all of SDC expenditure;
- → Second, **the SDC is a strong performer in dedicated governance programming producing solid governance results**, and is generally doing the right things, for the right reasons, in the right ways. It shows proven ability to test and scale up programmes, models and other innovations that work.
- → Third, **particularly strong results are evident in decentralisation, local governance and democracy**, municipal water and waste systems, disaster risk reduction, and global water policy. It shows strengths to build on such as its tradition of accountability, transparency and participation; its use of human rights-based and conflict-sensitive approaches.

The evaluation team rated the SDC's governance work as "Good to Very Good". The SDC was found to play an influential role in the governance field through its long-term commitment, respectful partnerships, animation of policy dialogue, piloting of its proof-of concept initiatives, and adaptive learning.

For its part, the SDC's governance mainstreaming was generally judged by the team to be solid but not optimal; often innovative, but too often uneven. This work suffers from lack of clear commitment from the SDC management to governance mainstreaming, along with a lack of incentives (and sanctions) for staff to do this work effectively. Updated definitions and guidance on coding, planning, implementation, and monitoring and evaluation in governance mainstreaming are also required, as are increased staff and resources for governance-related networks at headquarters and in regions.

Suggested priorities for change and response by the SDC Directorate (management response)

Governance will be a key instrument for implementing Switzerland's international cooperation strategy 2017–20 and its contribution to achieving the SDGs during 2015–30. The SDC has an important opportunity to strengthen its approach to governance in order to more effectively contribute to the implementation of these plans. To this end, the evaluation team concluded that the SDC should consider:

	Suggested priorities for change	SDC management response
1	Issuing a clear statement that governance programming and mainstreaming are Agency-wide priorities.	Fully agrees
2	Designating a single unit for SDC-wide coordination of support to all types of governance work.	Does not agree, proposes instead stronger coordination between DDLG, CHR and Gender focal points and networks for improved coherence
3	Clarifying, updating, renewing, and systematising the knowledge base underlying this work.	Fully agrees and suggests promoting common understanding of governance to be laid out in a Leitdokument B
4	Renewing efforts to achieve effective governance mainstreaming.	Agrees to tackle as a priority, tasks a working group (focal point coordination)
5	Testing, deepening and expanding the SDC's involvement in governance issues at a global level.	Agrees, recommendation to be put in place, with focus on the global programmes
6	Strengthening the monitoring and evaluation of, and reporting on, governance outcomes.	Fully agrees
7	Improving communication on governance work.	Agrees
8	Reviewing and clarifying the division of labour on governance between the SDC and SECO, and with other Swiss government agencies.	Takes note and refers to the strong coordination in the elaboration of the message 2017–20
9	Developing a mechanism for incubating, testing and scaling up innovative forms of integrated governance programming combining global and country-level interventions.	Does not agree, and refers to existing mechanisms of interaction between global and bilateral programmes

Annex 5: Key partners and international platforms for policy engagements

Donor platforms, networks	Priorities
OECD DAC Network on Governance (GovNet)	GovNet is the governance policy network of DAC members and (by invitation) key partners. Generating evidence-based policy research, data analysis, and good practice guidance on effective strategies for inclusive governance. Current priorities include understanding and responding to emerging trends such as rising authoritarianism, digitalisation, changing civic space; governance and climate change financing.
OECD DAC Anticorruption Task Team (ACTT) (SDC lead: Analysis and Policy)	The ACTT is a subsidiary body of the OECD GovNet. Participants include DAC members as well as the World Bank, UNDP, AfDB, the IMF and U4. Participation of CSOs takes place upon invitation. The ACTT focuses on two core issues: (1) managing the risks of corruption in development programmes (incl. in the framework of the monitoring of the *Council Recommendation for Development Co-operation Actors on Managing the Risk of Corruption)*; and (2) reducing IFF risks and their development impact. Main outputs include policy briefs, guidance, research papers.
OECD DAC work stream on civil society – involving the DAC Community of Practice on Civil Society (SDC lead: Institutional partnerships)	The work stream involves two components: (1) DAC engagement with civil society, to strengthen civil society perspective in OECD processes and products and enhance dialogue with civil society; (2) policy analysis, guidance and peer exchange on working with civil society, including with and through a DAC Community of Practice on Civil Society.
Development partners' network on Decentralisation and Local Governance (DeLoG)	DeLoG is a platform for knowledge exchange, coordination and policy dialogue on sub-national governance for donor and development partners. DeLoG contributes to harmonise approaches on decentralisation and local governance among its members, supports shared learning and collaboration for localising the SDGs and advancing sub-national governance on the global level.
International Institute for Democracy and Electoral Assistance (International IDEA)	International IDEA is an international governmental organisation working for inclusive democracy focusing on electoral institutions and processes, constitution-building and political participation and representation. International IDEA produces evidence-based policy research and publishes the Global State of Democracy Report. International IDEA also supports and implements regional and country-level programmes. Switzerland was an observer since 1998 and formally joined the organisation in 2006 following a decision by the Federal Assembly.
Forum of Federation (FoF)	FoF is an international non-governmental organisation providing comparative research and expertise on federal and multi-level governance. It also implements programmes in some SDC priority countries. The FoF was founded by Canada in 1999. Switzerland has contributed financially since 2005 and is represented on the Board by a former member of the Council of States.
The international centre of the Institute of Federalism (IFF, University of Fribourg)	The international centre of the IFF showcases and explains Swiss federalism to foreign partners of the FDFA and provides technical support on federalism, decentralisation, multi-level governance and constitution development and power sharing in fragile and developing countries. The SDC provides a core contribution, supporting the centre's positioning as a stakeholder in international cooperation while gaining access to the centre's wide network of international, national, cantonal and local-level stakeholders.
U4 Anti-Corruption Resource Centre	U4 is a competence and resource centre working on the anti-corruption and development nexus. Supported by a donor platform, U4 provides development practitioners with up-to-date knowledge and promotes learning and exchange on anti-corruption approaches.
Transparency International (Secretariat, Berlin) – TI-S (Lead: Global Institutions)	TI-S is the global hub of the TI movement. TI-S focuses on anti-corruption advocacy at the global level and supports TI national chapters. The 2021–30 strategy foresees three main areas: (1) political integrity, (2) illicit financial flows, and (3) civic space.
Global Forum for Media Development (GFMD)	The SDC plans to support the International Media Policy and Advisory Centre based at GFMD as a resource centre providing key tools and resources for improving media development strategies and ensuring that the topic is properly integrated in international development policy.
Institute of Development Studies (IDS), University of Sussex, UK	IDS is the backstopping partner for the SDC Governance Team. It supports the SDC for thematic learning, network support and thematic quality assurance. Building on its academic network and collaborating with key actors as subcontractors (such as Basel Institute on Governance, U4, Ximpulse, Fondation Hirondelle a.o.), IDS is able to provide expertise and practical support for a wide range of topics and activities.

Pilot project with *smartvote* (Politools)	Promotes innovative digital tools to advance edemocracy in selected SDC priority countries with the voting advice application *smartvote,* developed by the Swiss non-profit organisation Politools.
Municipal/sub-national Finance Partner to be explored	Partnership to advance access to finance for municipal/sub-national governance.

Annex 6: Glossary

This glossary lists definitions of key governance terms referred to in these guidelines. For most of the terms there is not just one clear (academic) definition. Thus, the following definitions represent the SDC's understanding of a particular term. Where possible and sensible, the definitions refer to those of multilateral organisations (see footnotes).

Accountability is one principle of good governance and refers to the control of power within state and society at the national as well as sub-national level. It is about the right of people to access information, to check and pass judgement on the performance of those assigned with public duties, as well as the obligation for the people holding power to explain their decisions. It is composed of three main dimensions: (1) *Information*: The relevant responsibilities and commitments of the power holders are clear and transparent to other authorities as well as citizens. Factual information is available about whether and how the authorities have effectively met these obligations. (2) *Answerability*: There are processes by which power holders are required to explain and justify their activities and their results, and by which the public or other institutions can scrutinise the answers provided. (3) *Enforceability*: Power holders can be sanctioned if they fail to meet their obligations, and/or measures are taken to prevent future disregard of standards.

Adaptive management facilitates continuous learning and interaction, allowing for the readjustment and modification of projects as more is learned about the conditions which are presented. Within the SDC three levels are distinguished: (1) *Adaptive governance* (headquarter level) which provides the contractual and strategic basis for adaptation; (2) *Adaptive programming* (cooperation office level) where trust relationships with partners allow for joint learning; and (3) *Adaptive implementation* (implementing partners) that deals with the everyday and manoeuvres the political and social space in the partner country. *Passive adaptive management* refers to flexible and regular monitoring and reflection of activities to enable a timely response to any emerging challenges. *Active adaptive management* does not just acknowledge the occasional need to amend strategies as a result of learning, but explicitly plans for experimentation and the reduction of imperfect knowledge as one of the key objectives of management.[36]

Authoritarianism is an umbrella term incorporating all non-democracies. The SDC conceptually distinguishes four regime types depicting different characteristics and degrees of non-democracies moving towards democracy: *autocracies*, *liberal autocracies*, *limited political democracies* and *political democracies*. The practical relevance of this approach is the recognition that transitions out of authoritarianism – or reversals back to it – do not follow a linear path and can combine different configurations. Also, this approach highlights that it is often the *gradual weakening* of democratic aspects that is problematic.[37] It is important to understand not only the regime type, but particularly the specific authoritarian practices that are embedded in a (possibly legitimate) organised context that sabotage the accountability of the people or their representatives through disabling their access to information and/or their voice.[38]

Budget support: There are various modalities through which SDC channels funds to partner countries. If donor funds flow into the partner country's budget as part of the budgeting and financial management process, this is referred to as budget support. Budget support helps to strengthen public administration. It is usually linked to criteria such as the quality of the public finance system, the policy of a particular sector or the governance of a partner country. The assessment of the criteria and the release of funds are commonly coordinated between the donors and the partner government. Generally, three budget support modalities are distinguished: general, sectoral and sub-national.

Citizen: A legally recognised national of a state either native (from the country) or naturalised (as a foreigner admitted to citizenship). *Citizenship* refers to the position or status of being a citizen of a particular country. Legal citizens of a state are entitled to certain privileges or rights (i.e. holding public office, the right to vote and to own land) and at the same time certain duties are imposed. The concept of citizenship has more layers of meaning than legal citizenship and can include one's personal sense of belonging. For governance, three important discourses on citizenship are important: (1) how to increase citizens' involvement and participation; (2) how to involve discriminated citizens better in political processes; (3) how to involve residents that are unable to apply for citizenship (i.e. refugees, migrants).[39]

Civic space is the physical, virtual, and legal space where people exercise their rights in keeping with internationally recognised human rights, particularly the rights to freedom of association, expression, and peaceful assembly.[40]

Civil society is a "sphere of un-coerced human association" within which individuals implement collective action to address shared needs, ideas and interests that they have identified in common.[41] Civil society is made up of formal, semi- or non-formal forms of peoples' associations and encompass civil society organisations (CSOs). A formal representation of civil society, CSOs include all non-market and non-state organisations outside of the family in which people organise themselves to pursue shared interests in the public domain; for example, community-based organisations, environmental groups, women's rights groups, faith-based organisations and professional associations.[42]

36 Prieto Martin, Pedro; Marina Apgar and Kevin Hernandez (2020). Adaptive Management in SDC: Challenges and Opportunities.
37 SDC Policy Note (2020). Working in Authoritarian Contexts.
38 Marlies Glasius (2018). "What Authoritarianism Is… and Is Not: A Practice Perspective", *International Affairs*, Volume 94, Issue 3, May, pp. 515–33: https://doi.org/10.1093/ia/iiy060
39 Council of Europe, Compass of Human Rights Education: https://www.coe.int/en/web/compass/citizenship-and-participation
40 CIVICUS (n.d.). Guide to Reporting on Civic Space Media Toolkit, p. 4.
41 Edwards, M. (2011). "Introduction: Civil Society and the Geometry of Human Relations", in Edwards, M. (ed.), The Oxford Handbook of Civil Society, Oxford University Press, New York, p. 4.
42 OECD (2010). Civil Society and Aid Effectiveness, p. 26.

Decentralisation is the transfer of authority and responsibility of public functions from the central government to sub-national (regional, district, municipal) governments. Different types of decentralisation can be distinguished because they have different characteristics, policy implications, and conditions for success:[43] (1) *Political decentralisation*: The transfer of political power and decision-making authority to sub-national levels, such as elected village councils and district or provincial councils. It allows for structures of sub-national democracy. (2) *Fiscal decentralisation*: Intergovernmental fiscal transfers to sub-national governments which allow them to function properly. It also addresses such issues as revenue assignments (assignment of local taxes and revenue-sharing), sub-national government borrowing and debt, and the assignment of expenditure responsibilities. (3) *Administrative decentralisation*: The transfer of decision-making authority, resources and responsibilities for the delivery of selected public services from the central government to other lower levels of government.

Democratic governance is a system of governance where institutions function according to democratic processes and norms, both internally and in their interaction with other institutions.[44] While governance means the process of the establishment of public goods, the adjective "democratic" qualifies this process and adds the human rights lens to it. Democratic rather than good governance alone, places the people at the centre of governance processes.

Democratisation is the introduction of a democratic system. At its core, democracy is a system in which the government is controlled by the people and in which citizens are considered equals in the exercise of that control.[45] The legitimacy of political institutions is based on people's consent, either by direct vote or through representation. This is usually backed by constitutional guarantees for equal rights to vote, the liberty of opinion and free media, equality before the law, the separation and control of powers and the principle of the rule of law, which binds state authority to a constitutional framework and legal norms.

Digital democracy means the practice of democracy by using information and communications technology (ICT). Examples of digital democracy include initiatives by local citizens using digital devices to ensure that all people in their community are taking part in social, economic and political processes without any favour (virtual town meeting, open meeting, cyber campaigns, feedback polls, public surveys and community forums, e-voting).

Digital government[46] refers to the use of digital technologies to create public goods and values. Digital technologies refer to ICTs, including the internet, mobile technologies and devices, as well as data analytics used to improve the generation, collection, exchange, aggregation, combination, analysis, access, searchability and presentation of digital content, including for the development of services and apps. While "e-government" mainly refers to public-facing websites, digital government includes all innovations through different kinds of technologies, like social media platforms, mobile telephones/smartphones and new approaches to using technology (e.g. open government data and big data).

Effectiveness and efficiency is one of the principles of good governance and implies results-orientated performance of state institutions in assuming their public duties which should serve the wellbeing of people. It further implies that financial and human resources are used in an optimal fashion, without waste, corruption or delay.

Empowerment is the process of increasing the assets and capabilities of individuals or groups to make purposive choices and to transform those choices into desired actions and outcomes.[47]

Equality and non-discrimination is one of the principles of good governance and means that no group may be excluded from power and resources. This implies that proactive public integration policies for excluded or marginalised groups need to be implemented. Non-discrimination policies have to be applied for the expressed purpose of reducing inequalities between men and women, urban and rural populations, and between different ethnic or religious groups, or other discriminated and "left behind" groups (i.e. refugees and migrants).

Federalism is a system of government with two or more levels of government which combine elements of shared rule through common institutions and sub-national self-rule for the governments of the constituent units. Today, federalism is also associated with democracy, freedom, sharing, diversity and the maintenance of identities. It enables citizens to combine political integration and political freedom within one system of government that is based on consent.[48]

Global governance refers to how global affairs which go beyond the capacities of individual states are managed. Collective interests, rights, obligations and differences are negotiated across a variety of stakeholders including states, intergovernmental, regional and international organisations and citizens. Rules and agreements derived from global governance processes affect both national governments and international organisations; however, enforcement remains a challenge given the lack of jurisdiction in many areas.[49]

43 World Bank: Decentralization Topics: www1.worldbank.org/publicsector/decentralization/what.htm
44 OSCE Office for Democratic Institutions and Human Rights, Definition of Democratic Governance: https://www.osce.org/odihr/democratic-governance
45 See also: Declaration of the Council of Member States of the International Institute for Democracy and Electoral Assistance (International IDEA) on the occasion of the International Day of Democracy 2015, IDEA, Stockholm, 15th September 2015.
46 OECD Recommendation of the Council on Digital Government Strategies: https://www.oecd.org/gov/digital-government/recommendation-on-digital-government-strategies.htm
47 Fox, Louise and Carolina Romero (2017). In the Mind, the Household, or the Market? Concepts and Measurement of Women's Economic Empowerment. The World Bank.
48 Smith, Jennifer (2007). "Definitions, Typologies and Catalogues: Ronald Watts on Federalism", The Federal Idea: A Conference in Honour of Ronald L. Watts, Conference Paper: https://www.queensu.ca/iigr/sites/webpublish.queensu.ca.iigrwww/files/files/conf/Arch/2007/Watts/papers/SmithJ.pdf
49 UN Committee for Development Policy, Policy Note: Global Governance and Global Rules for Development in the Post-2015 Era, United Nations June 2014: https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/2014-cdp-policy.pdf

Good governance (gute Regierungsführung) is a well-functioning global, national and sub-national governance system that contributes to building and maintaining peace and promotes sustainable development. It focuses on the wellbeing of all people – women and men, girls and boys, all groups of society. It "leaves no one behind" and respects the diversity of citizens' ideas of a good life. Improving good governance means moving forward, towards "better" governance, measured by quality standards as defined in the international human rights framework and derived from internationally recognised principles. Derived from this understanding, the SDC defined six principles of good governance: Transparency, accountability, participation, rule of law, effectiveness and efficiency, and equality and non-discrimination/inclusion.

Governance is the political process through which public authority is created and exercised. Governance is the way in which core public functions are performed, public goods are produced and distributed, and power is exercised and negotiated by a multitude of governmental and non-governmental actors at multiple levels (from the sub-national to the national state level to the global level).

Legitimacy: Legitimacy of a state is a key aspect of state–society relations. State repression and violence, which occurs in many fragile contexts, results in negative experiences of citizens with the state, a legacy of mistrust and rejection of the legitimacy of state institutions. State legitimacy can derive from a range of sources, including the effectiveness of public institutions in their performance of various functions, such as service delivery, taxation and social protection systems; and their degree of representation and accountability. Legitimacy also derives from institutions embedded in society, i.e. while external actors can assist in developing state *capacity*, their ability to affect legitimacy is limited.[50]

Local governance/sub-national governance: Local governance describes a set of institutions, actors, mechanisms and processes through which local state institutions (including the executive, legislative and judiciary) exercise their duties and citizens and the private sector can articulate their interests and needs, mediate the differences and exercise their rights and obligations.

Multi-level governance describes collective decision-making processes where authority and influence are shared among players at multiple levels of governance. This can involve public and non-public societal or private sector actors. Multi-level governance does not define a specific model of decision-making powers nor does it propose hierarchies of authority.

Oversight bodies: The governance systems in many countries foresee a role for independent oversight institutions, such as the anti-corruption agency, supreme audit institution, Ombudsperson institution, human rights institution, electoral management bodies, electoral dispute resolution bodies, information commissioner, or security services oversight body. Their mandates are set out in the constitution or in law and they report either to the government, the parliament or the judiciary. Independent oversight bodies exercise oversight over the democratic functioning and integrity of the executive and state administration as well as compliance with national laws and good governance and human rights standards.[51]

Participation is one of the principles of good governance and implies that all population segments need to be connected to the social and political processes that affect them. This means that public spaces exist where different groups can express dissenting opinions and personal interests, and where these viewpoints are treated as a serious input in the decision-making process.

Political economy analysis is concerned with the interaction of political and economic processes in a society, including the distribution of power and wealth between groups and individuals and the processes that create, sustain and transform these relationships over time.[52] Political economy analysis combines the economic principle of rational behaviour that influences decision-making with the political perspective of power positions and power relations. Tools help to identify ways to maximise support, or minimise resistance, and find the right incentives and targeted activities for more cost-effective results and more transformative (political) change processes.

Power sharing can be broadly defined as any set of arrangements that prevents one political agency or collective from monopolising power, whether temporarily or permanently.[53] Vertical power sharing refers to the division of powers across a multi-tier government system, the devolution of political authority to sub-national levels of government and the establishment of sub-national jurisdictions. Horizontal power-sharing refers to the division of powers at the same tier of government; for example, local, provincial or national, usually between the executive, judiciary and legislative branches.

Public finance management refers to the set of laws, rules, systems and processes used by states and sub-national governments, to mobilise revenue, allocate public funds, undertake public spending and account for funds and audit results. It encompasses a broader set of functions than financial management and is commonly conceived as a cycle of six phases: beginning with policy design, followed by budget formulation, budget approval, budget execution, accounting, and ending with external audit and evaluation.[54] Public finance

50 Mcloughlin, C. (2014). State Legitimacy: Concept Brief. Developmental Leadership Program, University of Birmingham.
51 De Vrieze, F. (2019). Independent Oversight Institutions and Regulatory Agencies, and Their Relationship to Parliament: Outline of Assessment Framework: https://www.wfd.org/wp-content/uploads/2019/02/WEB_INDEPENDENT-OVERSIGHT-INS.pdf
52 Department for International Development (2009). "Political Economy How to Note", DFID Practice Paper: https://www.odi.org/sites/odi.org.uk/files/odi-assets/events-documents/3797.pdf
53 McEvoy, Joanne and Brendan O'Leary (eds) (2013). Power Sharing in Deeply Divided Places. University of Pennsylvania Press.
54 Lawson, Andrew (2015). "Public Financial Management", GSDRC Professional Development Reading Pack 6.

management is seen as a prerequisite for making it possible to effectively channel resources and deliver quality services to fulfil basic human rights (like health or education).

Sectoral governance: Statistics on overseas development assistance (ODA) or development aid often distinguish between different sectors in which development programming takes place.[55] For the SDC, sectoral governance means governance in those sectors where it has long-standing knowhow and knowledge: Education, Health, Water, Peace, Equality and Governance, Climate Change, Migration as well as Humanitarian Aid.

Social inclusion: The process of improving the ability, opportunity and dignity of people who are disadvantaged on the basis of their identity to take part in society.[56]

State building: In recent development theory state building is identified as a key process for a country moving from fragility (and intra-state violent conflict) to resilience in view of lasting stability. It is defined by the OECD as an endogenous process to enhance capacity, institutions and legitimacy of the state driven by state–society relations.[57] The concept links to factors that define fragility – namely legitimacy, authority and capacity – which are also the central points addressed when building functional and resilient states. State building is always a transactional endogenous process that must be borne at the local level where external parties can only have a function of support.

Subsidiarity is a principle of social organisation holding that social and political issues should be dealt with at the most immediate (or local) level that is consistent with their resolution. The general aim of the principle of subsidiarity is to guarantee a degree of independence for a lower authority in relation to a higher body or for a local authority in relation to central government. It therefore involves the sharing of powers between several levels of authority, a principle which forms the institutional basis for federal states.[58]

Systemic approach derives from so-called "System Theory", a scientific stream dealing with regulation and control of machines, living organisms and social organisations, centring on the notion that any complex of interacting elements can be defined as a system. Within the SDC's governance practice, it refers to a systemic understanding of governance, meaning that the whole is greater than the sum of its parts. The SDC analytically distinguishes three dimensions of governance – structures/institutions, processes and behaviours/actors – and aims to integrate these three dimensions into its overall approach to governance systems. The three dimensions provide the basis of the governance analysis.

Territorial governance can be understood as an extension of the more established multi-level governance concept by adding explicitly territorial insights, and thus focusing on a place-based and territorially sensitive approach, including the delivery of territorial cohesion and the development of territorial visions. It includes all aspects of multi-level governance, like the promotion of participation and consensus-building among public and or private players and the devolution of powers and/or resources to lower levels of decision-making and the coordination among different levels. While multi-level governance sometimes remains within national borders, territorial governance adds the aspect of cross-border or intra-regional governance. Local players are strongly emphasised in territorial governance, saying that development is not possible without place-based decision-making (instead of top-down decision-making). The notion of territorial governance has been coined within the framework of the EU.

The rule of law is a principle of governance in which all persons, institutions and entities – public and private, including the state itself – are accountable to laws that are publicly promulgated, equally enforced and independently adjudicated, and which are consistent with international human rights norms and standards. It requires measures to ensure adherence to the principles of supremacy of the law, equality before the law, accountability to the law, fairness in the application of the law, separation of powers, participation in decision-making, legal certainty, avoidance of arbitrariness, and procedural and legal transparency.[59] Rechtsstaat (in German) and rule of law seem to mean the same thing at first glance; however, the differences of their historical development in Germany and Great Britain shaped a certain difference in the understanding (legal sources, the role of the legislative, how basic rights are protected, constitutional revision and separation of powers).

Thinking and working politically aims to drive the formation and consolidation of locally appropriate, feasible and legitimate institutions that are most likely to advance development outcomes. *Thinking* politically means understanding that both political and technical dimensions are central to developmental outcomes; in particular, paying attention to the detailed inner politics of regimes, sectors or issues ("micro-politics"), understanding who the players are, where they come from, their organisational affiliations, ideologies and interests and the political dynamics involved. Furthermore, it means that "agency" matters: people have the potential to change things and it entails understanding leadership as a political process: leaders seldom work on their own. *Working* politically means supporting, brokering, facilitating and aiding the emergence and practices of (public or private) developmental or reform leaderships, organisations, networks and coalitions at any level, and across all sectors.

55 See for example the OECD sectors of ODA: https://stats.oecd.org/Index.aspx?DataSetCode=TABLE5
56 Understanding Poverty Topics, The World Bank: https://www.worldbank.org/en/topic/social-inclusion
57 OECD (2008). Concepts and Dilemmas of State Building in Fragile Situations. OECD/DAC discussion paper: https://www.oecd.org/dac/conflict-fragility-resilience/docs/41100930.pdf
58 Fact Sheets on the European Union: The European Union's Legal System and Decision-Making Procedures. The Principle of Subsidiarity. European Parliament: https://www.europarl.europa.eu/factsheets/en/sheet/7/the-principle-of-subsidiarity
59 UN definition of the "rule of law": https://www.un.org/ruleoflaw/what-is-the-rule-of-law/

Transparency is one of the principles of good governance and implies that the public in general, or at least those directly affected, should obtain information from the state about the rationale underlying decisions, decision-making criteria, the intended manner of implementing a decision, and any insight into its effects.

Use of country systems is an approach to building effective institutions by committing to use national systems of public finance management and procurement as the default approach for development cooperation in support of activities managed by the public sector (based on the Busan Partnership for Effective Development Cooperation).[60] The SDC applies a broad understanding of "use of country systems" that goes beyond narrow public finance terms and includes all arrangements and procedures for public sector planning, budgeting and accountability in financial, administrative and political terms.

Voice describes to what extent citizens are able to express their views and interests and demand action from authorities. It is closely linked to the concept of accountability, without which citizens' voice remains largely ineffective.

60 OECD Effective Development Cooperation. Strengthening and Using Country Systems: https://www.oecd.org/dac/effectiveness/countrysystems.htm

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