

# Economic Cooperation and Development **SECO takes stock**

2012–2015



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs,  
Education and Research EAER  
State Secretariat for Economic Affairs SECO

# Funds 2012–2015

258 507

Federal public expenditure

All figures in CHF million



1214 SECO funds

7 317

Development cooperation funds (SDC/SECO)

# Professionalisation

- Steering, monitoring and reporting enhanced
- Thematic expertise of project managers reinforced
- Organisation, processes and instruments revised
- On-site country representations expanded

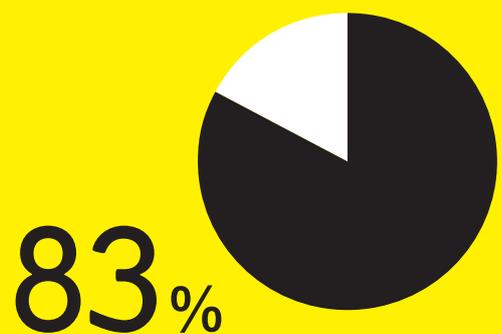
## Impact

Satisfaction with evaluated projects 2008–2011 2012–2014

	2008–2011	2012–2014	
Success rate	75%	81%	↗
Relevance	93%	93%	↔
Effectiveness	77%	85%	↗
Efficiency	56%	62%	↗
Sustainability	37%	47%	↗

Given the challenges inherent in development cooperation, SECO has produced a very positive impact. A success rate of between 65 % and 80 % is regarded internationally as good and realistic. Institutions such as the World Bank or the Asian Development Bank have average success rates of 70 % to 76 %.

## Support



of the Swiss population rates the Swiss Confederation's efforts in development cooperation as good to very good.

19 408 900 000

USD  
in investments  
triggered

2 371 514 250

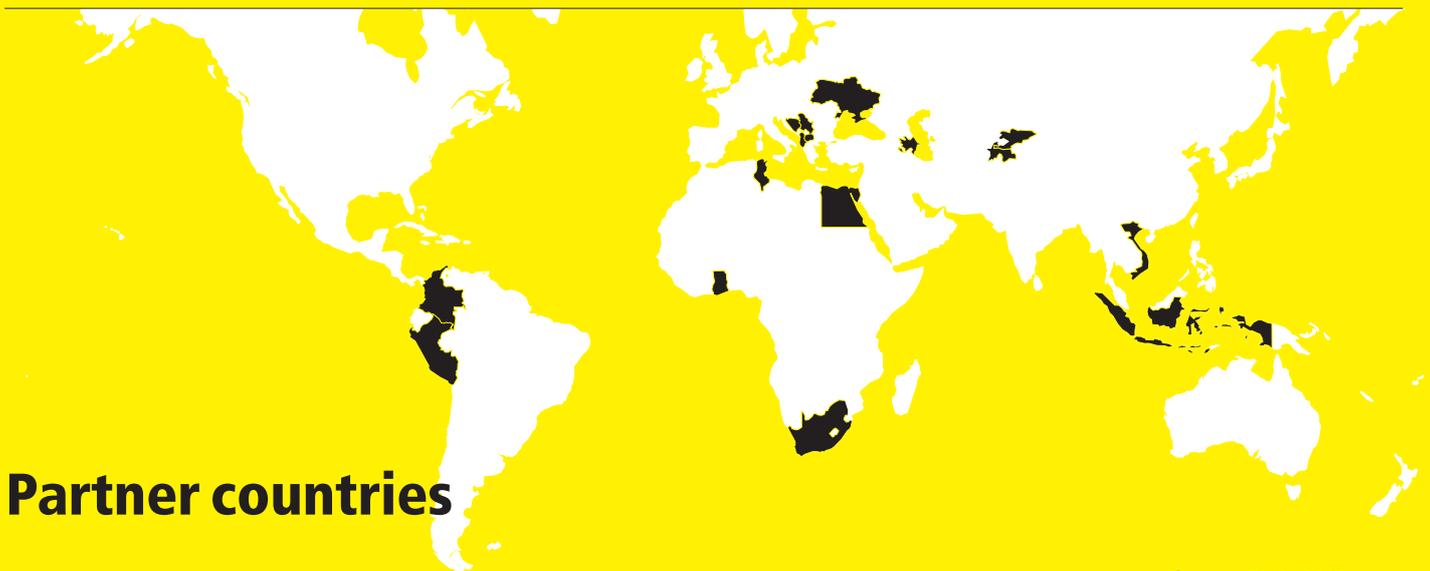
kilowatt hours  
from renewable  
energy and  
energy efficiency

83 530 000

USD in private  
investments  
mobilised  
through SIFEM

470 300

jobs  
created or  
retained



## Partner countries

SOUTH	Changes 2010–2014		EAST	Changes 2010–2014	
	GDP per capita	Unemployment		GDP per capita	Unemployment
Vietnam	53.9%	-0.5% ↔	Tajikistan	49.7%	-9.1% ↻
Peru	29.7%	1.8% ↘	Kyrgyzstan	44.2%	-6.2% ↻
Colombia	26.4%	-3.8% ↻	Azerbaijan	34.9%	-0.6% ↔
Egypt	19.9%	4.3% ↘	Macedonia	19.6%	-3.7% ↻
Indonesia	11.7%	-1.3% ↻	Serbia	13.7%	-0.3% ↔
Ghana	9.0%	1.0% ↘	Albania	12.8%	3.5% ↘
Tunisia	-5.5%	2.3% ↘	Kosovo	11.0%	-12.7% ↻
South Africa	-12.3%	0.4% ↔	Bosnia and Herzegovina	9.4%	16.2% ↘
			Ukraine	3.6%	0.8% ↘

# MANAGEMENT

## Certified process

SECO's Management and Quality System is ISO 9001:2008-certified. The continuous external evaluation of processes and work methods fosters a culture of institutional learning and raises the effectiveness of projects supported by SECO.

## MESSAGE



**Federal Councillor  
Johann N. Schneider-Ammann**  
Head of the Federal Department of Economic Affairs, Education and Research

The OECD has acknowledged Switzerland's professional and results-oriented approach. While this is certainly gratifying, it is not enough. The Federal Council has thus defined even more specific target outcomes in the new Message on International Cooperation 2017–2020. This will create a stronger basis for Switzerland's work and strategies in its foreign economic policy and international cooperation, and particularly SECO's economic development cooperation.



## ACCOUNTABILITY



**Felix Gutzwiller**  
Member of the Evaluation Committee Economic Cooperation and Development, SECO

SECO takes external evaluations very seriously. Unlike its internal monitoring, these provide an independent appraisal of success and failure. This helps to make SECO's work more effective, and the funds disbursed produce a greater impact. This is important to me as a Parliamentarian and a member of the Evaluation Committee.



## Strategic framework

## INDEPENDENT EVALUATIONS



**Geert Engelsman**  
Evaluator  
Rebel Group International

SECO attaches great importance to capacity building of local partners, such as public water and power supply services. It has produced numerous success stories in this regard. Our evaluation has highlighted the major significance of self-responsibility. Nonetheless, proactively promoting this self-responsibility remains a huge challenge.



## Impact measurement

## COUNTRY AND SECTOR STRATEGY



**Dagmar Vogel**  
Head of  
Infrastructure Financing  
SECO

„ We derive our country and sector strategies from the Message on International Cooperation. We concentrate on each partner country's specific needs and on how we can apply our strengths to address them. We also decide on the form our cooperation will take and who our main partners will be. By clearly setting the framework, our work is more targeted, efficient and effective.



## IMPLEMENTATION



**Ingo Schoppe**  
Holinger AG  
Implementation Partner for  
Kyrgyzstan, Vietnam and Tunisia

„ We document the project's progress in a quarterly report. We then consult with our project partners to decide on adjustments needed to obtain the desired results. One of the key success factors for a project is to increase our local partners' level of responsibility. This calls for a certain degree of patience and understanding of cultural differences.

## FIELD OFFICE



**Stanislava Dodeva**  
Water Programme Manager  
Cooperation Office in Macedonia

„ Project implementation has to be closely monitored. We often need to develop our partners' know-how and skills before applying the agreed measures. We don't give up until we have reached a successful conclusion in the policy dialogue with our partner, e.g. the competent authority. Only then can a project continue to flourish after we end our support.

## Project definition and steering

## CHALLENGES

# Poverty reduction and addressing global challenges

The number of people living in extreme poverty has more than halved since 1990. However, global challenges pose a threat to the progress made in overcoming poverty. Seven out of 10 poor households are today in middle-income countries (MICs). On account of their large populations and economic influence, these countries play a key role for entire regions in combating poverty and global challenges. SECO has thus focused the bulk of its measures on MICs. Apart from climate change, economic and financial crises and migration, another phenomenon threatening stability and sustainable growth is the growing disparities between rich and poor, emerging now as a consequence of unequal opportunities to share in the benefits of growth and development.

Global Risks report 2015 (World Economic Forum):  
Top 10 risks in terms of likelihood

**SECO makes an active contribution to overcoming these challenges**

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- 1 Interstate conflict
  - 2 Extreme weather events
  - 3 Failure of national governance
  - 4 State collapse or crisis
  - 5 Unemployment or underemployment
  - 6 Natural catastrophes
  - 7 Failure of climate-change adaptation
  - 8 Water crises
  - 9 Data fraud or theft
  - 10 Cyber attacks

## Policy coherence



Switzerland's relations with developing countries are determined by its development policy and various other sectoral policies. Across all of these, it seeks to ensure policy coherence for sustainable development. This means that the different dimensions of development have to be taken into account when formulating its policies. Switzerland advocates policy coherence both at a national and international level, e.g. within the 2030 Agenda.

One example of this is Switzerland's support for an international initiative in commodities. Switzerland is a leading global trading centre for commodities. The background report on commodities issued by the Federal Council in 2013 also seeks to strengthen policy coherence. It identifies support for the Extractive Industries Transparency Initiative (EITI) as being of strategic importance. The EITI strives to increase transparency in the commodities sector through the disclosure of financial flows between extractive industry companies and the governments of resource-exploiting countries. SECO has supported the EITI since 2009.

## Project implementation: Paved with obstacles

SECO's strategy work faces enormous pressure from different sources: increasing globalisation, the growing significance of global risks and the declining relative importance of traditional development funding. In project implementation, too, SECO has to deal with a range of different problems. The prospect of failure cannot be ruled out. SECO tries to learn from its mistakes, however, and draws useful conclusions for future projects. The main challenges facing project implementation are:

### → Sustainable impact

Project sustainability is a critical element of development cooperation (see the Peru example below). SECO seeks to create a sustainable impact by encouraging self-responsibility and training staff and management. Also, for each of its interventions, SECO always devises an exit strategy whereby it can cancel a project if its sustainability cannot be guaranteed. Findings from independent evaluations can be fed into a project so as to implement additional measures that will improve its long-term impact.

### → Fragility

Weak institutions and instability in the balance of political power provide a seedbed for social unrest, as in the case of Egypt, or wars, as in Ukraine. Events like these throw countries back years in terms of development efforts. Where

such a crisis occurs, SECO remains active in the country and rapidly adapts its projects and interventions. In Vinnytsia (Ukraine), SECO has continued its successful cooperation with the town administration, despite the ongoing war. SECO is thus supporting improvements in public transportation and the energy sector. In June 2015, Vinnytsia became the first town in Ukraine to receive the European Energy Award.

### → Political economy

A lack of willingness to reform, a sudden change in political priorities, a regime change, the arbitrariness or non-committal insincerity of political leaders: these are all a constant element of insecurity in developing and transition countries. Such uncertainties can destroy the progress already made or bring down an entire project (see the Vietnam example below). To prevent such failures, SECO chooses its partners carefully, carries out a risk analysis before starting the project, and conducts an intensive project dialogue with the authorities and stakeholders.

### → Capacity shortfalls

Local implementation partners, whether in state institutions or the private sector, frequently lack the skills required for successful project implementation. Also, the legal or regulatory framework conditions may be inadequate (see the Peru example). It is thus often necessary to support reforms and expand the level of know-how. Even where both factors are satisfactory, the project can still be compromised by the departure of a key employee, whether because of political changes or a more attractive job offer elsewhere. For this reason, SECO always endeavours to share its knowledge with institutions rather than individual persons.

#### Vietnam

### Policy shift leads to project cancellation

As of 2009, SECO assisted Vietnam's Central Bank in formulating a strategy for its banking sector. However, due to protracted difficulties in Vietnam's economy, with negative repercussions on the financial sector, the Vietnamese government changed its priorities. The focus thus shifted from devising a long-term strategy to short-term measures. The government subsequently decided not to draw up a comprehensive strategy for the banking sector, and the project was cancelled by SECO.

#### Lessons learned by SECO

→ Project: Strategic activities are required to follow the recommendation of the IMF's Financial Sector Assessment Programme and are coordinated with the IMF and the World Bank.

→ SECO: In all interventions, SECO demands a higher degree of transparency and accountability. Experience has shown that success is only possible with many years of cooperation. It is thus important that SECO maintains a dialogue with the political instances.

#### Peru

### No magic formula

SECO intended to promote regional tourism in Peru and apply the Destination Management (DM) approach that had worked in Switzerland. In the course of the project, however, it became apparent that the DM used in Switzerland could not be simply transferred to the context of Peru. There were no legal foundations for the funding of tourism organisations, and the various stakeholders were not aware of the role they were supposed to play. Thus, the decentralisation process was slow to take off. Although the use of public-private partnerships met with success in several tourist regions in a pilot project, the model failed to take hold.

#### Lessons learned by SECO

→ The experience and lessons learned from failure shall be used for other activities in the tourism sector. In particular, it is important to create greater awareness of the need for framework conditions, clarify roles and increase trust levels.

THEMES



## Economic and financial policy

A balanced state budget needs two things: a fair tax system that generates a stable flow of public revenues and a government that makes efficient use of public funds. Both form the basis for economic growth and overcoming disparities. SECO works toward strengthening the public financial system in its partner countries and promotes a well-developed financial sector. A stable and diversified financial sector improves a country's competitiveness and results in more jobs being created.



With Ghana's new tax services, it's much easier now for me to pay my taxes. This is because of the new Taxpayer Offices. The staff there are friendly, knowledgeable and help me file my tax return. It's very straightforward now, so I'm more motivated to pay my taxes. **Samuel Nbani, Taxpayer in Ghana**

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### Motivation to pay taxes

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SECO has supported tax reform in Ghana since 2008 with a comprehensive programme to overhaul the tax policy and tax administration. One of the main changes was the amalgamation of three different authorities to form Ghana's new tax authority. Under this new system, taxpayers are divided into different groups, which are then served in a more customer-friendly manner by the Large, Medium and Small Taxpayer Offices. Online tax returns are now also possible. With SECO's support, the tax base has been broadened and the tax authority is run more efficiently. The number of taxpayers increased by 135 000 between 2009 and 2014, corresponding to a 10 per cent rise. The efficiency gains resulted in lower costs for each franc of tax collected and savings corresponding to CHF 15.5 million.



## Closer cooperation between the IMF and the World Bank



SECO is one of the main driving forces behind the Tax Administration Diagnostic Assessment Tool (TADAT), a diagnostics instrument for tax administrations. TADAT helps developing countries to upgrade their tax system and increase their tax receipts. SECO supported the work to develop TADAT, thus strengthening Switzerland's role as an intermediary between organisations. Through SECO's intervention, the IMF and the World Bank are working together more closely. Also, Switzerland now has greater coherence in its foreign economic policy, thanks to the close collaboration with the Swiss Federal Tax Administration (FTA) and the State Secretariat for International Financial Matters (SIF).

### CONCLUSION

Huge progress has been made in recent years thanks to various activities in economic and financial policy. SECO played a key role in the identification of necessary reforms and the development of diagnostics tools. The analysis and implementation of such reforms will be more closely aligned in the future. Reforms are regarded as central to the creation of strong and reliable public institutions, providing affordable services for all. Challenges for the future include changes in political priorities and staff turnover in public administrations. As publicised by Switzerland, the significance of mobilising domestic resources was confirmed in the Addis Ababa Action Agenda. SECO continues to play a pioneering role in this area.

### Independent evaluation Tax and Development

Funds disbursed 1996–2013

CHF 60 million

Relevance	● ● ● ●
Effectiveness	● ● ● ●
Efficiency	● ● ● ●
Sustainability	● ● ● ●

SECO has made an important contribution to a fair and transparent tax policy in its priority countries. Most of the countries receiving support have a sound legislative and regulatory framework and manage to achieve an above-average degree of transparency. However, there is still room for improvement in tax registration and assessment.

#### Lessons learned by SECO

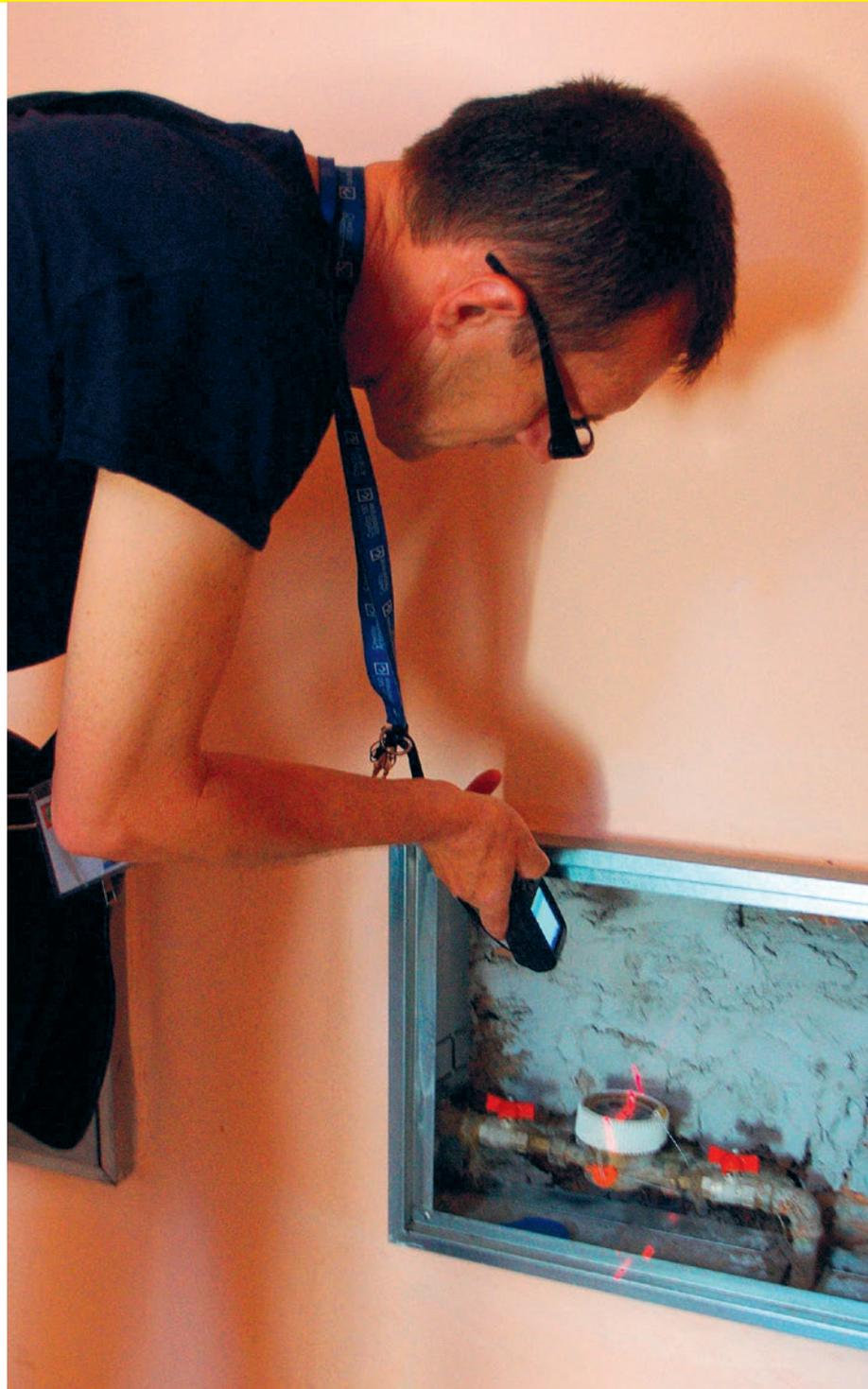
- > Accomplishing the goals of the Tax + Development Programme may be further improved with clearer strategic guidelines.
- > The partner countries' needs in knowledge management and personnel matters are being more closely analysed so as to further increase their relevance.
- > The long-term impact of projects was positive where the Tax + Development components were combined with budget support.

THEMES



## Urban infrastructure and utilities

Improving the basic infrastructure is a prerequisite for fighting poverty, improving living standards and long-term economic development. SECO helps to strengthen public water and energy supply services and wastewater treatment plants. These are to become modern, customer-oriented and financially sustainable service providers, with transparent processes, professional staff, appropriate tariffs and state-of-the-art equipment.



### Running water at last

Some 560 000 citizens in eight Albanian towns are benefiting from SECO programmes. These have greatly improved the water supply and wastewater management system in recent years. Running water is now available every day, and in some cases all day. Moreover, the water utility companies throughout the country now operate more efficiently. The average number of employees working in water companies per 1000 households decreased from 9.3 in 2010 to 8.9 in 2014, testifying to the efficiency gains made. The proportion of drinking water now being registered and metered rose during the same period from 45 to 60 per cent.

There’s no arguing with my digital scanner: the measurement is always spot-on. There are no more miscalculations or wrong bills, and so no more disputes. People are now more willing to pay because they’re charged only for the water they actually use. The new metering and billing system is popular with all our customers.  
**Bashkim Bregu, Employee at Shkodra water utility, Albania**

## Breaking the ties with development aid



SECO was one of the first development agencies to provide a conceptual framework for self-financed infrastructure facilities and to test this with innovative projects. The results show that the utility companies are independently optimising their financial, organisational, operational and strategic processes. This makes them more efficient and, in the long run, independent of development aid. SECO will use this experience to further enhance and expand its corporate development approach.

### Independent evaluation Public utilities

The evaluation shows the importance of modernising the structure and finances of public utilities. This not only meets citizen demand for decent services but also matches the recipient countries’ political priorities.

#### Lessons learned by SECO

- > Partners should be more systematically encouraged to take responsibility and use their skills.
- > The creation of independently financed public utilities should be more closely aligned with partners’ needs.
- > Middle managers tend to stay longer with the company than upper managers, and it is the middle tier that implements the measures for improvement. Capacity building efforts should therefore concentrate on middle management and technical experts.

Funds disbursed 2003–2013

CHF 50 million

<b>Relevance</b>	● ● ● ● ●
<b>Effectiveness</b>	● ● ● ● ●
<b>Efficiency</b>	● ● ● ● ●
<b>Sustainability</b>	no information

## CONCLUSION

The 2013–2016 Message was right to focus on urban infrastructure. Given the speed at which cities are growing and their consumption of resources, SECO will expand this theme to “sustainable urban development”. Apart from the development of public utilities, this focuses more on financing issues, optimising spatial planning and cutting emissions. The Partners’ acceptance of project and implementation responsibility remains key to success: this is crucial for a self-financed basic infrastructure. It must be accompanied by a comprehensive, realistic project planning phase and local capacity building



## PARTNERSHIPS

Like many Latin American cities, Barranquilla is facing a sharp population rise. Our infrastructure is lagging behind our demographic growth. Water cuts, poorly maintained public spaces, the daily traffic chaos, and hawkers trading on pavements and side streets make life more complicated here. The collaboration between the Universidad del Norte and ETH Zurich gives future urban developers the impetus to redesign Barranquilla.

**Elsa Noguera, Mayor of Barranquilla, Colombia**



Most of the world's population now live in cities. The urban population in the Southern hemisphere is set to double in the next 15 years. This is our last chance to design and apply sustainable urban models. At ETH Zurich, we're training a new generation of professionals who will shape the world of the 21<sup>st</sup> century. We're already putting this into practice in the Colombian coastal town of Barranquilla.

**Prof. Hubert Klumpner, left, and Prof. Alfredo Brillembourg, Chair of Architecture and Urban Design, ETH Zurich**



I lived in Switzerland for 26 years before setting up my own company in 1999 in Bosnia and Herzegovina. But when the financial crisis hit us in 2008, I couldn't get a loan to finance my rapidly expanding furniture factory. When the SECO Start Up Fund stepped in, I was able to continue my expansion. Standard AD now employs 360 people in Bosnia and Herzegovina.

**Edin Dacic, Director of Standard AD Prnjavor, Bosnia and Herzegovina**

The SECO Start-up Fund (SSF) has co-financed 100 start-up companies over the past 15 years. Most of these are operating very professionally. And it is great to see that these companies, now well established, are motivating young entrepreneurs to take the plunge and make their own business ideas a reality.

**Andreas Ragaz, Manager of SECO Start-up Fund, Zurich**

” Nestlé invests CHF 110 million worldwide in sustainable cocoa production. We need to secure the basis of our business with long-term partnerships, as directly as possible. We now want to expand this highly successful cocoa programme by Swisscontact and SECO to other countries.

**Dr. Hans Jöhr, Corporate Head of Agriculture, Nestlé S.A., Vevey**



” Since 2012 we have trained more than 50 000 farming families in Indonesia in greener cocoa cultivation and also in market access and have assisted them in financing issues. Productivity has risen by an impressive 55 per cent.

**Manfred Borer, Head of Swisscontact Indonesia**

” Not so long ago, I could never have imagined cocoa farming offering a secure livelihood. Thanks to Swisscontact’s training courses, I have increased my annual production from 600 to 1500 kg. And I also learned how to cooperate with other cocoa farmers. My group now offers micro-loans to its members to buy organic fertilisers.

**Rahmat Ilyas, Cocoa producer, Kalukku Village, Indonesia**



” The BCC programme (Bilateral Assistance and Capacity Building for Central Banks) provides an opportunity for regular contact between central banks and the scientific community. We organise conferences and monitor research projects. We are helping the Tunisian Central Bank to fine-tune its country-specific macro-economic models.

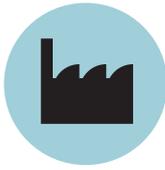
**Prof. Cédric Tille, International Economics, The Graduate Institute of International and Development Studies, Geneva**

” Our know-how and empirical applications have been improved through technical reports and exchanges with experts. The Central Bank’s capacity to accomplish its main mission, the preservation of price stability, has been strengthened.

**Moez Lajmi, Deputy Director of Study and Modeling of the Monetary Policy of the Central Bank of Tunisia**



THEMES



## Private sector and entrepreneurship

Private businesses, and especially SMEs, play a key role in regional and global economic integration. SECO's interventions improve the business environment, facilitate access for SMEs to finance, and encourage responsible entrepreneurship. A well developed and regulated private sector generates employment and expansion opportunities and ultimately gives the state the revenues it needs to provide public services.

## Faster company formation

Setting up a company in Vietnam used to be a long and complicated process. Moreover, it was very difficult to find transparent, legally binding company information in a central commercial register. Since 2010, SECO has been helping to develop a nationwide company registration system in Vietnam. The system now contains data on almost a million companies. The regional registration offices are linked up to the national register, creating an efficient one-stop shop for business registration. This has cut the lead time for company formation from 15 days to just three and a half days, saving the private sector some USD 4 million a year.

## Leader in sustainable financial investments



Private investments exceed public development aid several times over. This makes it all the more important to promote sustainable financial products. In 2014 SECO supported the creation of the Swiss Sustainable Finance (SSF) platform. This association of Swiss financial services providers wants to make Switzerland a leading centre for sustainable investments and mobilise more private funds for development and climate protection. SSF brings together service providers, investors, universities and business schools, NGOs and public sector entities. Switzerland has a long international track record in integrating the principles of sustainability into the business world and society in general.

### Independent evaluation SIFEM – Swiss Investment Fund for Emerging Markets

Funds disbursed 2005–2010  
CHF 170 million

Relevance	● ● ● ●
Effectiveness	● ● ● ● ●
Efficiency	● ● ● ● ●
Sustainability	● ● ● ● ●

The evaluation affirms the highly positive impact and long-term development effect of the Swiss government's SIFEM. Particular mention is made of its strong results in job creation.

- Lessons learned by SECO**
- Set higher operational targets.
  - Improve data collection on impact measurement.
  - Give more consideration to inclusive growth and social development when allocating funds.

’ I’m very satisfied with the service. Setting up a new business or making changes is easy now. The procedure is quite transparent. And I’m happy with the way I’m treated as a business customer. However, the queues are still long. I hope that improves in the future.

**Nguyen Thu Hien, Businesswoman, Phu Gia Investment Company, Vietnam**



## CONCLUSION

Efforts to improve the business environment, access to capital and an entrepreneurial mindset have resulted in the creation of new, more attractive jobs. Creating jobs for less skilled workers and improving labour conditions for poorer sectors of the population remain something of a challenge. Companies need to understand that better labour conditions lead to higher productivity, making it also worthwhile for the employer. In promoting the private sector, SECO will thus give more consideration to the quality of labour conditions, protection against economic discrimination, and the inclusion of poorer sectors of the population.



THEMES



## Sustainable trade

Global trade is of benefit to developing and transition countries as long as jobs are created, income is generated and goods become more available. To ensure that the benefits are evenly distributed and that trade does not come at the expense of the environment and society as a whole, SECO advocates trade that is socially and environmentally responsible and inclusive of all segments of the population. SECO strives to improve framework conditions in the partner countries, strengthens companies' exports and competitive position, e.g. with private voluntary sustainability standards, and fosters the export of goods to European markets.



“The baobab fruit has changed my life. I started out as a fruit-picker in 2006. I had very little to eat then, and I used the money from my first sale to buy a portion of maize. Now I’m earning enough to build my own house. We have everything we need during the baobab harvest season. We even have some money left to put aside.”

**Annah Mendela, baobab picker from Limpopo, South Africa**

## Fair gold



SWISS CONTRIBUTION

Millions of people in developing countries work in gold mining, some in extremely harsh conditions. Switzerland is an important hub for the international gold market, with some 70 per cent of the global volume refined here. In association with the Swiss gold industry – refineries and jewellery/watch makers – SECO launched the “Better Gold Initiative” pilot project. This seeks to improve labour, environmental and social standards in small-scale mining. Under this programme, the two Swiss gold refineries Argor-Heraeus in Ticino and Metalor in Neuchâtel reward production companies with a bonus of USD 1000 per kilo of fine gold if they adhere to certain environmental and labour standards. The world’s first fairtrade gold jewellery is now sold in Switzerland at Christ Watches and Jewellery, Coop City, Vieri and Manor.



## Bringing baobab to Europe

PhytoTrade is the trade association of the natural products industry in Southern Africa. It helps producers market their natural products such as the fruit of the “Upside Down Tree”, i.e. baobab. PhytoTrade has developed a test process for baobab products so that South African businesses can comply with the EU’s regulation on novel foods, enabling baobab seed oil to be authorised for the EU’s food and drinks market. This has created the world’s largest market for natural baobab ingredients and products. SECO supported the founding of PhytoTrade and financed the development of the test process.

### CONCLUSION

Free-trade agreements, intellectual property and voluntary sustainability standards: these are areas in which Switzerland has internationally recognised expertise. SECO operates along the entire value chain so as to improve producers’ and exporters’ competitive position and market access. Voluntary sustainability standards such as Fair Trade, UTZ and FSC are now well established. The challenge for the future is to extend the scope and impact of these standards so that they benefit more producers on the global market. International trade policy has been characterised in recent years by a blocked WTO process. The Trade Facilitation Agreement of Bali from 2013 should be welcomed in this respect. SECO will thus support its partner countries in, for example, simplifying their customs declarations and improving logistics processes.

### Independent evaluation Aid for Trade

Funds disbursed 2002–2012  
**CHF 500 million**

Relevance	● ● ● ●
Effectiveness	● ● ● ●
Efficiency	● ● ● ●
Sustainability	● ● ● ●

The evaluation rates SECO highly for linking up producers with international market partners. SECO is also regarded as a pioneer in offering developing countries trade-related technical assistance in free-trade agreements.

#### Lessons learned by SECO

- > Further the integration of activities through broader-themed country programmes.
- > Improve the correlation between the programmes/projects and SECO’s private-sector development. Farmers should have facilitated access to investment capital and save costs and time in administrative procedures.
- > Fewer small projects, more global programmes.



THEMES

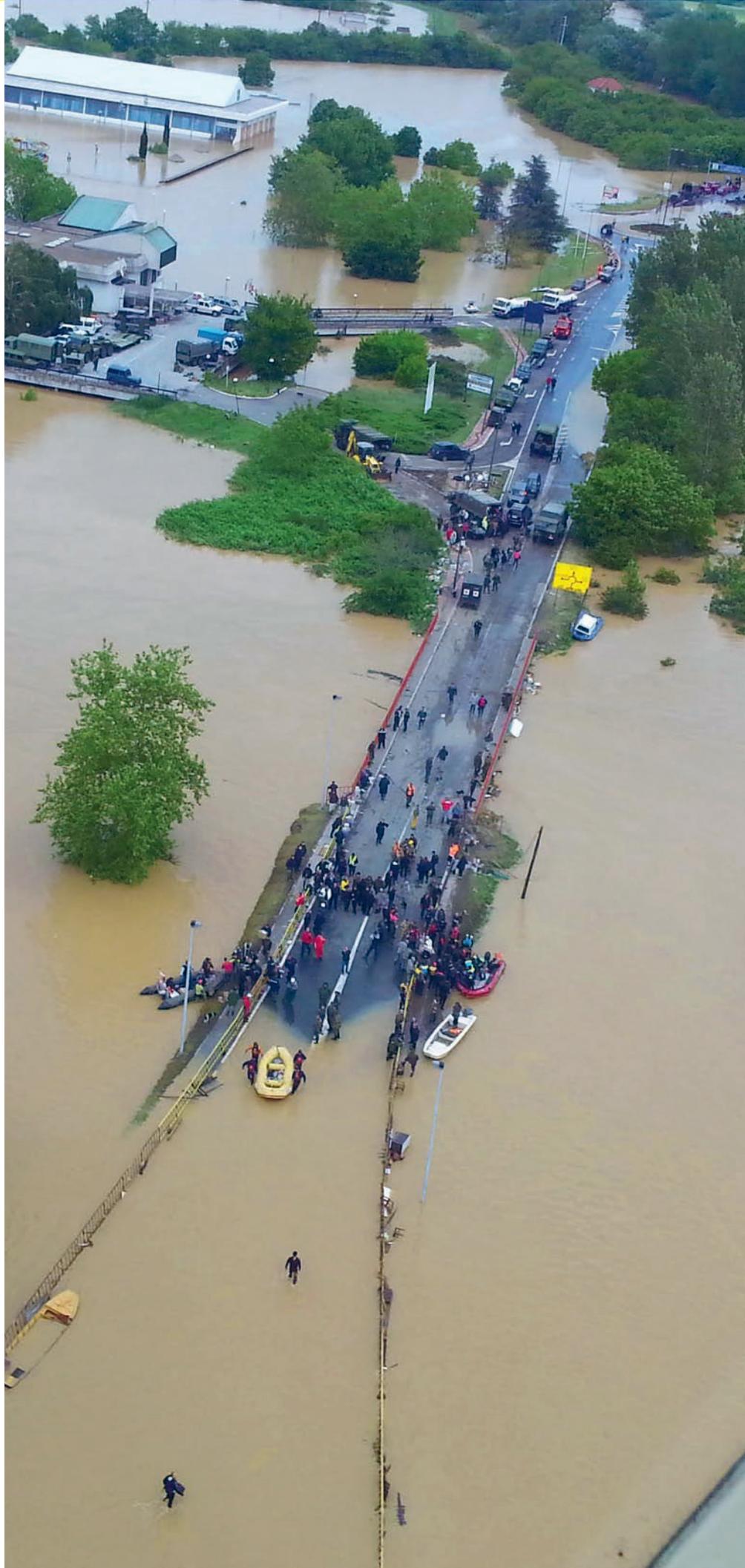


## Climate-friendly growth

Developing and transition countries are the worst hit by the negative impacts of climate change. At the same time, over half of the world's greenhouse gas emissions are attributable to these countries. SECO is thus helping to create a climate-friendly economy. This includes finding a socially responsible way to dismantle subsidies – worth billions – for fossil fuels such as crude oil, natural gas and coal. In association with the development banks, SECO is helping developing countries to scale back these climate-damaging incentives.

**„** We used to have only basic insurance, which did not cover flooding. Now we have been able to insure our property against floods and earthquakes, and at an affordable rate.

**The Đokić family from Obrenovac in Serbia was left devastated by a flood in May 2014. For several months they were unable to live in their damaged home.**



## Insured against the consequences of climate change

The floods that hit Eastern Europe in 2014 illustrated how vulnerable we are to natural catastrophes. SECO supports the World Bank project “South East Europe and Caucasus Catastrophe Risk Insurance Facility”. This offers catastrophe risk insurance against losses caused by heat, drought, floods and earthquakes in Albania, Macedonia and Serbia. The governments in Tirana, Skopje and Belgrade and the international donor community have stressed the importance of developing the market for catastrophe risk insurance. The insurance company set up for this purpose is Europa Re, based in Switzerland. SECO has contributed USD 4.45 million to the development of insurance products and a sales platform. The project was one of ten finalists to be nominated in 2015 for the DAC Prize for Taking Development Innovation to Scale, to be awarded in March 2016.

### 2014 Effectiveness Report Impact analysis of the climate projects of SECO and the SDC

Funds disbursed 2000–2012

CHF 1.32 billion

High to very high impact	40 %
Medium impact	50 %
Low to no impact	10 %

Positive results have been achieved, in particular, by the National Cleaner Production Centres (NCPCs). These were launched with support from Switzerland. They advise industry on how to avoid waste and toxic emissions. The NCPCs have led to an annual decline in CO<sub>2</sub> emissions of 35 400 tonnes in Peru and a reduction of 25 000 tonnes in South Africa.

#### Lessons learned by SECO

—> The report recommends creating more coherence in Switzerland’s climate portfolio, with increased coordination between the activities of the federal offices (SDC, FOEN, SECO).

—> The report also suggests calculating the expected climate impact as early as the planning stage.

## CONCLUSION

Climate change is jeopardising the progress achieved in poverty reduction in recent decades. Therefore, the Federal Council’s current Message mandates SECO with establishing a new “Climate” theme. SECO promotes climate-friendly growth in its partner countries by improving energy efficiency and expanding renewable energy, managing natural resources more efficiently and enhancing climate-friendly financing and market mechanisms. The new Message should make it easier to measure the impact on climate. In urban centres, in particular, climate-relevant aspects are systematically addressed in development projects. There is also growing interest in how to improve the resilience of developing populations against climate events.

## Snowball effect for renewable energy



REPIC (Renewable Energy and Energy Efficiency Promotion in International Cooperation) is an interdepartmental platform for the promotion of renewable energies and energy efficiency in developing and transition countries. Swiss organisations investing in climate-friendly energy projects receive up to CHF 150 000

in assistance from REPIC. With a total of CHF 4.8 million, around a dozen new energy projects are receiving funding every year between 2014 and 2017. All of the funded projects concern renewable energy sources (photovoltaics, solar heat, biomass, small-scale hydropower, wind, geothermal energy). REPIC predominantly supports project partners in expanding successful pilot projects.



## THEMES



## Multilateral cooperation

Overcoming global challenges requires an internationally coordinated response. This is the only approach to addressing threats like climate change and reducing food shortages. The World Bank and the regional development banks have significant financial resources and effective tools at their disposal to find solutions for these global problems. In SECO's implementation of economic and trade-policy measures, the multilateral development banks are among its main partners on account of their key role in sustainable development.

## Hydropower as a source of income

Chinese farmer Qiao Shuai and his 53-year old father Qiao Keqin in the north-west of Gansu Province dreamt of owning their own guesthouse for many years. Their farm is close to the Zhangye Danxia National Geological Park with its famous rock formations. But without a reliable power supply, this was never going to be a reality. "Unfortunately, power outages are very common in this region," says the younger Qiao. Now, however, the hydro-power plant on the Heihe River, funded by the Asian Development Bank (ADB), has connected the family to the national grid. This has paved the way for successfully running a guesthouse for up to 100 guests. The rooms have now been equipped with a light, television, fridge, kettle and rice-cooker. The family expects their annual income to rise to USD 16 000. This is three times more than they used to earn from maize cultivation and seed propagation.

## Supporting reforms



Within the decision-making bodies of the development banks, Switzerland tends to contribute its core competencies in governance, social and environmental issues.

For example, Switzerland supports reforms for new social and environmental standards (Safeguard Policies) at the World Bank and the European Bank for Reconstruction and Development (EBRD). SECO actively includes civil society organisations and the private sector in the reform process.

## Global know-how, local consultants

The International Finance Corporation (IFC), a member of the World Bank Group, focuses on the private sector in developing countries. SECO has worked with the IFC for more than 15 years in Eastern Europe and Central Asia. Together, the two organisations have sought to improve corporate governance (responsible company management and supervision) in industry and banks in these regions. "We are very pleased with our partnership with SECO," says Morgan J. Landy, Director of the Transactional Risk Solutions unit, IFC.

"SECO has always focused on capacity building among local consultants. We have come to agree with this approach. At some stage, our support will have to become unnecessary, so we need to ensure that local consultants can advise the companies." An IFC evaluation stresses the win-win situation: With better company management, businesses gain investors' confidence, thus making it easier for them to access the financial resources they need in order to expand. At the same time, local consulting firms benefit from greater demand for their services in corporate governance, which also creates employment. For this reason, the IFC is emulating SECO's approach of promoting local governance structures and taking this worldwide.



Since Gansu Zhangye Julong has had a reliable power supply, our production has gone up. My salary is now 25% higher. This is certainly good news for me and my wife; now we can take better care of my parents, who live with us.  
**Gao Chao, worker at Gansu Zhangye Julong Building Material Company, China**

## CONCLUSION

There has been a change in the environment for multilateral development banks. New international financial institutions have emerged, such as the New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB). These new players can mobilise the funds required to meet the huge demand for basic infrastructure in developing and transition countries but which cannot be covered by traditional development funding. Switzerland is a founder member of the AIIB, and SECO participated in negotiating the Articles of Agreement. One of the main concerns is to ensure that the AIIB's activities adhere to international social and environmental standards. In its dealings with the AIIB, SECO benefits from Switzerland's long-standing experience and credibility with the multilateral development banks.



## OUTLOOK

### New realities

In today's world, traditional public development funding is just one of several sources of income for developing countries. Thanks to the support and economic expertise of donors such as SECO, many developing countries are now in a position to mobilise their own resources, whether through higher tax receipts, foreign direct investment, or income from international trade. There are now also additional types of donors: Southern-hemisphere countries, foundations, and migrants transferring remittances from abroad. In light of these new realities, SECO's development cooperation in economic matters and trade policy is increasingly acting as a support catalyst for mobilising further resources.

### Inclusive growth as an economic necessity

While a number of developing and transition countries have experienced significant growth in recent years, the gap between rich and poor has widened in many cases. Wide income disparities can pose a threat to social cohesion and political stability as well as, over time, economic output. To a certain extent, however, disparities will always exist in a rapidly growing economy. It is thus more important than ever to ensure that all sectors of the population benefit from a booming economy. This is why SECO is committed to promoting inclusive and sustainable growth. This is the sort of growth that, for example, enables the private sector to create more jobs and the State to provide more essential services. Both of these are crucial to reducing poverty and mitigating global risks.

### Financial inclusion of women



The majority of the world's poor are women, a phenomenon being described as the "feminisation of poverty" by experts. Women have thus much to gain from efforts to promote inclusive growth. Gender equality is one of SECO's core issues. According to SECO's risk policy, a project cannot be implemented if it discriminates against or excludes women on the basis of their gender. Projects should specifically promote gender equality whenever possible and relevant.

For example, to foster the financial inclusion of women, SECO supports a World Bank programme that helps financial institutions to create more financial services for women. This has enabled BLC Bank in Lebanon to hire more female staff and to develop new financial products specifically tailored to women's needs. The volume of business loans extended to women has surged by 92%, up from USD 11 million to USD 21 million.

# Message 2017–2020

- Reduce poverty and disparities by promoting inclusive growth
- Stimulate additional development funds from private and sovereign donors
- Continue playing a pioneering role with innovative projects and programmes
- Strengthen policy coherence through active cooperation with other federal offices
- Improve the sustainability of the impact by building local capacities and institutions



## 2030 Agenda

In 2015 the international community adopted a new reference framework for sustainable development and poverty reduction that will shape all countries' national and international activities in this area in the years 2016–2030. This "2030 Agenda for Sustainable Development" is built around 17 Sustainable Development Goals (SDGs). SECO's development cooperation mainly concerns the goals that are ticked below. The Message on Switzerland's International Cooperation 2017–2020 is already aligned with this new reference framework, placing great importance on implementation of the 17 SDGs.



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### Results methodology:

Since 2012 SECO has worked with standard indicators. These allow for systematic impact measurement at project level and aggregated reporting of quantitative results. At the same time, projects are regularly assessed in strategic and project/programme-specific evaluations.

As SECO is sometimes only one of several donors, results cannot always be directly ascribed to SECO's contributions.

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