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

POSITION  
PAPER

# **For sustainable prosperity**

SECO's economic development cooperation

2021-2024

## Context

*In the course of globalization, the world has witnessed constant transformation towards a multipolar order in recent decades. This transformation has entailed a general improvement in **prosperity**, political decentralisation and a diversification of the world's economic poles. At the same time, **development-related challenges** such as economic and financial crises, fragility and conflicts as well as climate-related natural disasters and migration, have increasingly developed a cross-border character. The international community has recognised that isolated measures cannot overcome these challenges. It has thus developed the **Agenda 2030 for Sustainable Development**, a reference framework intended to help tackle global challenges. SECO contributes to this effort alongside other actors. SECO primarily focuses on the **promotion of economic development**, taking into account the Swiss Federal Constitution, legislation on international development and transition cooperation, and the Swiss foreign economic strategy.*

### Achievements and future challenges of development cooperation

In recent decades, **globalisation** and **technological progress** have significantly contributed to global economic growth and have led to a convergence between developing and advanced countries. The average annual growth of 3 % since 1995 has **improved the living conditions of many individuals**: around one billion people in developing and emerging countries have escaped extreme poverty. Development cooperation has contributed to this positive outcome.

The expansionary monetary and fiscal policy following the **financial and economic crisis in 2008** prevented the global economy from descending into a long, deep recession and consolidated the progress made in the fight against poverty on the global level. However, the crisis and the partially moderate economic growth led many developing and emerging countries to face a massively increased **debt burden**. Some of these countries are also vulnerable to **volatile commodity prices** and other economic shocks. With the gradual normalisation of monetary policy, there is increasing concern about the resilience of economic growth in developing and emerging countries and the **sustainability** of economic and social progress.

In addition, many countries are not adequately prepared for the **structural change** of the Fourth Industrial Revolution. In light of the challenges and uncertainty that this structural change is causing among the population, a regression into **protectionism** and isolationism can be observed. The opportunities related to **digitalisation** are not optimally used to set the course for sustainable growth with future-oriented strategies. Increasing protectionism and the escalation in measures and countermeasures between large trading powers harm international trade and increase the **risks for economic development**.

Globalisation has increased economic and social inequalities in many countries. The actual design and **implementation of economic policy** was critical to this development. The liberalisation of trade and financial markets represents a constant source of change, the consequences of which must be sustainable for current and future generations. Reliable economic framework conditions, a dynamic business environment and an education system that meets the needs of the labour market give people and companies the prerequisites needed to thrive and participate in globalisation. In many countries, however, these prerequisites barely exist due to **weaknesses in governance**. The increase in inequality aggravates social **polarisation**, impedes compromise-based political decision-making, heightens the risk of **conflicts** and endangers future economic development. In such situations, people tend to seek increased safety and improved living conditions through **migration**.

The growing frequency and intensity of natural disasters resulting from **climate change** present additional challenges for people and national economies, and encourage migration from rural areas to cities and from south to north. Against the background of continuous **population growth** and **demographic changes**, **urbanisation** offers opportunities to promote better living conditions. In order to do so, urban development must be sustainable, and the finances required for the provision of public goods and services must be covered.

These **global challenges** and the rapid economic development of several emerging countries are also a cause for concern in western societies. National interests become increasingly important, whereas the fundamental principles of common global responsibility, international **solidarity** and **multilateralism** are being challenged. The debates over development policies in many member countries of the Organisation for Economic Co-operation and Development (OECD) reflects this trend. Domestic political priorities are pitted against international development cooperation. Furthermore, development

cooperation is increasingly being linked to **national political and economic interests** alongside its core mandate of poverty reduction.

Switzerland is no exception to this trend. Swiss economic development cooperation strives to meet political and societal expectations, and to expand its activities in areas such as migration, cooperation with the private sector and climate financing. At the same time, Swiss economic development cooperation must respect its **constitutional mandate**, which consists of strengthening solidarity and its openness to the world coupled with alleviating need and poverty. The pursuit of national interests and the assumption of global responsibility are not mutually exclusive. Win-win solutions are possible as long as priorities are clearly defined and **political coherence** is respected.

### SECO's economic development cooperation

SECO's economic development cooperation focuses its activities on the promotion of reliable **economic framework conditions** and innovative **private-sector initiatives**, facilitating access to markets and opportunities for people and companies and creating **decent income opportunities**. In the long run, SECO contributes to **economic growth and sustainable prosperity** in its partner countries. It adopts a long-term approach that considers climatic aspects and offers people local perspectives. Such an approach further reduces the causes of irregular and forced **migration**.

Focusing on its **core competencies in economic and trade policy** enables SECO to support its partner countries in the implementation of structural changes, in the development of the private sector and in their integration into the global economy. It thereby considers the opportunities offered by technological progress and digitalisation. In doing so, SECO not only contributes to poverty reduction and global development challenges, it also supports the global orientation of the Swiss foreign economic policy, for example, by supporting free-trade agreements with partners such as Indonesia. This in turn opens up new business sectors and investment opportunities for the Swiss private sector. On a multilateral and regional level, SECO is committed to support the economic interests of Switzerland.

Independent evaluations confirm the **relevance, effectiveness and sustainability** of SECO's activities. In order to continue to ensure the effectiveness of its activities, SECO will remain **geographically focused** in the future. At the same time, maintaining some **flexibility** will be key to meet the needs of partner countries and systematically pursue the **objectives of Switzerland's foreign economic policy**.

In today's multipolar world, **collaborative partnerships** are fundamental to overcoming global challenges. A coordinated process and a division of labour based on the core competencies of respective partners are required in order to guarantee the efficiency and effectiveness of collective action. SECO thus strives to expand its partnerships with other development actors while focusing on its core competencies and deepening existing complementarities. The **Agenda 2030 for Sustainable Development** is an important reference framework in this regard.

SECO's activities are **strategically aligned** and **operationally complementary** to the activities of the Swiss Agency for Development and Cooperation (SDC), the Human Security Division (HSD) (cf. Figure 1) and other federal administration agencies, such as the Swiss Federal Office for the Environment (FOEN) and the State Secretariat for Migration (SEM). The goal of this strategic coordination and operational complementarity is to ensure maximum effectiveness and an efficient use of resources.

Figure 1: Synergies of the Swiss international development cooperation



**Multilateral cooperation** is of major strategic importance. SECO's bilateral and multilateral activities complement each other. International organisations, such as the multilateral development banks, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Industrial Development Organization (UNIDO), for which SECO has the institutional lead within the Swiss administration, have access to expertise, financial and technical resources, and considerable political influence.

Thanks to its partnerships with international organisations, SECO's activities have a greater **scope and scale**. The Federal Department of Economic Affairs, Education and Research (EAER) elects governors to the governing board of the multilateral development banks. In the governing boards, Switzerland encourages the development banks to replicate and scale up promising development solutions in order to provide developing countries with access to technical expertise and affordable long-term financing for sustainable infrastructure projects as well as basic services that contribute to the reduction of poverty and inequality. The activities comply with all relevant environmental and social standards and best practice. For instance, in countries such as Bangladesh, Lebanon, Jordan or Colombia, which are experiencing large flows of refugees from neighbouring countries, development banks are currently making an essential contribution towards ensuring the provision of basic local services, as well as in the training and employment of both refugees and the local population.

## Mandate

SECO's activities are based on the Articles 2 (Purpose), 54 (Foreign Affairs) and 101 (Foreign Economic Policy) of the Swiss Federal Constitution, on the Federal Act for International Development Cooperation and Humanitarian Aid from 19 March 1976, on the Federal Act for Cooperation with Eastern European States from 30 September 2016, and on the Swiss Foreign Economic Policy (2004).

Within the Swiss international development cooperation, SECO is the leading agency responsible for **economic development cooperation**. It promotes performance, competitiveness and resilience of its partner countries while creating employment and income perspectives for local populations. At the same time, SECO supports the **global orientation of the Swiss foreign economic policy** and opens up new business and investment opportunities for the Swiss private sector.

SECO is committed to a **coherent economic development** that takes into account the complexity and the interaction of different policies. It considers the following **seven principles** when implementing its mandate:

1. Focus on impact and results
2. Focus on the economic and trade policy needs of partner countries
3. Building on SECO's and EAER's core competencies
4. Complementarity to partners
5. Consideration of Swiss interests
6. Policy coherence
7. Commitment to a strong multilateralism

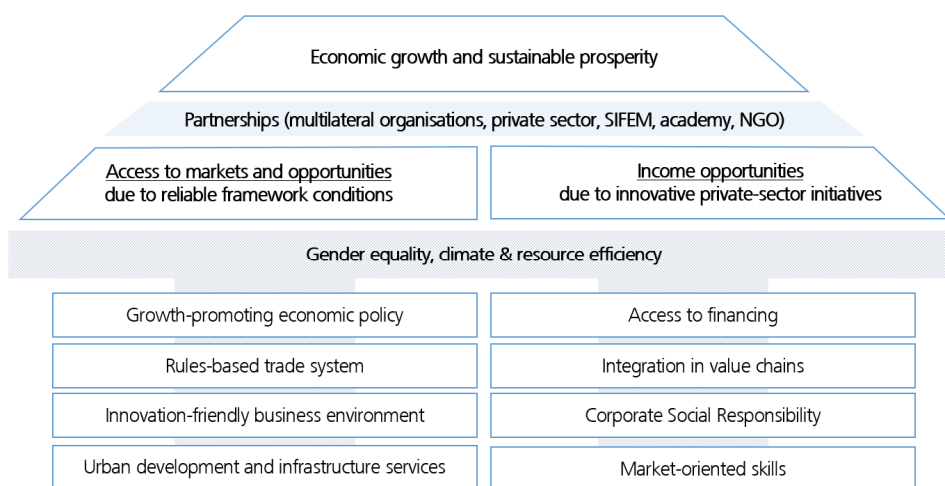
## Strategic orientation

SECO concentrates its activities on supporting **economic growth** and **sustainable prosperity** in order to contribute towards overcoming poverty, inequality and global challenges. In doing so, it aims at **two target outcomes** (cf. Figure 2):

- **Promote reliable economic framework conditions** for equal access to markets and opportunities for people and companies.
- **Support innovative private-sector initiatives** to create decent income opportunities.

SECO intervenes at different levels to achieve its target outcomes.

Figure 2: Strategic orientation of SECO



### Promoting reliable economic framework conditions

Public institutions and sound framework conditions are two major components for economic growth and sustainable prosperity. Non-discriminatory arrangements and efficient management of public institutions create predictable incentive structures, reduce uncertainty and strengthen the trust of citizens and entrepreneurs towards these entities. As a result, individuals, companies and markets flourish and national economies become more resilient. SECO's efforts to promote reliable economic framework conditions follow **four business lines**:

**Growth-promoting economic policy:** Reliable macroeconomic framework conditions are indispensable for private-sector initiatives to thrive and to mobilise private investments. **Fiscal, financial and monetary policies**, which promote long-term economic growth, are key elements in this context.

The quality of **public financial management** largely determines a government's scope of action in shaping its business environment, the financing and provision of basic public services, and the fight against poverty and social inequality. The mobilisation and responsible use of tax revenue is essential for the financing of public services. In its partner countries, SECO supports ministries of finance and other relevant line ministries in improving public revenue and expenditure management as well as public procurement in order to provide public services efficiently and effectively.

National debt is increasing in many developing and emerging countries, while infrastructure and social expenditure requirements remain high. SECO plans to expand its activities in the field of **fiscal and debt management** while paying particular attention to climate risks. For example, SECO will promote insurance and financing solutions to mitigate climate risks and reduce climate-damaging public expenditure.

The strengthening and modernisation of **local finance administrations** is moving further into focus. This measure should enable cities in particular to carefully plan infrastructure projects and to improve urban mobility, the reliability of their energy supply and their resilience towards natural disasters. Financial relations between national and subnational authorities should be designed in such a way that local administrations benefit from stable and reliable financial framework conditions. SECO supports local reform strategies, including through subnational budget support.

**Digitalisation** offers opportunities to further increase effectiveness and efficiency of administrations, reduce red tape and prevent corruption. In collaboration with its multilateral partners, SECO identifies and supports initiatives to modernise tax administrations, public procurement and public services.

A stable, diversified and competitive **financial and capital market** providing the necessary resources for entrepreneurial initiatives is critical for the development of a national economy. The increasing interdependence of global financial markets requires appropriate supervision and regulation to identify risks early on and prevent potentially undesirable developments. Together with the Swiss National Bank (SNB), the State Secretariat for International Finance (SIF) and multilateral partners, SECO supports governments in strengthening their central banks and supervisory authorities. Securing the integrity of financial markets protects consumers from hazardous financial products. In addition, it promotes

efficient financial transfers at a national and international level and contributes to the resilience of the international financial system.

SECO will continue to support its partner countries in developing **local capital markets**. These markets enable local financing of infrastructure projects and offer small and medium-sized enterprises (SMEs) access to loans in their local currency. Experience has shown that local capital markets encourage the development of innovative financial instruments, for example in the climate sector, while mitigating the risk of excessive debt.

**Rules-based trade system:** In a global economy, **trade** is key for the growth and competitiveness of national economies and companies. The global economy is highly integrated and interdependent. Over 50 % of goods cross borders several times as components. Favourable framework conditions are therefore crucial in harnessing the benefits of international trade.

Developing and emerging countries often do not have the institutional and technical expertise to fully take advantage of the potential of trade agreements and global trade. They need support in **strengthening their trade-related institutions**, in implementing the rules of the World Trade Organization (WTO), international **working standards** and the **competition policy**, as well as in the creation of framework conditions designed to protect **intellectual property**.

SECO aims to facilitate the trade relations of its partner countries by supporting the development of modern **trade systems**. In doing so, it encourages the use of new technologies such as e-commerce. SECO also supports countries in the development of local **quality infrastructure**, for example to ensure that they implement WTO standards faster and more effectively. These standards apply to, among other things, quality control, control and metrology authorities, and customs. SECO's activities increase the competitiveness of companies and, at the same time, support Switzerland's trade policy.

SECO also supports its partner countries in effectively representing their interests during negotiations of trade agreements. Together with local and international universities, SECO promotes training programmes on **international trade law and trade policies** for the relevant authorities and the private sector. It also provides tailored advice on the implementation of WTO and trade policies.

With respect to policy coherence, SECO strives to ensure that trade agreements take into account and appropriately implement **sustainability aspects**. These include, among other things, compliance with and implementation of **multilateral environmental agreements** and **core labour standards**. For example, SECO supports the development and implementation of carbon pricing mechanisms, which create incentives to switch to low-emission production processes. It thus demonstrates that international trade can promote development and lead to poverty reduction, applying environmental protection, labour regulation and biodiversity as integral components of a future-oriented trade policy.

**Innovative business environment:** An **innovation-friendly business environment** has a crucial influence on the competitiveness, productivity and growth of companies. Economic globalisation and the increasing interdependence of global markets require efficient and effective framework conditions to ensure equal access to opportunities for all market participants at the national and international level.

SECO primarily supports its partner countries in designing the legal framework to **establish, manage** and, if need be, **liquidate a company** in a transparent and efficient manner. This is particularly beneficial for SMEs. A reliable and predictable legal framework reduces the cost of doing business and uncertainty for companies and investors, which in turn lays the ground for sustainable economic growth. A systematic implementation of the legal framework, particularly in poverty-relevant sectors, is at the centre of SECO's approach.

Regulatory reforms in the business environment promote **equal opportunities** for men and women. Women face a higher risk of being disadvantaged within their line of business. SECO thus supports its partner countries in drafting gender-neutral legislation and regulations, and in removing potential gender-specific hurdles in the business environment. Targeted incentives for female entrepreneurs and employers may be introduced, because discrimination against women is often due to improper implementation of the legislation, rather than due to a lack of it. SECO promotes the development and piloting of innovative approaches as well as the scaling up of the most promising models.

**Digitalisation** offers various opportunities to simplify the interaction between the public and private sector. SECO supports the provision of digital public services, such as the application procedure for business licences or tax registration. Companies can thus save time and resources while there are less

opportunities for corruption. This in turn spurs efficient business practices, continuous productivity growth and stronger governance.

An improvement in the business environment indirectly contributes to a **reduction in migratory pressure**. Transparent and lean procedures reduce the tendency of manufacturers and investors to leave their country. Predictability in investment planning strengthens the attractiveness of a country. It also attracts long-term investments and lays the foundation for the creation of jobs.

**Integrated urban development and infrastructure services:** In the coming decades, population growth will primarily take place in cities. Cities will also become increasingly important centres of growth and innovation. Well-organised and well-connected urban settlements foster economic activity and improve access to basic services and education. The potential for reducing poverty is thus particularly high in cities, including among rural migrants. Cities also demonstrate great potential for reducing greenhouse gases, for example, by increasing the share of public transport. **Integrated urban planning and well-functioning urban management** act as fundamental levers for the promotion of sustainable development.

SECO focuses on improving the **resilience** of cities towards natural disasters and promoting sustainable urban **mobility** and efficient **energy supply** for climate-friendly economic growth. The Swiss-inspired label *European Energy Award* plays an important role in this context. SECO leads the dialogue with local and national authorities, as well as various interest groups, and supports them in drafting cross-sector strategies for the development of their cities. These interactions foster thoughtful selection and planning of infrastructure projects and financing solutions, as well as the amendment of legal and regulatory frameworks.

A reliable and efficient **supply of public goods and services** is an important factor in the choice of location when it comes to global competition. It plays a significant role in the economic development of a country and is an important prerequisite for the participation of disadvantaged population groups, among others women, in economic growth. The type and design of public infrastructure services, for example **energy supplies from renewable sources**, also has a significant influence on climate change.

In many developing and emerging countries, the lack of basic public services is primarily due to a weak **management of public utilities** and a lack of financing solutions. SECO provides advisory support to its partner countries in the development and implementation of regulatory framework conditions. This support helps partner countries set tariffs or elaborate subsidy policies, and improve the management of public utilities. In addition, SECO promotes **skills development in public utilities** to ensure the availability of qualified personnel. This softens the impact of staff turnover and increases the reliability of services. SECO supports national and local authorities in drafting and implementing **viable financing solutions**, which include the use of local financing funds and the local capital market.

### **Promoting innovative private-sector initiatives**

*The private sector creates 90 % of all jobs worldwide and thus plays a decisive role in the fight against poverty. Dynamic and innovative companies can be found all around the world. They promote the competition of ideas, goods and services related to sustainable development, trigger economic growth and create jobs. However, in developing and emerging countries, new companies often fail due to a lack of access to specific expertise, capital, qualified employees or basic services. To overcome these obstacles, SECO promotes innovative private-sector initiatives and the mobilisation of private resources. In this regard, the Swiss Investment Fund for Emerging Markets (SIFEM), which SECO created in 2011, is a central instrument that will increasingly feature in the activities of the economic development cooperation. When using blended finance – a combination of public and private funds – SECO will continue to respect the fundamental principles of additionality, subsidiarity and non-distortion of markets. SECO's measures for the promotion of innovative private-sector initiatives follow **four business lines**:*

**Access to finance:** Companies depend on reliable financing partners which provide capital on commercially acceptable terms and conditions. Despite their growth potential, SMEs often have only limited access to finance. SECO enables SMEs to **access capital** by providing local banks with expertise and training in debt financing. As a result, SMEs have more opportunities to invest, enter new markets, grow and create jobs.

**Fintech** offers new opportunities to facilitate access to financial services for individuals and companies. SECO supports the development and use of **innovative financial technologies**, such as mobile payment services, in order to provide access to financial services also for poorer sections of the population.

Female entrepreneurs often face specific obstacles, for example because they fail to provide collateral or are confronted with legal and cultural barriers that prevent access to land ownership. Together with other agencies, SECO supports the development of financial services that are tailored to the specific **needs of female entrepreneurs**.

In cooperation with private actors, such as Swiss Sustainable Finance (SSF), SECO is committed to the development of **innovative finance solutions** that take appropriate account of environmental, climate and social risks in corporate lending and investment decisions. These solutions include green bonds and green credit lines, both facilitating companies' access to funding and opening up new investment opportunities to banks. SECO will also expand its involvement in the impact investment area.

**Infrastructure financing** is another important area of engagement. In developing and emerging countries, the public sector is often unable to finance sustainable and climate-resilient infrastructure projects on its own. The mobilisation of private capital through partnerships with organisations such as the Private Infrastructure Development Group (PIDG) plays a central role in this regard.

Together with other public and private investors, the Swiss Investment Fund for Emerging Markets (**SIFEM**) provides long-term commercial financing (equity or debt) as well as expertise to SMEs and rapidly growing companies. SIFEM thus not only promotes the growth of these companies, it also generates a sustainable economic and social impact by creating jobs and income opportunities. In the long run, SIFEM stimulates demand for business environment reforms. SIFEM examines new approaches and instruments to increase its engagement in the poorest countries and in the area of climate protection, including through a capital increase or the provision of concessional finance to mitigate the higher market and sector risks.

**Integration in value chains:** The complexity of global value chains has been increasing for several years. In the context of **digitalisation** and **automation**, innovations leading to gains in productivity have become important competitive advantages. In addition to improving framework conditions for investments and trade, SECO is focusing its activities on ensuring the competitiveness and sustainability global value chains, in line with national and international regulations. In this effort, it works with different multilateral, regional and bilateral actors.

SECO promotes **specific value chains** that are particularly relevant for partner countries and to which Switzerland can make a contribution based on its expertise and its relevance in international trade. Tourism, agricultural commodities such as cocoa, and coffee and mineral commodities are some examples. Based on the recommendations of the Commodities Report of the Federal Council, SECO will continue its commitment to create transparent and sustainable value chains for gold from artisanal and small-scale mining, by using the Better Gold Initiative.

SECO promotes **voluntary sustainability standards**, which have become an important economic factor in the agricultural, textiles and commodity trading industries. Such systems are based on a multi-stakeholder approach. They strengthen trust and commitment among producers, retailers, importers and non-governmental organisations. The application of standards enables companies as well as producers to control their operational processes and international value and supply chains in a more efficient way, and to improve their productivity and access to markets. In addition, it minimises social and environmental risks, such as child labour, the improper use of chemical substances and illegal deforestation. In the future, SECO will increasingly apply a **landscape approach**, which evaluates the sustainability of a territory based on a global assessment instead of focusing on individual production units. While such an approach is relatively complex, it offers the opportunity to consider all relevant interest groups within a region and thus to have a systemic impact.

Improving **access to the Swiss and European markets** is the logical next step to efforts aimed at promoting the sustainability of export commodities. Through the Swiss Import Promotion Programme (SIPPO), SECO strengthens the expertise of export promotion agencies and industry associations in selected partner countries so that they can advise companies regarding customs procedures, quality norms and product certification.

**Corporate social responsibility:** Companies have a significant impact on the performance of national economies. They create **jobs**, pay wages and taxes, and thus make an important contribution to prosperity. In developing and emerging countries, private investments by far exceed official development aid. Due to its influence, the private sector has significant responsibilities. SECO thus supports the development of a responsible and competitive entrepreneurship.



SECO specifically promotes business models that favour sustainable development. **Good corporate governance**, by way of independent strategic, operational and oversight responsibilities, is a fundamental prerequisite for a sustainable company success. SECO also encourages business practices, which not only generate shareholder value but are responsible towards employees, society and the environment. In particular, SECO promotes the respect of core labour standards and human rights in order to minimise the negative impact of entrepreneurial activities.

In its partner countries, SECO helps to expand local support services to create a local entrepreneurship ecosystem by working with incubators, investors, mentors, the media and the diaspora. On the African continent, for example, SECO in collaboration with the African Development Bank supports start-up companies by giving them access to funding, expertise in business development and professional networks.

**Market-oriented skills:** Innovative and competitive companies rely on well-trained professionals. In the digital era, the availability and upskilling of qualified workers is an absolute necessity due to the increasing knowledge-intensity of economic processes. The quality of universities and research institutes is also key to unlock the innovative potential and promote the competitiveness of companies.

SECO plays an active role in **training and upskilling the labour force**. It focuses on higher education and promotes dialogue between the authorities and the private sector, so that the training programmes meet the needs of the labour market and take advantage of the opportunities offered by the digital transformation. To this end, SECO relies on the dual system of vocational education implemented in Switzerland, which enjoys an excellent reputation in other countries. In Indonesia, SECO assists the authorities in bolstering several universities of applied sciences. In the tourism sector, badly needed internships are offered for students and trainees in collaboration with the local hotel industry. In this context, Swiss expertise provides considerable added value. In South Africa, digital training modules and temporary work placements help unemployed professionals to enter the labour market. The chances of finding a permanent position have tripled after participating in this programme.

In its partner countries, SECO is committed to ensuring compliance with **international labour and social standards**. In cooperation with the International Labour Organization (ILO), SECO offers training courses and business consultancy services related to cooperation at work, quality management, occupational safety, cooperative employee management and environment-friendly production methods. It thus reinforces the effective application of international labor standards, improves the working and living conditions of workers, and contributes to the productivity and competitiveness of companies.

### **Transversal themes**

**Gender equality** as well as **climate and the efficient use of resources** are important prerequisites for sustainable economic growth and for ensuring sustainable prosperity. SECO systematically considers these aspects in its activities.

**Gender equality:** Gender equality is key to reducing poverty and is an important driver for sustainable development. Gender equality is also part of a smart economic policy. It increases the **productivity and competitiveness** of individuals, companies and national economies. For example, textile companies that improved working conditions for female employees within the framework of the Better Work programme, supported by SECO, the ILO and the International Finance Corporation (IFC), have seen their productivity and competitiveness increase significantly in export markets. SECO continuously strives to remove discrimination. It promotes better access to training, jobs, markets and public services for women. In addition, SECO systematically takes into account gender dimensions, such as social standards, statutory requirements and gender-specific risks, when developing projects and programmes.

**Climate and resource efficiency:** Climate change has serious consequences for individuals and the environment. Ever-increasing emissions of greenhouse gases are causing extreme weather events and changes in the natural environment, resulting in high costs for both the national economy and society. This increase in emissions is generally due to a lack of framework conditions and incentives for **climate-friendly trade**, high energy and resource requirements from national economies, a lack of investment, and uncontrolled growth in urban economic and settlement areas. Climate change particularly affects the poorest sections of the world's population. .

To reduce global emissions of greenhouse gases and to support its partner countries in adapting to climate change, SECO systematically takes into account **climate risks**, as well as **reduction and**

**adaptation measures** in the design and monitoring of its activities. The main goal is to establish an integrated urban development and develop resource-efficient production processes as well as sustainable value chains and financing solutions.

To help achieve the goals of the **Paris Climate Agreement**, SECO is increasingly **mobilising the private sector** to make climate-friendly investments in developing countries. To do so, it collaborates with associations, private investors, asset managers, insurance companies and other parties from the Swiss financial community for climate finance. SECO will also expand its role in impact investing using existing dialogue platforms such as SSF or the Swiss Association for Responsible Investment.

SECO also participates in the development of **international policy**. By engaging in climate negotiations under the UN Framework Convention on Climate Change and by cooperating with important global climate funds, SECO is able to influence the global climate agenda. In addition, it actively cooperates in the elaboration of climate strategies and in the funding of climate programmes in multilateral banks.

## Geographic focus

SECO's economic development cooperation acts where it can address **needs** and challenges and provide the greatest **added value**. SECO selects partner countries based on its **thematic areas of expertise**. The selection of countries takes into account Switzerland's **foreign economic and political interests**. SECO coordinates with other Swiss international cooperation agencies, specifically the SDC, to strengthen the coherence of measures and to exploit synergies and complementarities.

### Criteria for country selection

SECO's **bilateral development approach** concentrates on a selected number of priority countries. These are primarily located within the priority regions of the Federal Department of Foreign Affairs (FDFA), including North Africa and the Middle East, Sub-Saharan Africa, Asia and non-EU member states in Eastern Europe. In addition, SECO is also engaged in a selected number of countries in Latin America and South-East Asia.

SECO revised the criteria used for the selection of its partner countries for the Strategy on International Cooperation 2021–2024. The decision to retain a country or to include a new one is subject to a **comprehensive assessment** based on the following criteria:

- **Needs of partner country** and **interest in thematic areas of expertise** of SECO
- Qualification of a country for international development cooperation as per **OECD guidelines**
- Compliance with **minimum governance standards** (economic governance, legislative framework) as well as commitment and ability of partner government to implement reforms
- Compatibility with Switzerland's **foreign economic interests** (Foreign Economic Strategy)
- Compatibility with Swiss **foreign political interests** (diplomatic relations, migration, constituencies)

Withdrawal from a partner country will be considered if the above-mentioned criteria are no longer met, if diplomatic relations are interrupted or in the event of a conflict, that no longer allows cooperation. Since withdrawal is a complex process, especially regarding inter-state relations, it should be conscientiously prepared and communicated. In order to ensure a sustainable continuation of established projects, the withdrawal period usually runs for four to six years.

### Priority countries

The current priority countries play a **key role in the economic development** and **political stability of their region** and are important for Switzerland with regard to foreign economic policy and foreign policy. The priority countries meet the above-mentioned criteria, and SECO's involvement remains relevant and effective. The development of cooperative relationships and a solid operational portfolio require time and a certain level of continuity. The number of priority countries was optimised in 2009 (South) and 2013 (East). For the upcoming global credit period 2021–2024, the priority countries are as follows:

<u>South:</u>	Egypt	Indonesia	<u>East:</u>	Albania	Tajikistan
	Tunisia	Vietnam		Serbia	Kyrgyzstan
	Ghana	Colombia		Ukraine	
	South Africa	Peru			

Potential **withdrawals** from individual priority countries are examined using the selection criteria. SECO plans and implements its activities in priority countries based on so called country programmes. These programmes run in parallel to the respective global credit period and are implemented in collaboration with the departments responsible for Swiss international cooperation within Swiss Embassies and local cooperation offices as well as other federal agencies.

### **Complementary measures**

In addition to its involvement in the priority countries, SECO also implements selective complementary measures. It mobilises its thematic areas of expertise **based on demand and as a complement** to other activities from other federal agencies, specifically the SDC. Complementary measures apply in countries that are not defined as SECO's priority countries and fulfil the following criteria:

- the selection criteria mentioned above are met,
- contribution to SECO's objectives,
- the financial, personnel and logistical resources needed to monitor and implement SECO activities are available, locally and at headquarters.

### **Global measures**

SECO's bilateral measures are enhanced by measures addressing **global challenges** such as Finance and Trade, Migration, Climate Change and Environment, and Water. These **global measures** enable SECO to influence and shape the **international development debate**, set priorities with regard to the sustainability goals of the Agenda 2030, and maximize the leverage of its funding. Global measures are usually supported by several donor states and are implemented by international organisations, such as multilateral development banks.