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Federal Department of Economic Affairs,
Education and Research EAER
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POSITION PAPER

Development and Climate Change: Two Sides of the Same Coin

SECO's Economic Cooperation and
Development's Approach to Climate Change



Climate Change and Development

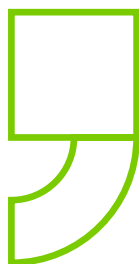
Climate change is expected to reduce economic growth, push millions of people further into poverty and limit opportunities for sustainable development. SECO Economic Cooperation and Development (SECO-WE) is committed to addressing climate change as part of its efforts to foster sustainable economic growth in partner countries. This commitment includes the integration of climate change considerations into project management and SECO-WE's thematic areas – namely macroeconomic support, private sector development, trade promotion and infrastructure financing. In addition, SECO-WE actively engages with multilateral development banks to promote climate-friendly initiatives at the global level.

Between 2020 and 2022, SECO-WE projects supported energy efficiency measures and renewable energy production for 19.7 million people and improved the urban environment for more than 12 million people in 237 cities. In addition, more than 447,000 people were trained to provide sustainable products and services. In total, 38.9 million tonnes of CO₂-equivalent emissions were avoided or saved. This reduction corresponds to the annual CO₂ footprint of approximately 3.242 million Swiss people.

SECO-WE Paris Alignment in 5 Measures

SECO-WE has already initiated work to better integrate climate into its projects and the following five measures will enable the systematic alignment of SECO-WE activities with the goals of the Paris Agreement by January 2025.

1. SECO-WE contributes to the Swiss international cooperation *climate finance target* as stated in the International Cooperation Strategies.
2. SECO-WE strives to progressively increase its climate finance commitments.
3. SECO-WE systematically integrates climate at the country, sector, and project levels.
 - 3.1. At *country level*, SECO-WE systematically takes into account countries' Nationally Determined Contributions and climate Long-Term Strategies in the design of country programmes.
 - 3.2. At *sector level*, guidelines are developed to promote best practices in relation to the integration of climate aspects within and across SECO-WE sectors.
 - 3.3. At *project level*, climate is integrated throughout the entire project lifecycle (design, implementation and monitoring).
4. SECO-WE applies an *exclusion list* to avoid climate-harming activities.
5. SECO-WE *reports* on climate mitigation, adaptation and transformational impacts through climate-related target indicators.



SECO-WE aims to be aligned with the goals of the Paris Agreement by January 2025.



Pursuing ambitious climate targets is crucial for effective and sustainable economic development. Building low-carbon and climate-smart economies – particularly in middle-income countries – will help reduce the greenhouse gas (GHG) emissions that cause climate change and increase the resilience of developing countries.

SECO-WE therefore focuses on the following thematic priorities.



Ghana Solar-Photovoltaic based Net-Metering
The project scales up the integration of solar photovoltaic installations on public and private buildings into Ghana's distribution grids. It uses battery storage to enhance the integration of renewable energy. Technical assistance and capacity building are also provided to power utilities and the Ministry of Energy for the development of renewable energy strategies.

Energy

Avoiding the most catastrophic climate impacts will require climate change mitigation actions that drastically reduce new greenhouse gas (GHG) emissions. The energy sector is critical in this regard, which is why SECO-WE projects aim to strengthen energy systems and enhance their sustainability. Moreover, projects accelerate the energy transition by supporting the integration of variable renewable energies such as solar photovoltaics and wind into power grids. In addition, SECO-WE supports efforts to better manage energy demands and increase energy efficiency in sectors such as industry, transport, housing, water and wastewater.



Global Eco-Industrial Parks Programme

The Global Eco-Industrial Parks Programme demonstrates the feasibility and advantages of greening industrial parks. It achieves this by enhancing resource productivity and improving businesses' economic, environmental and social performance. Ultimately, this contributes to inclusive, climate-friendly and sustainable industrial development in participating countries.

Circular Economy (CE) is an increasingly recognised, holistic approach that takes into account the entire life cycle of a product: from the extraction of raw materials, through design, production, distribution and the phase of maximum use, to recycling and final disposal. CE is adopted in relevant SECO-WE projects to promote sustainable and climate-friendly economic prosperity.

Sustainable Production

SECO-WE has been advocating for a greener and more sustainable production of industrial and agricultural goods in developing countries for many years. Through its various projects, it encourages small and medium-sized enterprises to scale back their use of energy, water and other resources. This does not only make manufacturers more ecological but also more productive and competitive. SECO-WE promotes resource-efficient and cleaner production methods, and the design and implementation of recycling systems. Additionally, SECO-WE advises governments on sustainable legal frameworks, helps set up carbon pricing mechanisms and works with partner countries to establish sustainable value chains and production landscapes that protect natural resources.



Sustainable Long-Term Finance Facility

This global programme leverages private finance for the Sustainable Development Goals (SDGs) and climate change assets by developing local capital markets. It works on improving the framework conditions necessary to build local capital markets and creating market instruments to attract private investment for the SDGs and climate change assets. In Peru, for instance, the programme has led to the establishment of a Green Finance Roadmap, which lays out concrete steps to promote sustainable investing.

Green Public and Private Finances

Addressing the climate crisis requires a comprehensive reorientation of public and private financial flows, away from fossil fuels, towards green and sustainable sectors. SECO-WE takes a comprehensive approach to aligning financial flows with global climate objectives. Concerning public financial flows, SECO-WE supports partner countries in greening their public finances by cutting harmful subsidies and ramping up climate-friendly investments. It also works with regulators to establish climate-smart regulatory frameworks enabling greener and more resilient financial markets. Concerning private financial flows, SECO-WE promotes the issuance of sustainability-labelled bonds (e.g., green, sustainability-linked bonds) and the adoption of market-based Environmental, Social and Governance (ESG) standards and practices in both the financial and real sectors. Additionally, SECO-WE supports countries in developing and implementing carbon pricing mechanisms (CO₂ taxes or emission trading schemes).



Urban Development and Resilience in Vietnam

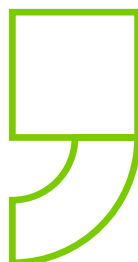
The project increases the resilience of Can Tho City to adverse climate change-related events by addressing the two main threats to its socio-economic development: flooding and uncontrolled urbanisation. It promotes risk-informed urban development, improves connectivity between the city centre and new, low-risk urban areas, and strengthens the city's capacity to manage disaster risks sustainably.

Sustainable Urban Development

Over half of the world's population lives in urban areas. Cities are drivers of economic development and account for over 70% of global greenhouse gas (GHG) emissions. These arise mainly from transportation, heating and cooling systems, and energy production. Simultaneously, urban areas are exposed to climate-related risks (e.g., more intense flooding and prolonged droughts), resulting in significant economic losses and hardship for the population. SECO-WE works with urban planners to develop strategies that promote climate-resilient, inclusive and risk-informed urban development, including green mobility, sound energy management systems, and climate-friendly water and sanitation services. This fosters sustainable economic growth and enhances the preparedness and resilience to crises.

Guiding Principles

<p>SECO-WE aims to maximise the impact of its climate finance to make the most effective use of scarce resources. This involves prioritising innovative, transformative, and catalytic actions. In addition, SECO-WE supports the strengthening of framework conditions, whereby great impacts can be achieved with less funding.</p>	Impact
<p>SECO-WE works on mitigation and adaptation measures in accordance with the priorities and needs of its partner countries and its added value. The primary focus of SECO-WE is on the mitigation of greenhouse gas (GHG) emissions, which is essential for curbing global warming, achieving the goals of the Paris Agreement and preventing catastrophic events.</p>	Mitigation / Adaptation
<p>Private capital is crucial to complement public funding in building low-carbon, resilient economies and enhancing the impact of climate measures. The international climate finance gap is immense and will expand due to higher mitigation and adaptation needs. Mobilising private funds for climate action is thus critical to increasing financial flows to developing countries in accordance with the Paris Agreement. Therefore, SECO-WE supports its priority countries in developing conducive framework conditions and adequate market instruments to attract more private-sector investment for climate action. It encourages Swiss and multilateral partners to mobilise more private funds for climate.</p>	Mobilisation of Private Funds
<p>Biodiversity is a cornerstone of development and represents a source of jobs and GDP for developing countries. Thus, SECO-WE addresses climate issues without harming natural capital and biodiversity, and strives to maximise co-benefits. Nature-based infrastructure, for example, offers a cost-effective approach to achieving mitigation and adaptation objectives, while delivering significant development benefits.</p>	Biodiversity and Environment



To improve efficiency and climate awareness, SECO-WE follows four principles in all its new projects.

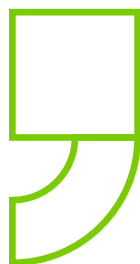
Ukraine – Build Back Better

Given the crucial role that support for Ukraine’s reconstruction has and will continue to have, SECO-WE’s activities will be implemented with climate objectives in mind. Reconstruction offers opportunities to "build-back better and greener", particularly in the infrastructure sector and with a view to phasing out coal. SECO-WE will ensure that its activities in Ukraine integrate climate and have climate co-benefits.

Due to the war, many displaced people and businesses are moving to the Ukrainian cities of Lviv and Vinnytsa. As a result, the urban population is rapidly growing and road traffic is increasing. This is why SECO supports the transfer of 67 decommissioned trams from Bern and Zurich to these two cities. The vehicles are in good condition and will strengthen local public transportation.



The export of Swiss trams to partner countries has a long tradition. Between 2003 and 2010, BERNMOBIL and SECO delivered 14 trams and 9 trailers to Romania. From Zurich, 88 trams were brought to Vinnytsa. With the help of SECO, Basler Verkehrs-Betriebe exported 65 trams and 47 trailers to Belgrade, Serbia.



Mobility is a key factor for economic productivity and quality of life.

SECO-WE's Thematic Priorities in Multilateral Development Banks (MDBs)

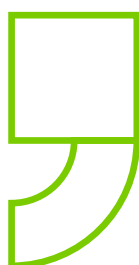
With their size, know-how and convening power, multilateral institutions are well-equipped to tackle climate challenges on a large scale. In the energy sector, MDBs open up new markets for renewable energy in many developing countries and finance the transition to clean energy at scale. SECO-WE ensures that MDBs continue to reduce their financing of fossil fuels and only support gas in exceptional cases. In addition, MDBs play a crucial role in formulating internationally recognised standards to ensure sustainable production. SECO-WE considers the development of environmental and social standards and their effective implementation a priority and promotes the use of a circular economy approach that minimises the use of natural resources.

MDBs contribute significantly to the greening of public and private finance by helping partner countries and financial intermediaries to develop and implement effective climate strategies. SECO-WE focuses on creating an enabling policy environment for climate action, mainly through reforms of fossil fuel subsidies and CO₂ pricing mechanisms. Moreover, MDBs align with SECO-WE's focus on sustainable urban development. The World Bank, in particular, exemplifies this commitment by substantially supporting cities in their efforts to decarbonise and build resilience.

Through its commitment to a high climate ambition in the MDBs, Switzerland promotes low-emission and resilient development at the global level. Multilateral banks are key players in climate financing in developing countries. Switzerland also calls for better coordination of multilateral institutions, particularly between MDBs and climate funds.



The largest solar power plant in Africa *Benban Solar Park* opened in 2019. Spread over 37 square kilometres, it provides clean energy for more than 400,000 households. A number of multilateral development banks supported Benban Solar Park, including the European Bank for Reconstruction and Development and the World Bank Group.



SECO-WE works closely with MDBs to promote its climate priorities, both by implementing climate projects with them and by representing Switzerland on their executive boards.

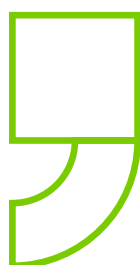
Swiss Contribution to EU Member States (Cohesion)

As a key part of its European policy, Switzerland directly contributes to European cohesion through programmes designed to reduce economic and social disparities in the EU and within its member countries. SECO-WE participates in this effort and applies similar concepts as those of Official Development Assistance.

Climate-related projects promote a more efficient use of natural resources and the reduction of pollutant and greenhouse gases (GHG) emissions, with a focus on energy efficiency and renewable energies (e.g., renovation of public buildings and conversion of energy systems). For example, selected cities and municipalities are supported to modernise their transport and energy infrastructure. Environmental projects also cover concerns such as waste disposal, water supply, and sustainable tourism, with a focus on nature conservation and the preservation of biodiversity.



At the Riga port site in Latvia, 1700 tons of liquid oil layers were pumped out, and 7000 tons of contaminated soil were removed. Groundwater contamination was reduced by 60 to 70 percent. 2016.



Protecting the Environment and Climate is one of the five objectives of the Swiss contribution to EU cohesion defined by the Federal Council.

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Climate and resource efficiency



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