

Evaluation Report

Independent evaluation of the climate approach of SECO's economic cooperation division since 2017

July 2023



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Independent evaluation of the climate approach of SECO's economic cooperation division since 2017

**Commissioned by the Economic Cooperation Division of the State
Secretariat for Economic Affairs of Switzerland (SECO)**

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Abbreviations and acronyms

CC	Climate Change
CCIA	Climate Change Impact Assessment
CHF	Swiss Franc (Currency)
CO ₂	Carbon Dioxide
COP	Conference of the Parties
CSP	Cities Support Program South Africa
DAC	Development Assistance Committee
DFI	Development Finance Institution
DK	Denmark
DRFI	Disaster Risk Financing Initiative
EBRD	European Bank for Reconstruction and Development
EMPA	Swiss Federal Laboratories for Materials Science and Technology
EQ	Evaluation Question
ESG	Environmental, Social, and Governance
EUR	Euro (Currency)
FMO	Dutch Development Bank)
FOEN	Federal Office for the Environment (Switzerland)
GCF	Green Climate Fund
GCP	Global Climate Partnership
GEF	Global Environment Facility
GEIPP	Global Energy Efficiency and Renewable Energy Fund (Partnership)
GHG	Greenhouse Gas
GNP	Gross National Product
GPSCP	Ghana Private Sector Competitiveness Programme
HQ	Headquarters
IDH	Sustainable Trade Initiative (formerly known as the Initiative for Sustainable Trade)
IDSUN	The Sustainable Urbanisation Programme Indonesia
IFC	International Finance Corporation
IFI	International Financial Institution
IFU	Investment Fund for Developing Countries
ITF	Innovation and Technology Fund
IUD	Integrated Urban Development
IUWASH	Indonesian Urban Water, Sanitation, and Hygiene Programme
KFW	Kreditanstalt für Wiederaufbau (German Development Bank)
LTS	Long-Term Strategy
MDB	Multilateral Development Bank
MDTF	Multi-Donor Trust Fund
METEO	Meteorology
MSDI	Market System Development Initiative
NAP	National Adaptation Plan
NCCS	National Climate Change Strategy
NDC	Nationally Determined Contribution
NGO	Non-Governmental Organization
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OT4D	The Organic Trade for Development Project
PEFA	Climate Responsive Public Financial Management Framework
PFM	Public Financial Management
PIDG	Private Infrastructure Development Group
PLAFICO	Platform on Funding International Cooperation on Environmental Issues
PMR	Partnerships for market readiness and Partnership for market implementation
PV	Photovoltaic
RE	Renewable Energy
RESD	The Renewable Energy Skills Development Programme
RM	Rio Marker
SAP	Sustainable Agriculture Program

SCO	Swiss Cooperation Office
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goals
SECO	State Secretariat for Economic Affairs (Switzerland)
SECO WE	SECO's Economic Development Cooperation (Wirtschaftliche Zusammenarbeit und Entwicklung)
SFF	Sustainable Long-Term Finance Facility
SIFEM	Swiss Investment Fund for Emerging Markets
SIFI	Swiss Investment Finance Initiative/SDG Impact Finance Initiative
SLPI	The Sustainable Landscape Programme Indonesia

List of sampled projects

Country/Thematic study	Code	Name	Common name used in report
Albania	UR_01090-03	Disaster Risk Financing and Insurance (DRFI)	DRFI
	UR_00723-02	Entrepreneurship Program	Entrepreneurship Program
	UR_01075-04 UR_01178-10.01	Organic Trade for Development	Organic Trade for Development
	UR_01273-01	Renewable energy auctions Programme	Renewable energy auctions
	UR_00648-01	Solid Waste Management in Albania	Solid Waste Management, Albania
Ghana	UR_01042-02	Ghana Private Sector Competitiveness Programme II	GPSCP II
	UR_01230-01	Ghana Solar-Photovoltaic based Net-Metering	Solar PV Net-Metering
	UR_00535-02	Sustainable Recycling Industry II	SRI
	UR_01047-01	Swiss Platform for sustainable cocoa	SWISSCO
	UR_01244-02	Promoting sustainable investment through integrated ESG standards	ESG
	UR_01281-01	CAPE/ Climate change mainstreaming in Governance Programme	Green PFM
Indonesia	UR_01248-01/088	Renewable Energy Skills Development	RESD
	UR_00939-02	Design for Greater Efficiency	DfGE
	UR_01070-01	Sustainable Tourism Development in Indonesia	STDI
	UR_00803-01	Sustainable Urbanisation in Indonesia	IDSUN
	UR_01275-01	Sustainable Landscape Programme Indonesia	SLPI
	UR_01247-01	Indonesia Urban Water, Sanitation and Hygiene	IUWASH PLUS
Multistakeholder platforms	UR_00847-02	Green commodities programme Phase I and II	Green commodities programme
	UR-01047-01	Swiss Platform for sustainable cocoa	SWISSCO
	UR_01231-01	Global Eco-Industrial Parks Programme	Industrial parks
	UR_00534-01 and 02	Partnerships for market readiness and Partnership for market implementation	PMR
Urban planning and mobility	UR_00787-01 and 02	Integrated urban development in Tunisia Phase I and II	IUDT
	UR_00950-01 and 2	Cities Support Programme South Africa	CSP
	UR_00803-01	Sustainable Urbanisation in Indonesia	IDSUN
Greening the financial sector	UR_01244-01- and 02	Promoting sustainable investment through integrated ESG standards	ESG
	UR_00917-01 and - 02	Sustainable Long-Term Finance Facility	SFF
	UR_00943-01 UR-1282.01.01	SECO 17 and SDG Impact Finance Initiative	SECO17 and SIFI
PFM	UR_01281-01	CAPE / Mainstreaming climate change in Governance Programme	Green PFM
	UR_00841-01	Subnational PFM in Albania	Subnational PFM/Albania
	UR_00439-03	PFM Multi Donor Trust Fund	PFM MDTF Indonesia
Extractive industries	UR_00877	Responsible Mining Index	RMI

Lexicon: Climate terminology ¹

Climate change adaptation	An intervention that intends to reduce the vulnerability of human and natural systems to the current and expected impacts of climate change, including climate variability, by maintaining or increasing resilience, through increased ability to adapt to, or absorb, climate change stresses, shocks and variability and/or by helping to them																																																												
Climate change mitigation	An intervention that contributes to the objective of GHG concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system by promoting efforts to reduce or limit GHG emissions or to enhance GHG sequestration																																																												
Climate intensity of funding	The higher a share of funding for a country or a theme – the higher climate intensity. Terminology for this evaluation only																																																												
Climate relevant	Interventions that address climate change issues – Rio marker 1 and 2 – and where the full funding is calculated. Terminology for this evaluation.																																																												
Climate weighed funding	<p>Climate funding calculated using the weights developed by SECO and reflecting the financing directly related to climate: The weights are as follows: Climate weighed funding is based on the SECO weights – numbers refer to Rio markers:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>CCA</th> <th>CCM</th> <th>sCCA</th> <th>sCCM</th> </tr> <tr> <th></th> <th></th> <th></th> <th>%</th> <th>%</th> </tr> <tr> <th></th> <th>Adaptation</th> <th>Mitigation</th> <th>Adaptation</th> <th>Mitigation</th> </tr> </thead> <tbody> <tr> <td></td> <td>0</td> <td>0</td> <td>0%</td> <td>0%</td> </tr> <tr> <td></td> <td>0</td> <td>1</td> <td>0%</td> <td>50%</td> </tr> <tr> <td></td> <td>0</td> <td>2</td> <td>0%</td> <td>85%</td> </tr> <tr> <td></td> <td>1</td> <td>0</td> <td>50%</td> <td>0%</td> </tr> <tr> <td></td> <td>1</td> <td>1</td> <td>25%</td> <td>25%</td> </tr> <tr> <td></td> <td>1</td> <td>2</td> <td>35%</td> <td>50%</td> </tr> <tr> <td></td> <td>2</td> <td>0</td> <td>85%</td> <td>0%</td> </tr> <tr> <td></td> <td>2</td> <td>1</td> <td>50%</td> <td>35%</td> </tr> <tr> <td></td> <td>2</td> <td>2</td> <td>50%</td> <td>50%</td> </tr> </tbody> </table> <p>For this evaluation only – as different donors apply different weights.</p>		CCA	CCM	sCCA	sCCM				%	%		Adaptation	Mitigation	Adaptation	Mitigation		0	0	0%	0%		0	1	0%	50%		0	2	0%	85%		1	0	50%	0%		1	1	25%	25%		1	2	35%	50%		2	0	85%	0%		2	1	50%	35%		2	2	50%	50%
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Rio marker 2 principal	An activity can be marked as Rio Marker 2 principal when the objective is explicit stated as fundamental for the design of or the motivation for the activity.																																																												
Rio marker 1 significant	An activity can be marked as Rio marker 1 significant when the objective is clearly stated but is not the fundamental driver or motivation for undertaking the activity																																																												
Rio marker 0	The score 0 means that the activity was examined but found not to target the objective of climate change																																																												
Paris Alignment	<p>The four main characteristics of Paris alignment for development Co-operation are as follows: It does not undermine the Paris Agreement (1.5 and not above 2.0 degrees) but rather contributes to the required transformation; It catalyzes countries' transitions to low-emissions, climate-resilient pathways; It supports the short- and long-term processes under the Paris Agreement; It proactively responds to evidence as well as to opportunities to address needs in developing countries²</p>																																																												

¹ Most definitions based on OECD DAC Rio Markers for Climate Handbook. The few definitions only relevant for this evaluation are marked as such in the text.

² What does Paris Alignment mean for development cooperation, OECD DAC

Executive summary

Overall conclusion - SECOs approach to climate change proved highly relevant and contributed positively to addressing climate change. The strategic focus on mainstreaming climate into SECOs work related to strengthening framework conditions for private sector led economic growth and jobs creation was highly relevant and supported the increasing attention in the global community to greening economies. Climate commitments and disbursements increased over the period under evaluation 2017-2022 as climate was increasingly mainstreamed into SECO activities, and there is evidence of good results and in some cases promising signs of transformative impact. At the same time there is room for improvement. Despite the on-going work, climate remained an add-on to SECO activities and peripheral to strategic choices and allocation of funding. SECO depended on partners to integrate climate into project activities as internal capacity related to climate remained an issue. Also, the strategic objective of mobilization of private capital for climate investments was not fully achieved in line with expectations raised in Switzerland's International Cooperation Strategy 2021-2024. The evaluation provides recommendations to further integrate climate and economic development considerations for sustainable development through stronger attention to alignment with the Paris Agreement and better understanding of risks and opportunities related to climate including at the country level, building climate capacity, and enhancing cooperation among Swiss actors for better climate impact.

The purpose – the evaluation sought to document results from SECO climate activities and provide learning and good practices for development of SECOs approach to climate. The evaluation was designed to feed into the development of a SECO climate strategy to be adopted in the autumn 2023, as well as into the up-coming Swiss international cooperation strategy 2025-2028.

What was evaluated – the scope of the evaluation was strategic and covered climate finance and climate related activities in the 2017-2022 period.

Method – the evaluation was strategic and centered around three evaluation questions covering the six dimensions of the DAC criteria: 1) the strategic relevance of SECOs approach to climate – mainstreaming of climate into SECO activities and mobilization of private capital for climate; 2) the extent to which SECO's ways of working supported the implementation of their climate approach; and 3) the results and likely impact achieved.

The evaluation employed a comprehensive approach by addressing all evaluation questions at four levels of enquiry to build a robust base of evidence and triangulation:

- **Strategic level:** Assessment of the portfolio, strategies, policies, and their relevance for achieving the objectives- supplemented by a comparison to peers including with regards to alignment with the Paris Agreement.
- **Institutional level:** Assessment of SECO guidelines, business model and operational practices, and tools.
- **Country and thematic level:** Based on a portfolio analysis, three country case and four thematic studies were selected to provide insight into SECO's support and contribution to climate action.
- **Project level:** Within each of the selected countries and themes, three to five projects were selected for deep dives into the design, results and impact.

Conclusions:

SECOs strategic focus on mainstreaming climate change in framework conditions and mobilising private capital for climate action was highly relevant in SECO priority countries and globally. Mainstreaming climate change into economic framework conditions was highly strategic as it supported greening of economies. The focus on private sector capital mobilization was equally relevant as it addressed one of the largest gaps in addressing climate – namely the massive amounts of investments needed to support economies adapt to climate change and funds needed for the transition to a green low-carbon economic growth pathway. SECO's approach was well suited for the middle-income countries where SECO operated. The approach recognized that meeting climate financing needs in these countries depended on climate friendly framework conditions for sustainable economic development combined with an increasing private sector engagement.

Climate commitments and disbursements grew over the period under evaluation as climate was increasingly mainstreamed into SECO activities. – but mobilization of private capital fell short of expectations. Despite the increase in SECO climate finance, the combined Swiss climate finance delivered by SECO, SDC, FOEN etc. fell short of the level indicated by international calculations of Switzerland's fair share of climate finance. SECO's ambition and work to develop instruments for mobilization of private capital for climate investments yielded modest results. This was linked to a limited use of blending instruments and an only recent mobilization of the Swiss Investment Fund for Emerging Markets (SIFEM) for climate action. The recent development of the Swiss SDG Finance Initiative into a public private partnership with the participation of SDC and Swiss bank foundations had the potential to increase mobilization, however there was insufficient attention to impact to reap the full benefit of this new cooperation.

There was evidence of significant results – and in some cases signs of transformative impact. These results and transformative impacts were evident in the financial sector, in the area of macroeconomic policy making, the private sector through support for Environmental, Social and Governance (ESG) standards, and in municipalities through policy changes related to planning and financing of urban development. Due to the recent incorporation of climate aspects into these areas, it will be some years before a full overview of results and impacts will become evident. At the same time there were important shortcomings in the otherwise strong project designs with regards to integration of climate. In contrast to good practice on mainstreaming, there was little up-stream analyses of climate risks and opportunities at country and project level. Project design and log-frames did not, in many instances, provide a clear line of sight between the activities funded and the expected climate impacts, which also hindered monitoring and capturing of results.

SECO's choice of partners was strategically relevant – SECO's partnering with the Multilateral Development Banks (MDBs) was an important addition to the ecosystem for climate finance and action. SECO's cooperation with the MDBs and in particular the World Bank Group, addressed another important gap in the global climate transition – namely framework conditions for scaling climate investments and development of bankable projects for financing of climate mitigation and adaptation. Similarly, SECO support for multistakeholder processes by reaching out to a broad base of stakeholders at political and operational levels as well as across different sectors and especially involving the private sector was instrumental in mainstreaming climate issues. An example of this is the SWISSCO project.

Despite the objective to systematically address climate risks and opportunities and the presence of a climate finance target, climate remained peripheral to the SECO strategy. The climate finance target helped to increase attention to climate including from SECO management. But the target proved quite easy to reach – with SECO systematically overshooting it. Climate remained an add-on, and overall, climate considerations remained secondary to SECO's strategic choices and allocation of funding between countries and themes as there was limited climate analyses and consideration of climate risks and opportunities in the planning of the portfolio.

The climate network and development of the mainstreaming guidelines increased awareness – but whilst this was a good start, it was insufficient for climate mainstreaming to fully take root across the organization. This also implied that climate capacity remained thin and SECO's ability to provide technically relevant climate inputs into the climate projects remained limited making SECO more of a climate enabler through its financial support rather than a climate leader.

There were good results but also missed opportunities to develop climate activities based on a better assessment of Swiss value-added and comparative advantages in specific areas. The evaluation found evidence of on-going cooperation with Swiss partners – incl. public sector (whole of government approach WOGA), research, and private actors, which added value in climate action. Particularly in the areas of financial sector development, energy and resource efficiency, sustainable infrastructure, and urban planning. These areas were promising for developing critical mass and boost Swiss visibility in the area of climate action. However, opportunities to enhance these effects were not systematically optimized.

The country approach of SECO was not strong enough to fully address climate issues and to support the ongoing shift from greening projects to greening economies. Climate risk and opportunities were location specific and policy solutions had to be designed with this in mind and in alignment with countries plans to reduce GHG emissions and strengthen resilience by integrating climate and economic considerations into development activities. A country approach is also an integral part of the Paris Agreement, as it is recognized that low-carbon development trajectories start with the countries' own

policies and plans. A stronger country focus would have allowed for better analyses and understanding of climate risks and identification of possible trade-offs and co-benefits.

Recommendations:

Based on the findings and conclusions the evaluation suggested the following six recommendations for SECO to further enhance its support for climate action:

- 1. Use the on-going strategy processes to clarify the objectives of SECO's climate strategy including the ambition level regarding climate finance.** Rationale: The current strategy processes – both Switzerland's International Cooperation Strategy 2025-2028 and the SECO climate strategy processes - should clarify objectives and the level of ambition with regards to climate, taking into consideration the increased demands for international climate finance, fair share of international climate finance as well as opportunities for co-benefits including in relation to expected SECO contributions to Ukraine and increased international demands for attention to biodiversity. SECO's climate strategy should also clarify the level of ambition with regards to private sector mobilization also in light of the available blended finance instruments and SECO's focus on framework conditions rather than supporting individual transactions.
- 2. Commit to align to the Paris Agreement and develop tools and procedures to support the implementation of this commitment.** Rationale: Paris alignment is a commitment to improvement over the *status quo* and keep temperature increases below 2°C, and to pursue efforts to limit the temperature increase to 1.5°C. SECO's existing tools and procedures related to climate, incl. the climate mainstreaming guidelines, constitute a good starting point for promoting alignment of its activities to the Paris Agreement as do experiences from other development partners.
- 3. Invest further in the climate capacity of SECO staff across the organisation to strengthen capacity for climate policy dialogue, project design, and impact.** Rationale: Strengthened climate capacity will be central for ensuring better results and SECO's future contribution to climate action going forward in order to 1) enhance project design and monitoring, 2) to support stronger policy influencing with partners, partner countries, and internationally, and 3) to ensure impact monitoring related to climate in private finance mobilisation.
- 4. Strengthen the understanding of climate risks and vulnerabilities in SECO priority countries as a basis for policy inputs and better alignment of projects to low-carbon climate resilient development pathways.** Rationale: More attention to climate risks and vulnerabilities as well as countries' own low-carbon climate resilient development strategies is needed to strengthen SECO's ability to address trade-offs and enhance co-benefits at country level. It should not lead to a scaling back of support for global programmes – rather it should lead to qualified input from SECO at global level based on country knowledge.
- 5. Strengthen the cooperation across government structures and government related entities for a stronger Swiss climate engagement - building on Swiss comparative advantages and value-added with a view to ensuring climate impact.** Rationale: There are good examples of SECO cooperation with other ministries, universities, research institutions, and cooperation with private sector entities, civil society organisations and others in various areas. There is an opportunity to critically review all this to seek out a limited number of areas where there are Swiss/SECO value-addition to enhance climate impact by applying Swiss knowledge and technologies.
- 6. Strengthen project design to ensure climate impact and learning.** Rationale: The evaluation concluded that SECO in general had strong project design, but that there was room for improvement with regards to integration of climate into project design. A root cause is related to limited up-stream analyses of climate risks and opportunities and unclear guidance on climate mainstreaming

1 Introduction

PEM conducted the Independent Evaluation of the Climate Approach of the State Secretariat for Economic Affairs (SECO)'s economic cooperation division for the period of 2017-2022 in the period from December 2022 – May 2023. Volume I of the report constitutes the main report and it provides an overview of the evaluation's scope and objectives, the methodology used, an analysis of the portfolio, evaluation findings, conclusions, and recommendations. Volume II contains the Annexes, which includes a detailed portfolio analysis, comprehensive information on the methodology used, a list of people and documents consulted, case studies for sample countries (Albania, Ghana, Indonesia), and selected thematic studies (public financial management, finance, value chain development, and urban development), as well as a study on the approaches of peer development partners to aligning to the Paris Agreement.

1.1 Evaluation rationale, scope, and objectives

Swiss international cooperation has long prioritised supporting activities to mitigate climate impacts through support for the reduction of global greenhouse gas emissions (GHG) and adaptation to climate change. SECO, as the leading agency responsible for support for economic growth and sustainable prosperity within Swiss international development cooperation, pursued climate change mitigation and adaptation through 2 objectives: 1) mainstreaming by systematically taking into account climate risks as well as reduction and adaptation measures in projects design and monitoring of activities 2) mobilisation of the private sector and private capital to make climate friendly investments.³

The evaluation of SECO's approach to climate change had two main objectives:

- Firstly, to assess and document the results achieved by SECO's Economic Cooperation and Development Division (referred to as SECO) in supporting climate activities directly and through mainstreaming in its operations related to the 'South' and 'East'⁴. This objective provided accountability and an understanding of the extent to which SECO's work has contributed to the climate-related goals of its partner countries.
- Secondly, to provide learning and good practices for the approach and strategy to climate and the design of interventions, success factors with regards to effectiveness, impact, and sustainability, past and current challenges, and shortcomings of the approach, and how they have been addressed. This learning and good practices will give input to Switzerland's upcoming international cooperation strategy 2025-2028, where climate is expected to be a key issue, as well as a new SECO/WE climate strategy.

The evaluation was strategic, seeking to provide answers to strategic questions related to the relevance of SECO's approach to climate, incl. the relevance for supporting partner countries' combating and adapting to climate change in line with the Agenda 2030 and the Paris Agreement, the SECO organisational approach and results. It did not aim to provide new insights at the individual project level, but instead drew on existing reviews and evaluations at project level assessing approaches, interventions and results that could help answer the strategic questions.

In doing so, the evaluation considered both climate-relevant interventions, and a limited number of interventions that were not considered climate-relevant to explore whether potential climate opportunities had been overlooked and provide insight into why that might be the case. The evaluation examined all eight business lines of SECO, however, to varying extents and covered all categories of implementing partners of SECO.

1.2 Methodology

The evaluation focussed on three overarching questions:

- **Strategic relevance:** Is *the division* doing the right thing? – I.e., evidence that the strategic approach developed by *the division*, including the objectives of mainstreaming and mobilisation of private funds for climate, responded to the climate change objectives outlined in the Swiss cooperation strategies and significantly addressed climate change including in partner countries.

³ For Sustainable prosperity SECO's economic development cooperation 2021-2024

⁴ South and East refer to SECO's areas of domain where East incorporates Eastern Europe, Central Asia and Western Balkans and South incorporates countries in Africa, Asia, and Latin America.

- **SECO ways of working:** Are the ways of working, incl. institutional structures and capacities, choice of partners, and instruments, conducive to supporting climate action?
- **Results, impact, and sustainability:** What are the results, impact, and sustainability of climate activities supported by *the division*?

These overarching questions were then translated into eight evaluation questions as follows:

Cluster	Evaluation question
1) Strategic relevance	<p>Strategy - EQ1: To what extent does the position of climate change in <i>the division's</i> strategy and the strategy itself respond adequately to the urgency for climate action in partner countries and globally?</p> <p>Climate and growth - EQ2: To what extent does the focus on climate change compete with other policy imperatives to foster sustainable development and eradicate poverty?</p>
2) Cooperation approach	<p>Institutional set up - EQ3: To what extent does the internal institutional set-up, capacities, and procedures support climate action in particular mainstreaming and Paris alignment?</p> <p>Value added and synergies - EQ4: To what extent does <i>the division's</i> climate support provide value added/exploit a niche in Swiss climate efforts and in global climate efforts?</p>
3) Results	<p>Results - EQ5: To what extent has climate intervention led to or contributed to achieving the expected objectives?</p> <p>Results – EQ6: To what extent has the division's activities supported mobilization of private funds?</p> <p>Impact – EQ7: To what extent are the interventions generating or are expected to generate significant positive or negative and intended or unintended impacts?</p> <p>Sustainability – EQ8: To what extent are the results likely to be sustainable?</p>

Annex F provides a complete list of the evaluation areas and questions with rationales. To account for the interdisciplinary, situation and sector-specific nature of climate interventions, the evaluation employed a comprehensive approach by incorporating four levels of inquiry to address the evaluation questions.

- **Strategic level:** Assessment of the portfolio, strategies, policies, and their relevance to achieve the objectives, comparison to peers including with regards to Paris Alignment
- **Institutional level:** Assessment of guidelines, business model and operational practices, and tools
- **Country and thematic level:** Based on a portfolio analysis, country case and thematic studies were selected to provide insight into SECO support to climate
- **Project level:** Within each of the countries, three to five projects were selected and similarly for each of thematic deep dives along with a few high-risk areas that are of particular interest to SECO

A combination of quantitative methods (portfolio analysis) and qualitative methods (interviews, field visits, workshops, document, and literature review) was used to build a robust base of evidence and to triangulate evidence. More information on the methodology is given in Annex F.

Thematic and country case studies

Thematic case studies - Based on the portfolio analyses, and the thematic approach applied by SECO, it was decided to carry out thematic studies to gain a cross-cutting insight into how climate featured in SECO's main business lines and approaches. This resulted in the following thematic case studies:

- within the growth promoting economic policy business line: Public Financial Management (PFM) interventions;
- within the integrated value chains, the rules-based trade system business lines: Multistakeholder platforms;
- within the finance business line: Greening the financial sector and mobilization of finance for climate;
- within the urban development and infrastructure business line: Support for urban planning and mobility.

Within each of these thematic studies three to four projects, in most cases covering two phases, were selected that provided a balance in the degree to which climate was considered and how attention to climate evolved, the presence of global and country level projects, different implementing partners and likely insight to be gained considering the project maturity and approach. The sampling aimed to provide valuable insights into the broad and diverse climate activities of SECO as well as the contribution and value-added of SECO's support for climate. Overall, the project sampling aligned well with the portfolio on climate commitments in terms of implementing partners, type of climate action (mitigation/adaptation), and Rio Marking. (Annex F)

Country case studies - Based on the portfolio presented and the analysis of climate vulnerability and readiness in SECO partner countries, as well as other factors related to the availability of staff in country offices, political situation in countries, representativeness across regions, Albania, Ghana, and Indonesia were chosen to assess the relevance and contribution of SECO's climate action at the country level. Within these countries, a number of projects were selected for deep dives. Field visits were conducted in Albania and Indonesia, whereas the country case study on Ghana was conducted remotely. (Volume 2)

Limitations - The main limitation related to the relatively recent increased focus on climate change, incl. the fact that the SECO climate mainstreaming guidelines had only been applied since 2020. Thus, many of the projects had not yet matured enough to yield results which could reflect the recent approaches to climate action. To partly mitigate this, a number of earlier projects were selected where results were available, combined with newer projects for which a contribution analysis approach was applied that looked at the project rationale and evidence of intermediate outputs and the continued validity of assumptions to draw conclusions about the likely results and impacts. It was also not possible to carry out a country visit to Ghana which limited the access to meeting beneficiaries at the local level and partners at the government level.

2 SECO support for climate change – analysis of portfolio

Highlights from the portfolio analysis⁵ can be summarised as follows:

- The funding for climate has increased overall, from the 2017-2020 strategy period to the current 2021-2024 period - both in absolute terms and as a share of the total SECO portfolio⁶. The share of climate finance (weighted) has risen from approximately 30 pct. to 38 pct. of total SECO commitments (figure 1).
- Most of the financing was marked as Rio marker 1 (climate as a significant objective), but there is also a large and rising share marked as Rio marker 2 (climate as a principal objective) (figure 3).
- The share of programmes and projects marked both mitigation and adaptation represented an increasing share (figure 4 & 5).
- All countries received climate support. Peru, Indonesia, and Ghana received the largest volumes of climate finance. The share of climate finance compared to the total commitment to the country was highest in Tajikistan, Serbia, and Peru, (figure 6).
- Multilateral Development Banks (MDBs) are the most important implementing partners for climate. This finding reflects the overall importance of MDBs as implementing partners. The most climate-intense cooperation is with third-party governments and the Swiss private sector, although the volume is small for the latter (figure 7).
- Across business lines, urban development and infrastructure is by far the most climate intense business lines. Growth-promoting economic policy is the second heaviest in terms of volume, but it has the least focus on climate as a share of the total volume (figure 9).

The funding for climate increased during the period under evaluation. Attention to climate implied that climate was included in 51 pct. of commitments during the 2017-2020 period, with that number increasing to 61 pct. during 2021-2022 (figure 1). In line with international guidelines for measuring climate finance, SECO developed a weighing system to calculate more precisely the climate content of the interventions. This weighing methodology is described in the Lexicon page iii, and in Annex A. The climate-weighted numbers and share of total ODA is shown in figure 1. The volume of weighted climate commitments as a share of total committed volumes increased from 31 pct. in the 2017-2020 period to 38 pct. in the 2021-2022 period. For the remaining portfolio analyses the climate-weighted figures were used, in line with international climate accounting practices.

⁵ Annex A presents a comprehensive portfolio analysis, including the data extraction criteria used. The portfolio analysis encompasses all commitments released, closed, or partially closed within the period of 2017-2022 and listed under the 'Count as projects L2 WBS 1' tab in the SAP database. The portfolio analysis is based on SECO's climate-weighted commitment finance figures, which use the methodology for Rio Marker 1 and 2 weights developed by SECO. The SECO weighing percentages can be found in Annex A - portfolio analysis. Figure 1 provides a comparison of the climate-weighted data with climate-relevant data (project finance commitments that address climate change, whether Rio Marker 1 or Rio Marker 2, calculated at 100pct.). Climate relevant = total project budget if Rio marked; climate-weighted = a percentage of the project budget using the SECO weighting method.

⁶ References made to Switzerland's International Cooperation Strategies

Figure 1 Share of climate commitments in SECO's total commitments 2017-2022

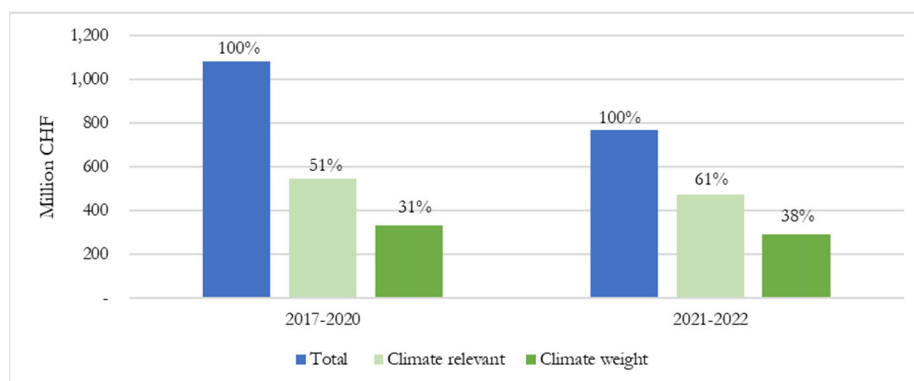


Figure 2 Trends in climate finance 2017-2022. Climate-weighted commitments and actual disbursements⁷

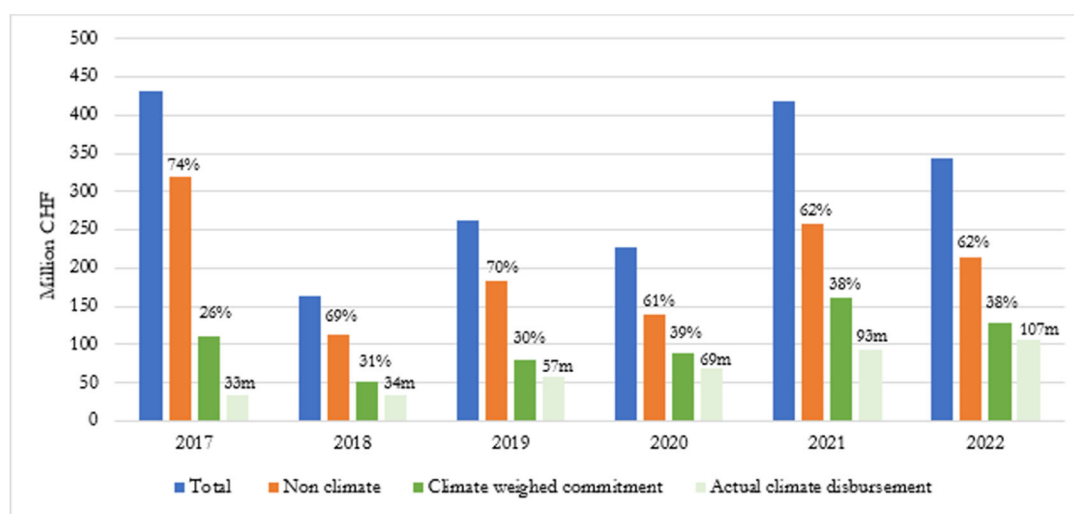
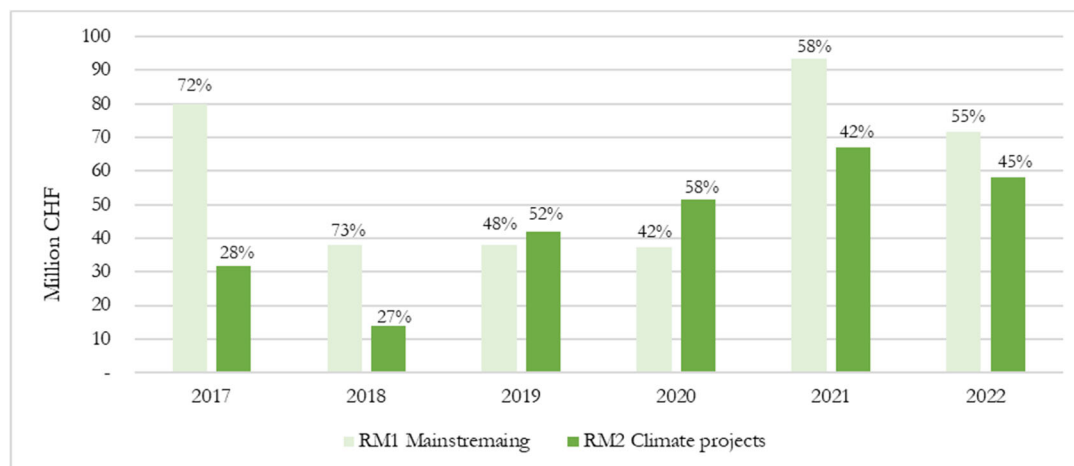


Figure 2 shows that the weighted climate commitment volumes as a share of the total volume of SECO ODA have on the whole been increasing from 2017-2020 and levelling off in 2021 and 2022. The weighted climate commitments exceeded actual disbursements, as there is a peak partly reflecting a peak in commitments the first years that is then gradually disbursed over the coming years.

Most of the climate finance is Rio Marked 1 (RM1) – but there is also a substantial and rising share marked RM2. Figure 3 shows climate-weighted commitments divided by Rio Markers. At the start of last strategy period (2017-2020) the share of RM1 projects outweighed RM2, in the present the distribution is close to 50/50. For an organisation that is into mainstreaming of climate the share of projects marked RM2 – principal objective of the project – is high.

Figure 3 Distribution by Rio Marker of climate-weighted commitments 2017-2022



⁷ The actual climate-weighted disbursements extracted for SAP diverge from the figures reported in SECO's internal documents. For the figures reported in SECO's internal documents, please refer to Table 1 in Evaluation Question 5.

The share of programmes and projects marked both mitigation and adaptation represented an increasing share. This reflected the SECO focus on framework conditions which would often be relevant to both mitigation and adaptation activities, e.g. support for capital markets development, public financial management, and infrastructure planning. This became more pronounced in the period 2021-2022 as in the earlier years attention was primarily in mitigation.

Figure 4 Share of projects being marked for mitigation, adaptation and both mitigation and adaptation⁸

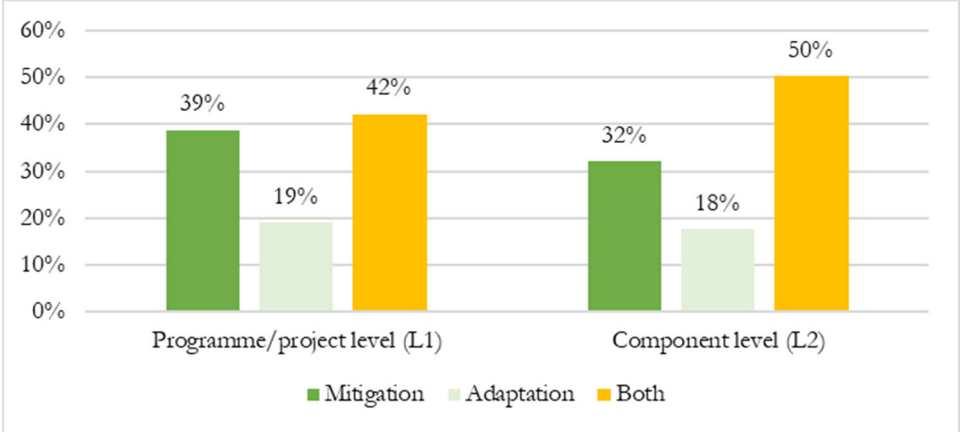
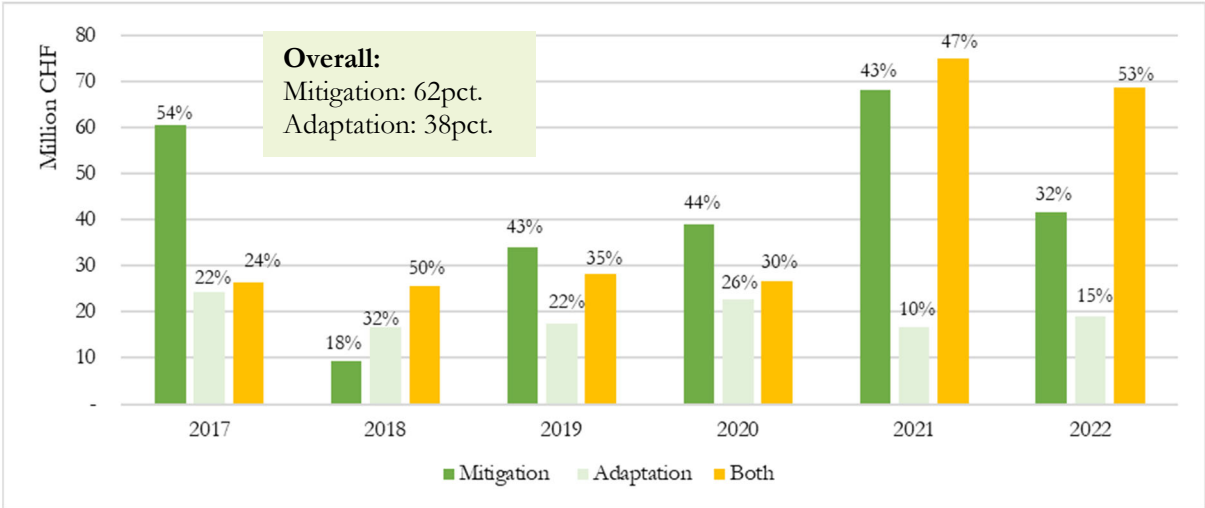


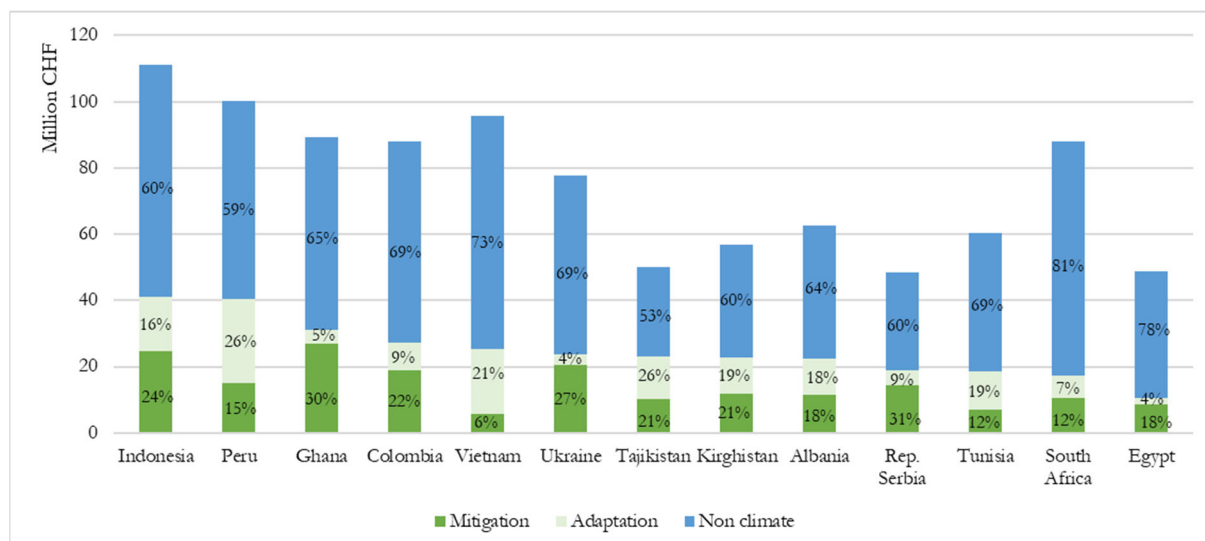
Figure 5 Distribution of climate-weighted commitments 2017-2022 by climate change mitigation and adaptation



All SECO priority countries received support for climate – with varying intensity. Figure 6 shows that the climate intensity (share of ODA) varies across countries. The most climate vulnerable countries among SECO priority countries are Egypt, Ghana, and Vietnam⁹ and the climate intensity of the SECO portfolio is low in both Egypt and Vietnam (below 30 pct). The most climate intense country is Tajikistan, followed by Serbia, Kyrgyzstan and Albania in the East, and Peru, Ghana, and Indonesia in the South. Annex A gives a break down as to Rio marker 1 and 2 for all priority countries – showing that most countries have a higher share of Rio Marker 1 compared to Rio Marker 2, except Vietnam, Tajikistan, and Tunisia and more recently Ghana. Annex A also provides data on climate support for SECO complementary countries.

⁸ L1 refers to the project/programme level, which serves as the primary reference unit for a credit proposal. It represents the overall project or programme. L2 represents the pillars or components of the project/programme.
⁹ University of Notre Dame: Climate vulnerability index: <https://gain.nd.edu/> more under Choice of countries for case studies.

Figure 6 Climate intensity 2017-2022 in SECO priority countries. Climate-weighted commitments



Multilateral development Banks are the most important partners for implementation of climate finance. Figure 7 shows that the MDBs are the most important implementing partners for SECO – and they are the most important partners for implementing climate finance. More than 30 pct. of SECO funding channelled through MDBs was for climate. Other important implementing partners are the UN bodies, and recipient governments. Here the share of climate is less than 30 pct. Figure 8 illustrates higher disbursement rates in collaboration with the Private Infrastructure Development Group, the private sector beyond Switzerland. In contrast, climate-weighted disbursements were notably low compared to commitments made to recipient governments, the NGO sector, KfW, and National Development Banks.

Figure 7 Implementing partners for climate-weighted commitments 2017-2022

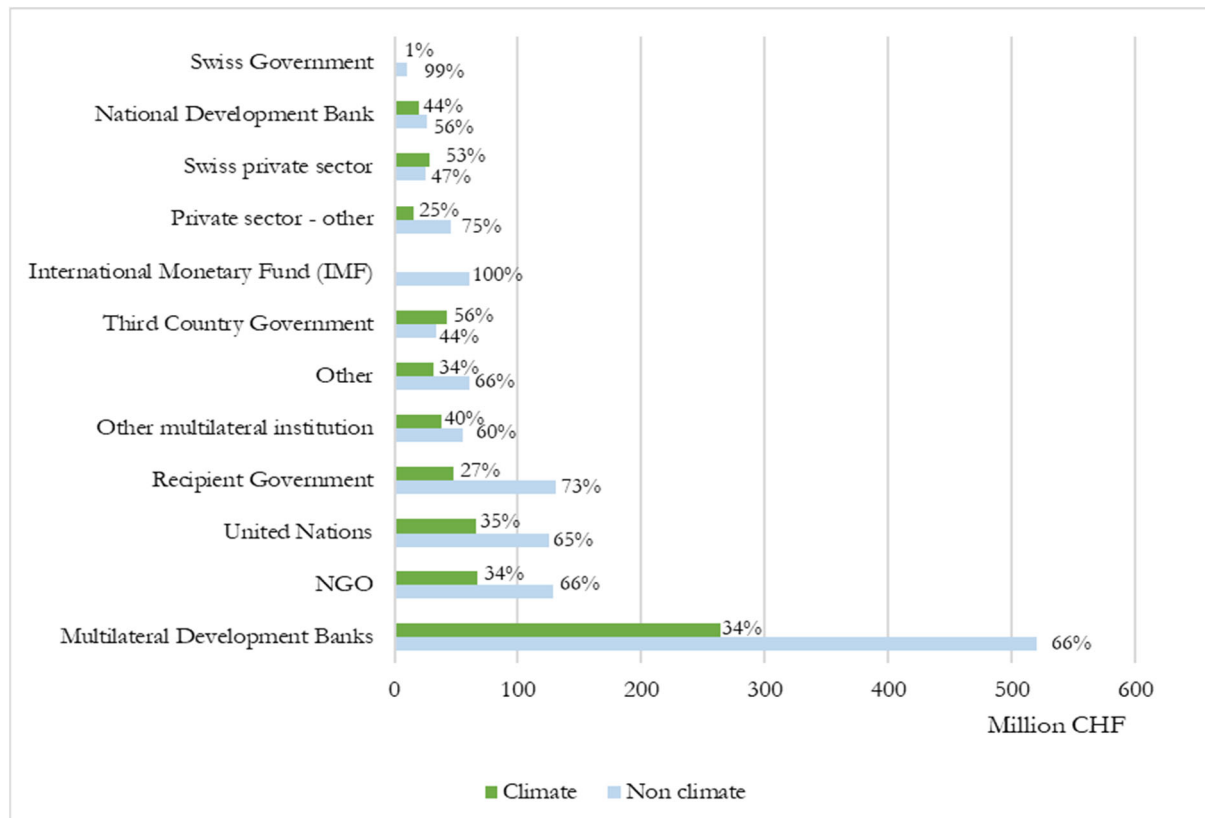
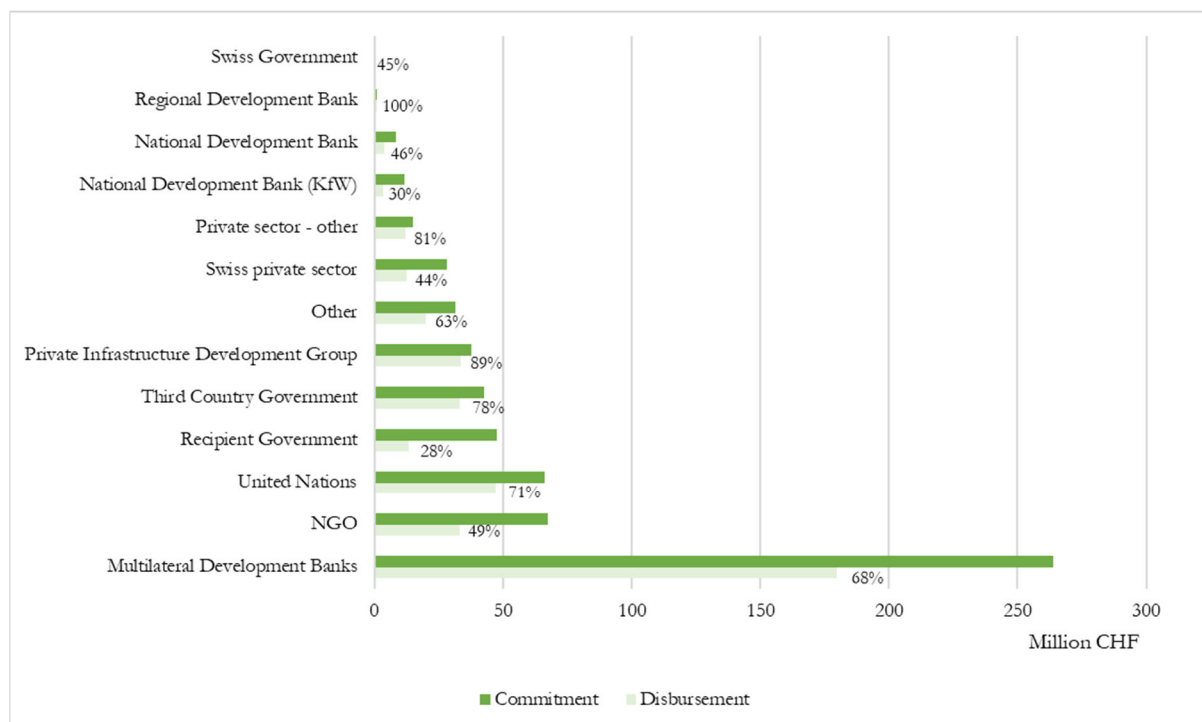
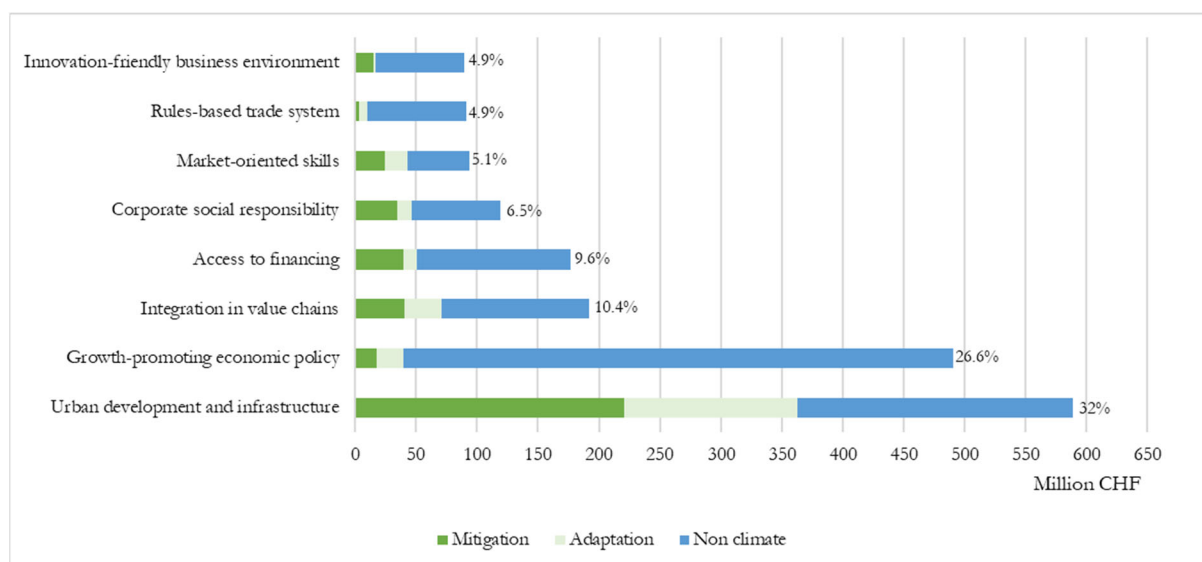


Figure 8 Climate-weighted commitments and actual disbursements across the type of implementing partners



Climate was mainstreamed into all business lines – with varying intensity. Figure 9 gives an overview of the climate intensity of each of the SECO business lines. *Urban development and infrastructure* is by far the most climate intense business line. *Growth promoting economic policy* is second heaviest in terms of volume (26.6pct.) but also the business line with the least focus on climate as a share of total volume. For the rest of the business lines there is some focus on climate, except *Rules based trade system* that is very low.

Figure 9 SECO Business lines and climate intensity 2017-2022. Climate-weighted commitments



3 Findings on the evaluation questions

In the following the findings to evaluation questions are presented.

3.1 Strategic relevance

3.1.1 EQ 1 Strategy

<p>EQ 1 - To what extent does the position of climate change in <i>the division's</i> strategy and the strategy itself respond to the urgency for climate action in partner countries and globally?</p>	<p>1.1 Mainstreaming - The extent to which the objective of mainstreaming in <i>the division's</i> strategy is relevant and adequate for addressing climate change and led to climate awareness; and whether the combination of targeted interventions and mainstreaming interventions are conducive to reducing emissions and fostering adaptation in priority countries.</p> <p>1.2 Mobilisation of private funds for climate – The extent to which the objective of mobilisation of private funds is relevant and has been addressed as an intention across business lines.</p> <p>1.3 Choices - The extent to which the choice of countries business lines/activities as well as partners reflect the needs for climate activities in partner countries and respond to the objectives set out in the Swiss/SECO strategies, including the objective of mobilisation of private sector mobilisation.</p> <p>1.4 Ambition level and target - The extent to which the climate finance target and the objective regarding private sector mobilisation is relevant also considering the scale of the climate challenges and the actions of peers.</p> <p>1.5 Balance - The extent to which the balance between mitigation/adaptation is relevant and reflects country needs.</p>
<p>Summary of findings with linkage to the above areas of inquiry</p> <ul style="list-style-type: none"> • SECO's response to climate change - mainstreaming of climate change and private capital mobilisation – was highly relevant. It reflected the SECO mandate and responded well to the needs of SECO priority countries. (1.1) • Mainstreaming climate considerations into economic framework conditions that was SECOs core business was relevant and central for supporting middle-income countries transition to low carbon economic growth trajectories - however systematic mainstreaming had yet to reach its potential. (1.1) • Mobilisation of private capital responded to one of the most significant gaps in the global and country level transition towards green and it linked well to the focus on framework conditions. (1.2) • In response to Switzerland's international obligations on climate finance, the financial target, and the approach developed by SECO, financial commitments for climate related activities gradually increased over the 2017-2022 period. This is still short of international calculations of Switzerland's "fair share." (1.4) • Despite the financial target, and the increase in finance, climate change remained peripheral to the SECO strategy – in many cases climate was added to existing activities. (1.1 and 1.3) • SECO's strategy of partnering with MDBs provided an important complementary addition to the international ecosystem for climate finance. (1.3) • There was no policy objective of achieving a balance between mitigation and adaptation in climate finance – a substantial share of projects was marked both for mitigation and adaptation. 	

SECO's response to climate change - mainstreaming of climate change and private capital mobilisation – was highly relevant. It reflected the SECO mandate and responded well to the needs of SECO priority countries. The response reflected the mandate of SECO to “contribute to sustainable economic growth, market development and the creation of decent jobs.” Within this mandate, SECO concentrated on supporting economic growth and sustainable prosperity through 1) promotion of economic framework conditions and 2) supporting innovative private sector initiatives. Climate and resource efficiency was a transversal theme to be addressed systematically by taking into consideration climate risks as well as GHG reductions and adaptation measures in the design and monitoring of activities.¹⁰ In summary, SECO WE's climate related objectives were to:

- 1) Systematically, take into account in its activities both climate risks and opportunities to promote climate-resilient investments.
- 2) Mobilise private funds for climate.¹¹

¹⁰ SECO WE: For Sustainable Prosperity: SECOs economic development cooperation 2021-2024.

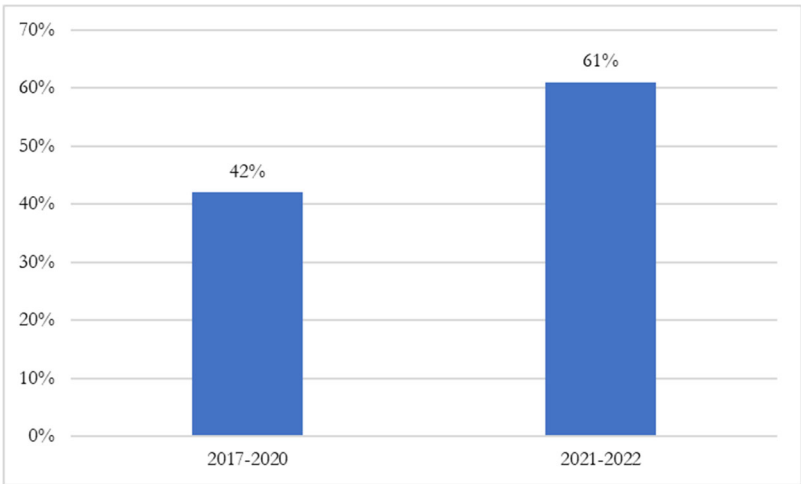
¹¹ SECO WE: For Sustainable Prosperity: SECOs economic development cooperation 2021-2024

The thematic areas and business lines were all relevant for mainstreaming climate change activities, which was supported by the fact that there were climate mainstreamed projects within all business lines. As the international community was moving beyond greening projects to greening economies – key SECO business lines and the focus on framework conditions in SECOs portfolio became even more important. The case studies for this evaluation underscored the relevance of climate mainstreaming in all business lines.

The objectives with regards to climate changed from the 2017-2020 International Cooperation Dispatch to the 2021-2024 International Cooperation Strategy. In the 2017-2020 Dispatch, SDC and SECO had different but overlapping objectives including a SECO specific objective related to emission reductions. In the International Cooperation Strategy 2021-2024 four priority areas were outlined: 1) sustainable economic growth, 2) addressing climate change, 3) saving lives and quality basic services, and 4) promoting peace, rule of law, and gender equality. The goals were interconnected and had to be addressed at the same time. SECO had the lead responsibility of objective 1) sustainable economic growth and did not report against the other objectives. SECO did report on its climate and resource efficiency related achievements related to its mandate/objective of contributing to sustainable economic growth, market development and the creation of decent jobs. The changes between the strategy periods did not significantly alter SECO’s internal themes or priorities centered around the eight business lines. The portfolio analysis confirms the views of key staff that although SECO in the strategy period 2021-24 did not any longer have a climate objective related to emission reductions this did not lead to less attention to climate – if anything, attention to climate mainstreaming increased across business lines. The SECO developed a “storyline” for its activities, where climate and resource efficiency was defined as a transversal theme.

Mainstreaming climate considerations into economic framework conditions¹² that was SECO’s core business was relevant and central for supporting middle-income countries’ transition to low carbon economic growth trajectories - however systematic mainstreaming has yet to reach its potential. SECOs’ mandate focused on framework conditions that set parameters and provided incentives for economic activity and private sector investments. By seeking to integrate climate into their work on frameworks conditions, SECO responded to the potential to contribute strategically towards low-carbon investments and climate resilient activities as well as ensuring a just transition – in short towards greening the economy. The focus on framework conditions rather than concrete investment was adequate and responded to the needs of SECO priority countries that are primarily middle-income countries. There was a notable increase in the share of projects into which climate had been mainstreamed – from the strategy period 2017-2020 to the strategy period 2021-2024 – the first 2 years from 42 pct. of projects to 61 pct. (see figure 10 - this number does not entirely reveal whether climate had been taken systematically into account as there was the option that the relevance of climate had been considered but found to be minimal/non-existent and hence did not result in a Rio Marker). However, considering the high relevance of SECO’s activities for greening economies and projects, there appeared to be more opportunities for climate mainstreaming into projects than was presently the case, a finding that was confirmed in interviewees with SECO.

Figure 10 Share of projects with a climate content (Rio Marked 1, 2 or both) 2017-2020 and 2021-2022 as a pct. of total number of projects



Mobilisation of private capital responded to one of the major gaps in the green transition and linked well to the focus on framework conditions. SECO’s strategy of working with framework conditions and the private sector was also responsive to the challenges of meeting global financing needs for the SDGs and climate mitigation and adaptation, where it was recognized that the private sector will have to provide a large part of climate investments

¹² Framework conditions are understood to cover rules and regulations as well as institutional capacities that determine the local context in which private sector led growth and innovation can take place.

particular in middle-income countries. Mainstreaming climate into ongoing SECO activities related to framework conditions, for example for financial market development, made use of and leveraged existing capacities in SECO. SECO's ambition level related to mobilization of private capital had been increasing and was part of the larger Swiss ambition of becoming a global hub for impact investing. Attention to private financial mobilization also reflected that part of the Swiss contribution to international climate finance obligations (see below) would have to come from private sector mobilization.

In response to Switzerland's international commitments on climate finance, a target for climate finance, and the approach developed by SECO, Switzerland's international climate finance increased from 2017 to 2022. This is still short of international calculations of Switzerland's "fair share." The portfolio analyses in chapter 2 (see also Annex A) showed a gradual increase in SECO's climate commitments and disbursements over the past 6 years – see figure 2. According to interviewees the increase in international climate finance from Switzerland and SECO was a result of Swiss participation in international debates and evidence on climate change impacts that translated into increased national political and public demands for increased climate funding. The increase in the climate funding share of Swiss ODA, was the most significant change following public consultations of the International Cooperation Strategy 2021-24.¹³ The Swiss administration calculated that Switzerland's fair share of the UNFCCC international commitment by developed countries to provide USD 100 billion in international climate finance by 2020 would imply a contribution from Switzerland between 450 and 600 million USD/year from public sources (ODA and Other Official Flows/OOF) as well as mobilization of private capital for climate.¹⁴ The international Cooperation Strategy 2021-24 set as a target that international climate funding from ODA would increase gradually from CHF 300 million a year from 2021 to CHF 400 million by the end of 2024. SECO being responsible for approximately 25 pct. of Swiss ODA was given a yearly increasing target for its share of Switzerland's international climate finance, a financing target that SECO has systematically delivered (more in EQ5). The climate finance target was an invention as Switzerland did not have such a target previously.

International comparisons of countries' fair share of the UNFCCC USD 100 billion/year climate finance target put Switzerland in the lower end of providing its fair share. These calculations are based on per capita GNP and Switzerland's share of global emissions. Switzerland was behind the group of small rich countries such as Sweden, Norway, Denmark and the Netherlands that all provide above 100 pct. or close to 100 pct, and at the same level as countries like Finland, see [UNFCCC ODI calculations of fair share](#). Similar conclusion with regards to Switzerland's insufficient support for climate finance was reached by the Climate Action Tracker.^{15 16}

The Advisory Council for International Cooperation and civil society argued for an increase in international climate finance in response to international calls for additional climate finance. In civil society, there was a concern that the climate mainstreaming approach diluted development aid from its original purpose of poverty reduction and did not result in new and additional funding for climate specifically.¹⁷ Recently, there was a recommendation from the Advisory Council for International Cooperation to increase the ambition level above CHF 400 million a year in response to new calculations from UNFCCC regarding the needs for climate finance. The Council suggested to make additional finance available outside the International Cooperation budget specifically targeted for climate activities while continuing with the current level of funding for climate within the International Cooperation budget.¹⁸ The Council also pointed to opportunities for the Swiss private sector to be engaged in financing and providing knowledge and technical support funded from the climate resources outside the International Cooperation budget. While the suggestion will respond to a large contribution towards meeting the gap in Switzerland's international obligations, there is limited uptake on the part of the Federal Government also in light of increasing demands for other international obligations most notably the rebuilding of Ukraine.

¹³ <https://www.eda.admin.ch/eda/en/fdfa/fdfa/publikationen.html/content/publikationen/en/deza/diverse-publikationen/broschuere-iza-2021-24>

¹⁴ Bundesrat: Internationale Klimafinanzierung. Bericht des Bundesrat in Erfüllung des Postulats der aussenpolitischen Kommission des Nationalrat 15.3798 vom 2. Juli 2015. 10.Mai. 2017

¹⁵ <https://climateactiontracker.org/countries/switzerland/>

¹⁶ The UNFCCC/ODI calculations include private sector mobilization based on blended finance instruments (concessional loans, guarantees etc). EQ 6 will assess in detail SECOs performance in this area.

¹⁷ <https://www.alliancesud.ch/en/about-us/what-we-publish/studies>

¹⁸ Beratende Kommission für Internationale Zusammenarbeit: Empfehlungen der Beratende Kommission for International Zusammenarbeit zur strategischen Ausrichtung der International Zusammenarbeit der Schweiz bei der Bekämpfung des KLImawandels und dessen folgen. März 2023.

Despite the financial target, and the increase in finance, climate change remained peripheral to the SECO strategy – in many cases climate was added to existing activities Climate mainstreaming came with varying levels of ambition amongst peers and partners. Given the nature of climate impacts and the long-term risks associated with rising temperature levels and extreme weather events, climate mainstreaming for many countries and development partners (e.g., the MDBs) implied that climate action moved to the center of attention leading to shifts in priorities, including in the context of alignment to countries' plans to move towards low carbon development pathways. The climate finance target was good for raising awareness about the need for climate action and the profile of climate in SECO's activities. The target proved relatively easy to reach and SECO systematically overshot (see EQ5). According to interviewees in SECO, this implied that there was no need for new strategic decisions or changes in priorities. Climate was added to existing priorities and often to second and third phases of ongoing activities. According to interviewees in SECO, even as climate was coming more to the forefront in SECO, there had been no major review of existing priority setting incl. reallocation of funding across business lines, and thematic areas to respond to priorities related to climate action and country needs in this context. Similarly, climate considerations (e.g., vulnerability) were generally not included as a criterion for country selection or the focus on themes within the country.¹⁹ In interviews, SECO interviewees said that in the ongoing discussions of the possible selection of Morocco as a priority country, climate vulnerability and migration had come up as criteria. In the case of Albania (which is a joint SECO SDC country) the new country strategy from 2022-25 has climate as one of three themes and the programme was increasingly being geared towards climate action based on an assessment of needs, and in response to climate issues being incorporated into the Albanian government's national policy frameworks.

SECO's strategy of partnering with MDBs provided an important complementary addition to the international ecosystem for climate finance. SECO was a highly valued partner of the WBG group where SECO's grant contributions played an important role in supporting these institutions develop and extend climate issues into further areas – including support for greening PFM, capital market development through the Sustainable Finance Facility and incorporation of climate into the ESG standards. By partnering with and providing grant finance for the WBG and other DFIs, for project development, studies, and analyses, SECO supported development of bankable projects - another important gap in the current international efforts to support a global green transition. The TA support to the Serengeti Fund under SECO17 was an example of this, as was support for WBG Cities Support Programme in South Africa.

There was no policy objective of achieving a balance between mitigation and adaptation in climate finance – a substantial share of projects was marked both for mitigation and adaptation. As the portfolio analyses revealed there was attention to both mitigation and adaptation with a sizeable share of projects being marked for both mitigation and adaptation (figure 4).

Based on assessment of the credit proposals, mitigation activities were better understood and integrated into all business lines and came with standard indicators to measure results. Many of the projects with adaptation objectives lacked adaptation relevant activities and outcomes or they were less well defined. To some extent, this could be explained by the needs of SECO priority countries where emissions were set to rise considerably over the coming decade – taking center stage. Other explaining factors could be the lack of climate analyses at the country level including in the country programming process, and lack of climate risks assessments in the risk framework which could have allowed for greater attention to adaptation and resilience particular in the projects that was marked for both mitigation and adaptation.

¹⁹ Criteria for country selection: in SECO WE For sustainable prosperity. SECOs economic development cooperation 2021-2024 page 10.

3.1.2 EQ 2 Climate and Growth

<p>EQ 2 - To what extent does the focus on climate change compete with other policy imperatives to foster sustainable development and eradicate poverty?</p>	<p>2.1 Alignment - The extent to which activities of <i>the division</i> are relevant for decoupling economic growth and increased GHG emissions and supporting countries in their transition to a low-carbon growth path in accordance with Paris alignment and broader objectives.</p> <p>2.2 Co-benefits - The extent to which there are co-benefits from climate action on other development objectives and the extent to which SECO exploits synergies in its activities.</p> <p>2.3 Trade-offs - The extent to which there are trade-offs and risks associated with funding climate and other development objectives – and how they are dealt with.</p>
<p>Summary of findings with linkage to the above areas of inquiry</p> <ul style="list-style-type: none"> • Acknowledgement of the need to integrate climate and economic development considerations for long term sustainable development was increasing in SECO following the international discourse on this topic. (2.1, 2.2, and 2.3) • SECO supported activities sampled were relevant for priority countries moving towards a low carbon development pathway – but there was no systematic way of assessing this. (2.1) • Important SECO partners and peer countries committed to Paris Alignment or objectives to the same effect and established procedures and tools for assessing development activities in this light. (2.1) • SECO did not commit to the Paris Alignment as this was seen as too comprehensive and defining also in light of the SECO mandate – nevertheless some of the policies and tools that were developed were supportive of a Paris Alignment approach. (2.1) • Addressing climate change often came with co-benefits - they were not often recognized nor analysed with a view to understanding the wider impacts and potentials. (2.2) • The tradeoffs between investing in economic growth and jobs and climate were a concern in light of the SECO mandate – a systematic approach to analysing trade-offs and trade-ons was not used. (2.3) 	

Acknowledgement of the need to fully integrate climate and economic development considerations for long term sustainable growth was increasing in SECO in line with the international discourse on this topic. The SDGs and international climate agreements called for simultaneously reducing poverty and GHG emissions by supporting countries’ move towards a low carbon growth pathway. Increasingly it was understood by the international community that analysis of policies leading to low carbon growth pathways, incl. trade-offs and co-benefits from integrating climate issues needed to be analysed within one development policy framework. Attention was shifting towards economic development analyses and modeling that include up-stream analysis of climate risks and GHG emissions structures. These analyses were at the country level reflecting that assessments of competing policy options and tradeoffs needed to take place at national/local level to take into consideration context and policy environment for sustainable solutions.^{20 21}

SECO supported activities sampled were relevant for priority countries’ move towards a low carbon growth pathway, but there was no systematic way of assessing this. The Paris Agreement outlined the necessity to move towards low-carbon development pathways and countries plans to do so are outlined in NDCs. According to interviewees in SECO, the quality of the NDCs/LTSs were often found to be low which weakened the case for alignment with those strategies and plans. Rather SECO relied on partners to ensure the alignment with low carbon economic development. This appeared to be a reasonable approach for the large share of the portfolio implemented by the multilaterals as they were moving towards the Paris Alignment of their activities – not least the MDBs. SECO project activities sampled by this evaluation, were, for the most part, relevant for priority countries’ move towards a low carbon growth pathway. There were examples of initial phases of projects which did not include climate considerations, but such considerations were then added in later phases or by providing additional funding. An example of the latter was the support for Sustainable Tourism in Indonesia, where support for development of masterplans for tourism development was added to the original tourism activities.

Important SECO partners and peer countries committed to the Paris Alignment and established procedures and tools for assessing development activities in this light. In the aftermath of COP21 in Paris, and the commitment to “*Holding the increase in the global average temperature to well below 2°C above pre-*

²⁰ See e.g. THE WBG Country Climate and Development Reports: <https://openknowledge.worldbank.org/entities/publication/fccbefad-b48d-57b5-b2d5-0aaf6469dd91>

²¹ Central in the work to integrate climate and development is the understanding of a healthy planet as a global public good and the need to factor in cost of climate change and environmental degradation in short term as well as long term economic decision making. Climate is a market failure and the costs are not born by the polluters but by the global population as a whole.

industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change” many SECO partners including the UN and MDBs as well as peers (e.g., France, UK, Sweden) started a process of aligning ODA with the Paris Agreement objective, initially by committing to Paris Alignment and following with the development of policies and tools to ensure Paris Alignment. While there is no universal definition of Paris Alignment, it most often includes the following actions:

- **Mainstreaming of climate change** into all development activities and operations based on climate risk and vulnerability analyses, alignment with NDCs or similar plans/or integrated economic and climate analyses,
- Activities to **scale and mobilise** the means to strengthen the response including by scaling up development cooperation for climate and using development funding to mobilise private capital,
- the requirement to **phase out financing that undermines** mitigation and adaptation goals, typically exclusion lists,
- and relatedly to **aim for more than a relative environmental improvement** (versus the status quo) **but rather an improvement that meets the Paris Agreement goals** (specifically those that can be quantified, like the 1.5 and well below 2-degree goal) based on scientific sources and science-based approaches.

For most partners and peers these policies and tools are now being rolled out. For the MDBs their commitment to Paris Alignment of all new activities only enters into force in 2023 – EBRD by January 1st and WB by July 1st, and IFC 85 pct by July 1st.²² SECO strongly supported partners’ commitments and tools for the implementation of the commitments.²³

SECO did not actively commit to the Paris Alignment– nevertheless some of the policies and tools that were developed were supportive of a Paris Alignment approach. SECO did develop mainstreaming guidelines for each of its thematic areas. As they were thematic, they, to a large extent, overlooked the importance of climate mainstreaming based on analyses of climate risks and vulnerabilities at the country level, and alignment with countries’ climate objectives. See also EQ3. SECO had exclusion lists. SECO as a part of Risk Guidance has an exclusion list related to E&S topics. SECO in cooperation with FOEN and SDC in the context of PLAFICO also developed an exclusion list related to fossil fuel investments defining what types of projects SECO/SDC could not support in the Boards of the MDBs. A further exclusion list is found in the WEIN Infrastructure Financing approach also excluding finance of fossil fuel power generation projects. As part of the evaluation assignment, the team explored additional measures needed to move towards Paris Alignment of SECO activities and operations - see box 1.

Box 1 Additional measures to be taken to Paris Align SECO activities and operations

If SECO decides to Paris Align this would include the following improvements of the existing tools and instruments:

- **The ambition level: Committing to Paris Alignment** Commitment of SECO to Paris Alignment of development finance could involve targets and timelines.
- **Revise and streamline the climate mainstreaming approach** to ensure alignment with countries’ high resilience low-carbon growth strategies based on integrated climate and development analyses and apply it throughout the organization and for all activities
- Apply an organisation wide **negative list related to all SECO activities**
- **Enhanced transparency of own operations and impacts** through comprehensive and methodological reporting of climate relevant results and impact, including from private sector mobilised capital
- **Promote climate mainstreaming and Paris alignment overall** through dialogue with partners, implementing partners and with partner countries.

As partners committed to Paris Alignment or similar types of commitments, there were discussions in SECO as to implications for the SECO portfolio of Paris Alignment over and above the activities in the exclusion lists. Support for tourism development was an area of considerable discussion as to the opportunity for continued support in light of the negative climate impact and the large ecosystems’ footprint associated with tourism. As tourism was likely to continue to grow as an economic sector – the point of the Paris Alignment was to consider what it would take to align tourism development with a low-carbon economic development pathway and assess trade-offs in this regard. Box 2 includes suggestions as to what

²² For more information on Paris Alignment and partner and peer approaches – reference is made to Annex E

²³ See SECO position on WBG methodology on Paris Alignment

climate friendly tourism development could entail based on the UNFCCC Glasgow Declaration on Climate Action in tourism.

Box 2 Sustainable tourism and climate change. Opportunities for SECO?

UNWTO/ITF in 2019 released data showing that CO2 emissions related to tourism would increase by 25 pct by 2030 primarily related to transportation.²⁴ Tourism at the same time presented one of the fastest growing sectors with large employment opportunities both in the hospitality sector as well as in the local and national economy. Covid 19 brought a halt to the rapid expansion of tourism. Exposing the risks associated with tourism-led development, it led to increased reflections as to the responsible recovery of the sector with health issues as well as climate and biodiversity issues at the centre. The Cop 26 UNFCCC adopted the Glasgow declaration “A commitment to a decade of climate action in tourism”, amongst other things outlining pathways and specific actions that can accelerate the tourism sector’s ability to transform tourism and achieve net zero emissions as soon as possible through joint country/industry approaches.^{25 26}

If SECO wanted to continue to support tourism development while at the same time ensuring Paris Alignment of the contributions this would imply responding to the Glasgow Declaration:

1. Confirm alignment with country’s climate and development strategy
2. Policy dialogue on climate impact and the prospects for long term sustainable tourism as an engine for long term growth based on the commitments in the Glasgow declaration on climate action in tourism to halve emissions by 2030 and reach net-Zero as soon as possible before 2050.
3. Mainstreaming of climate and environmental considerations based on climate vulnerability analyses as well as environmental impact analysis to promote:
 - Adaptation and building resilience to climate vulnerability at the destination
 - Restore and protect ecosystems and biodiversity, support nature-based solutions to draw down carbon
 - Decarbonisation incl. reducing emissions related to transportation to destination including through off-set schemes and promotion of local/regional tourism
 - Local infrastructure development to address local as well as tourist needs; incl. water availability, water usage systems, wastewater treatment, waste treatment, renewable energy, and green transportation network
 - Land usage planning and building codes; demands as to low carbon materials used in building, energy efficiency in buildings, designs that support energy savings, etc.
4. Exclusions of specific types of investments/practices – deemed to undermine low carbon development or contributing to the degradation of the environment/biodiversity in the specific destination
5. Multistakeholder processes involving the private sector to promote target setting, innovation, sharing of best practices and reporting.
6. Transparent reporting on adaptation and mitigation as well as other environmental targets set and agreed
7. Promote financing of the needed investments to meet the climate and environment goals and accelerate a transition to climate sustainable tourism.

Based on discussions with the WB Country Office in Jakarta and the Government of Indonesia (GoI), the above aspects are for the most part included in the on-going development of Master Plans for Tourism. The only area, where there was reluctance on the part of GoI was related to off-sets for GHG emissions in connection with air travel, as this would give competitors in the other ASEAN countries an edge over Indonesia, unless a regional solution to off-sets could be found.

Addressing climate change often came with co-benefits - they were not often recognized nor analysed with a view to understanding the wider impacts and potentials. Box 3 shows a list of widely recognized co-benefits from addressing climate change. There were references to co-benefits in some credit proposals, but they were never analysed nor quantified. This included references to clean air in cities Sustainable Urbanisation in Indonesia (IDSUN), and creation of new jobs to service a growing renewable energy industry (RESO) and in Sustainable Recycling Industry, Ghana, (SRI), increased soil retention, yield, and income in SWISSCO well as energy security in the Solar PV Net Metering, Ghana.

Box 3 Widely recognized climate mitigation co-benefits

1. Improved air quality leading to improved human health
2. Improved public health from reduced emissions, pollutants and chemicals as production processes and value chains are greened
3. Improve resilience – by mitigating climate change impacts, reduced GHG emissions can help protect communities and infrastructure against extreme weather impacts

²⁴ <https://www.oneplanetnetwork.org/programmes/sustainable-tourism/glasgow-declaration/climatechange-tourism>
²⁵ <https://www.unwto.org/the-glasgow-declaration-on-climate-action-in-tourism>
²⁶ <https://www.oneplanetnetwork.org/value-chains/transforming-tourism>

4. Energy security as reducing GHG emissions often comes with diversification of energy sources
5. Conservation of natural resources – many solutions to climate impacts come with resource conservation incl. water conservation, and nature-based solutions such as planting of mangrove
6. Economic benefits and new types of jobs associated with a transition to green
7. Social Equity – reducing GHG emission can help support poor people as they are often disproportionately affected by climate change impact

Source: www.theclimatebonus.org

There was no evidence to support that choices had been made for certain solutions to maximise co-benefits. Interestingly the widely recognized co-benefit related to environment and biodiversity was often described in terms of a trade-off as SECO project managers anticipated that increasing international demands for also addressing biodiversity would take away attention and resources from climate activities. Fifteen pct. of SECO's projects were both RM and biodiversity marked (see EQ8). It was not possible to analyse potential co-benefits between SECOs two mainstreaming objectives – climate and gender. The portfolio analyses revealed that gender was marked in approx. 50 pct. of climate marked projects and no significant difference between projects marked for mitigation or adaptation – but gender marking was primarily in RM 1 projects. There were no references in the credit proposals to neither gender analyses nor climate analyses and gender aspects had not been included into the mainstreaming guidelines. Where gender appeared in log-frames, it was generally in targets related to numbers of beneficiaries disaggregated according to sex (see Annex A, figures 27-29).

The trade-offs between investing in economic growth and jobs and climate were a concern in light of the SECO mandate – a systematic approach to analysing trade-offs and trade-ons was not used.

Trade-offs between climate and economic development was a recurrent theme in SECO discussions on how to deliver on their mandate and climate simultaneously. There was no evidence of attempts to analyse trade-offs even in contexts of themes/programmes/projects with perceived negative tradeoffs such as tourism. SECOs Policy Paper on Tourism did not address a trade-off between economic growth and climate/environment in the tourism area nor potential long-term co-benefits. It did recognise the importance of sustainable practices defined as “tourism that respect the local people, and the traveller, cultural heritage and the environment”. The SECO Sustainable Tourism Development Indonesia did not identify trade-offs either. Nevertheless, GoI both at national and local level acknowledged the existence of short-term trade-offs between economic growth and the environment and the possible long-term co-benefits provided climate risks and environmental concerns were addressed (see what it will take to do so in box 3). Similarly with regards to the Sustainable Landscape Indonesia, where there was a possible trade-off between economic development and climate considerations in the short term and potential co-benefits in the long run. However, the project proposals did not address potential trade-offs, and it was unclear how SECO's implementing partners planned to address them. In Albania, engaging with climate had a trade-on impact, e.g., the renewable energy auctions which will reduce emissions, increase climate resilience, and at the same time contribute to energy security and economic growth.

3.2 Cooperation Approach

3.2.1 EQ 3 Institutional set up

EQ 3 - To what extent does the internal institutional set-up, capacities, and procedures support climate action in particular mainstreaming and Paris alignment?	<p>3.1. Structures - The extent to which the internal structures and cooperation with country offices are conducive for climate activities, particularly mainstreaming and Paris alignment.</p> <p>3.2. Procedures - The extent to which procedures and internal guidance are adequate for reaching the objectives, particularly mainstreaming, mobilisation and flexibility to adapt.</p> <p>3.3. Instruments - The extent to which availability of instrument (including grants, blending etc) are relevant for delivering the strategic objectives, particularly mainstreaming, private sector mobilisation, and Paris alignment.</p> <p>3.4. Capacity - The extent to which the capacities in the division, and knowledge management are supportive of climate activities.</p> <p>3.5. Monitoring - The extent to which the division's monitoring and evaluation system has been suitable for planning, steering and learning and accountability issues at project and institutional level, particularly mainstreaming, private sector mobilisation, and Paris alignment.</p>
Summary of findings with linkage to the above areas of inquiry	

- SECO’s decision making is relatively centralised which had advantages and disadvantages for promoting climate action.(3.1)
- By working with global organisations SECO mobilised their capacities and local presence but did not fully optimise the potential of its grant-based instruments to influence implementing partners to mainstream and optimise climate in the projects it finances. (3.2)
- SECOs structures and procedures have not yet proven sufficient to secure consistent integration of climate in the whole project cycle. (3.1/2)
- A particular weakness of the procedures was the use of the Rio markers. (3.4)
- There is awareness and interest in climate change in SECO, but there is limited support for capacity development and learning. (3.4)
- The climate network is much appreciated and has contributed to mainstreaming and deepening understanding however it has not yet reached out to the country offices or to all HQ staff. (3.2/4)
- The SECO risk analysis system does not yet include climate as a risk. (3.2)
- Monitoring climate especially for projects aimed at changing framework conditions was found to be difficult. (3.5)

SECO’s decision making was relatively centralised which had advantages and disadvantages for promoting climate action. SECO’s strategy and its projects were largely initiated and designed from the head office. It was noticeable that head office staff were more confident and knowledgeable about how to engage with climate than most of the country office staff. A centralised approach potentially facilitated changes in policy and direction. But in practice this only happened to a limited extent in SECO as there was insufficient management attention to climate as long as the climate finance target was met. On the other hand, the centralisation made it more challenging to align with national climate strategies and programmes. Only a few projects explicitly referred to or were based on supporting national plans and in some cases even contributed to such plans – an example was the coffee value chain project in Peru (UNDP implemented Green commodities programme). But in general, reference to national plans, as mentioned in EQ1 and 2, was not common. Although there were no cases found of projects being contradictory to national plans, opportunities were lost to align more directly and use the SECO support to enhance the credibility of national climate efforts.

By working with global organisations SECO mobilised their capacities and local presence but did not fully optimise the potential of its grant-based instruments to influence implementing partners to mainstream and optimise climate in the projects it finances. A large part of the portfolio was implemented by global organisations which had offices and staff in the cooperating country. This had benefitted the climate related parts of SECO co-financed projects by enabling a closer alignment to country processes than was the case for projects implemented by other partners. Many of the projects that SECO co-financed through global organisations involved operations in multiple countries. For instance, among all projects 36 pct. were implemented through MDBs. Within this category, 40 pct. were multi-country implemented projects (see figures 11 and 12). For a new topic like climate, this was especially beneficial as it allowed inter-country learning through knowledge networks (e.g., in the UNDP green commodities programme, IFC ESG and WBG Sustainable Finance Facility (SFF) projects). It was however also apparent that the SECO country offices often had relatively little knowledge or engagement in the projects run by international organisations as their role was seen as limited. In part, this is because the core contractual role of SECO was from head office leaving a country office, that was already busy, with limited involvement in such projects. As a result, it was not easy for the country offices to form a coherent and comprehensive overview of what SECO supported in that country from the viewpoint of climate.

Figure 11 Distribution of projects by partner type

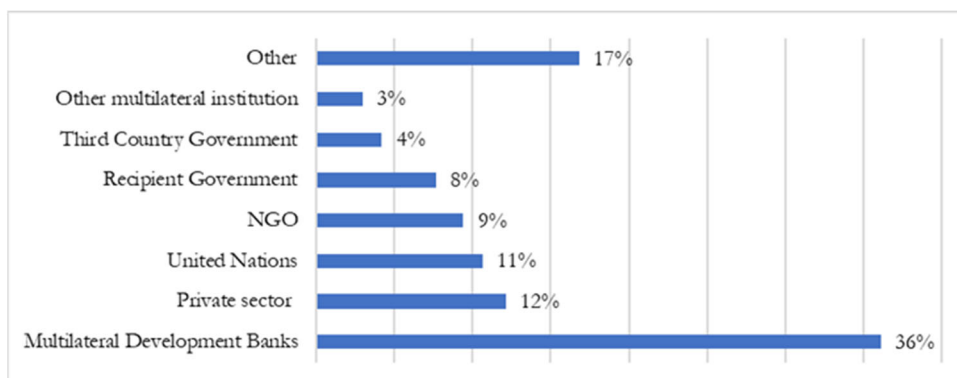
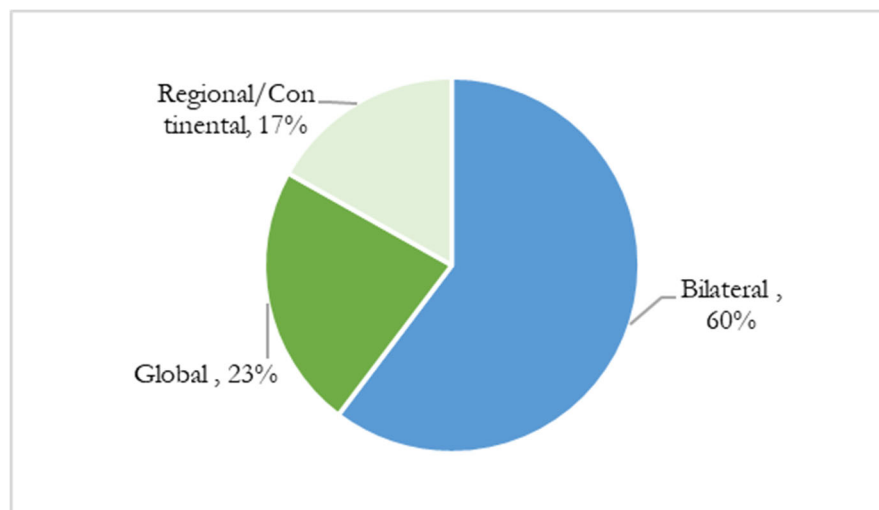


Figure 12 Distribution of MDB projects (bilateral/country-based vs. global/regional/continental or multi-country implementation)



As SECO provided grants, it was in a strong position to make demands on climate action and reporting. And, while SECO did make demands in areas such as environment and the use of tools such as the log frame, this has not been generally extended to climate, at least not yet. Where projects implemented by global organisations had a strong climate element it was due

to the implementing partner's strategy rather than arising from SECO's demand. In that sense it indicated the importance of climate in choosing the right partner i.e., one that was capable and interested in mainstreaming climate. Where the implementing partner did itself not have a strong climate focus, it was often absent in their initiatives, such as in some of the components of the sustainable tourism project in Indonesia.

SECO's structures and procedures have not yet proven sufficient to secure consistent integration of climate in the whole project cycle.

Box 4 Organic Trade for Development (OT4D, UR01178)

In Albania, the OT4D projects focuses on the olive tree and medicinal and aromatic plants value chains. Climate change does not feature in the project design or the reporting or according to the project implementing organisation as part of the operational activities. In contrast, the OT4D project in Serbia focuses on climate adaptation in the berries and sunflower value chains.

However, in interview with the Ministry of Agriculture it was pointed out that within both value chains in Albania there was a strong climate change adaptation benefit. And that the project was missing opportunities to enhance and report on these effects.

The climate benefit was implicit in the medicinal and aromatic plants value chains because these plants were drought and heat resistant and organic production would yield higher incomes for the farmers and increase their income resilience in climate-harsh years. For the olive tree value chain, there was a potential climate adaptation benefit that could be realised if the organic production went hand in hand with improved irrigation efficiency and better pruning as these two measures have been shown to provide more consistent and bigger yields even in dry years when compared with conventional practice.

The mainstreaming guidelines are a good start. However, familiarity with the guidelines was mixed. Staff at head office are generally aware of the guidelines but the awareness at the country offices varied. There were staff in both HQ and SCOs that were not aware of their existence. In part this was also because the guidelines are mostly geared towards project design which is centralised. The guidelines were structured and developed according to the four main units. This ensured ownership at the operational level.

Several of the ongoing projects which were designed before the guidelines, would have gained from the application of the guidelines to

identify opportunities. An example was the potential for climate contribution in the olive and medicinal/aromatic plants value chains of the organic trade for development project in Albania (see box 4). The guidelines were focussed on opportunities for combatting climate change, which was very positive, However, they were less explicit on how to identify and mitigate the risks and some users found that guidance was insufficient on how to screen for risks and thereafter, how to prioritise and identify measures to mitigate.

Interviewees that had used the guidelines found that the mainstreaming guidance was helpful. An example how they have been used to good effect was a tourism project in Kyrgyzstan where the guidelines prompted a discussion of how to minimise the carbon footprint of the project which focussed on high value customers which implied long distance travel. This led to the introduction of mechanisms in the project to also promote

local and regional tourism. However, there was strong indication that these guidelines alone were not sufficient to secure mainstreaming of climate change into the whole project cycle, from design to procurement to planning, implementation, monitoring and reporting. The guidelines were voluntary which served to reduce a bureaucratic or tick boxing approach. However, there did not seem to be strong top management attention on whether the purpose of the guidelines, which was to mainstream climate, had occurred or was a part of good practice in SECO operations. For example, according to senior staff, the concepts and operations committees had not yet raised any issues related to climate and climate mainstreaming when reviewing projects. (Indicators 3.1, 3.2)

A particular weakness of the procedures was the use of the Rio markers. There was a specific and nuanced table²⁷ of weightings for assigning the proportion of the budget that was climate relevant according to the Rio marker given. The table followed best practice among donors and was relatively conservative. However, there was guidance on the methodology for determining what Rio marker, if any, should be assigned to a project, but the guidance did not clarify the link between a Rio Marker and indicators related to climate, including the standard indicators related to climate, which would have eased the burden of monitoring the effect on climate. Justification and reasoning for the Rio markers was absent in the credit proposals, missing an opportunity for debate and learning. There were also examples that Rio Marking guidance was not used in the project preparation. Some project managers explained that Rio markers for the projects were decided by their own best judgement and there was no attempt to check if the climate element of the project budget was close to what was given by the SECO Rio marker weighting system.

There was awareness and interest in climate change in SECO, but there was limited support for capacity development and learning. Particularly the younger staff at head office expressed interest in further promoting climate action in SECO operations. At the same time, they felt like there was not enough management demand, resulting in limited resources or time available for capacity development and learning. There was also frustration expressed that despite the climate network, opportunities were lost to engage in discussions with, contribute to and learn from international partners about how to better promote climate in international cooperation programmes. While the climate network supported awareness and knowledge sharing related to climate, it did not have the mandate nor the capacity in terms of staff resources to significantly improve the capacity across the organization to analyse and address climate issues and support learning. This was also evident at the SECO country offices with some staff expressing an absence of resources for learning on climate. It is noteworthy that Albania has integrated climate as one of its three themes and was well served by a highly informed climate champion.

The climate network was much appreciated and had contributed to mainstreaming and deepening understanding, however it has not yet reached out to the country offices or to all HQ staff. The climate network did help to bring a critical mass to the capacity to integrate climate given that the 4 units and 8 business lines could otherwise lead to a fragmentation of capacity. The climate network focal points have been drawn into the project design phases on a demand rather than systematic basis – this was also due to the fact that only one staff had some limited time set aside for overall coordination of the climate network.²⁸ Staff at the head office reported, in the words of one person, that *“The climate network has meant a lot for the increased attention to climate”*. The brown bag lunches were well attended and served as a platform to discuss and learn about issues beyond a specific project – e.g., on the Swiss approach to Taxonomy, which was the subject of one event in late 2022. Whilst it was acknowledged that the climate network cannot replace capacity development and access to resources to mainstream and further promote climate, there was evidence based on interviews that the network had increased the confidence of staff and that more of that was needed. The country offices are not part of the climate network and most but not all staff at country level were unaware of the network.

The SECO risk analysis system did not yet include climate as a risk – the SECO-WE division had a comprehensive set of risk guidelines including: i) identification of country risks; ii) a set of environmental and social safeguards; iii) a risk analysis system divided into 6 risk categories (development risk, security risk, fiduciary risk, financial risk, environmental risk, and social risk) and sub-categories, and iv) partner risk assessment. The usage of these guidelines was obligatory except that the partner assessment was only done if the project manager finds it appropriate.

The country risk looked at the risks in the countries of operation but also assessed the implications across the division’s entire portfolio. Whilst the guidance was not prescriptive, as each country was different, it

²⁷ See Annex A – Portfolio analysis

²⁸ Only by April 2023, has one full staff been assigned to the Climate network, supported by an intern.

points to the following minimum topics to be addressed: political/institutional situation; economy; social/humanitarian situation; bilateral relations. Although there was no specific climate prompt, the methodology did allow for climate risks to be considered for a highly vulnerable and unprepared country. The environmental and social safeguards presented a list of 12 negative operation/activity types. Climate was not featured explicitly but was indirectly included in the some of the negative operations e.g., “*exploration and production of oil*”.

The risk analysis system had 25 sub-categories under the six main categories. As noted by the risk guideline document (dated 19 July 2022), the risk categories catalogue served to guide the identification process of potential project risks in a comprehensive and structured manner. However, there was no category or sub-category that was specifically about climate. Under the environment category there were four sub-categories (a) Resource efficiency and pollution prevention; b) Biodiversity conservation c) Cultural heritage; d) Other environmental risks. Climate could be potentially included under other environmental risks even if it was not explicitly listed. It could also be potentially included under development and social risk categories. The risk guidelines were periodically updated and there was an opportunity in the future to add climate as a more explicit risk category.

As noted above, the partner risk assessment was not obligatory and was a more general assessment. A general guidance was given about which topics could be considered and how to assess impact and likelihood. The guidance topics did not specifically include climate.

Monitoring climate, especially for projects aimed at changing framework conditions, was found to be difficult. The use of standard indicators was considered by most to be a positive step as it simplified and allowed comparison across projects and across a timeline. There were 16 standard indicators of which 4 were directly climate relevant:

- SI 6 Amounts mobilized from the private sector (for climate) in USD
- SI 9 Leverage effect of SECO’s support on public investment (for climate) in USD
- SI 10 Reduction of greenhouse gas emissions in Mt CO₂ equivalent
- SI 11 Kilowatt hours saved through energy-efficiency measures or kilowatt hours additionally produced from renewable energy

These were highly relevant, quantifiable, and suitable for adding up across projects. They were mostly mitigation-focussed although indicators 6 and 9 could also potentially capture adaptation measures – presently they overwhelmingly capture capital mobilised for other purposes than climate. However, in practice it had proven very difficult to measure the standard or other climate indicators at project level even if they were included in the project log frame. One reason was that measurable effects on reduction of greenhouse gases take time to occur. Setting targets was not easy for many projects as the methodologies for measuring the reduction of greenhouse gases can be complicated and require more research as in the case of the carbon sequestration for organic value chains that is being trialled by a SECO supported project in Ukraine. In other cases, such as the multi-country project for industrial parks project implemented by UNIDO or the solid waste projects implemented by KFW in Albania and the SRI (e-waste in Ghana implemented by WRF), it was not possible to set targets until a feasibility or technical study had been carried out. In addition, the link between the four projects of the Sustainable Landscape Indonesia (SLPI) programme and their contribution to the programme's primary objective of greenhouse gas (GHG) emissions avoidance has yet to be established. . There were a number of cases where there were no climate indicators despite the presence of Rio markers. (See EQ5)

The reporting on the standard indicators was complemented by narrative reporting, e.g., for the annual Key Results reporting where there is dedicated space for reporting on the transversal themes. SECO focussed on making changes in framework conditions which was highly strategic and presented a potential for transformative change – however, measurement and reporting attribution was difficult. When trying to measure the change in climate related framework conditions, the difficulty was even greater, especially for adaptation because the time scale was long and there were many co-factors involved. The pathway and theory of change, that could provide the basis for monitoring the contribution to climate action, were often missing in the project documents, given the complexity and difficulty of measuring impact. It has proven challenging to measure indirect effects and present a credible attribution. Some projects such as the UNDP implemented Green commodities programme were at an early stage of considering the use of the theory of change to identify the key policy and institutional barriers for improved climate change practices and performance. They would then monitor the lessening of these barriers and thus through an analysis based on the theory of change develop a narrative for the projects’ contribution to climate.

In summary - there were no fundamental constraints for supporting climate action in the SECO institutional set-up and the climate network had led to greater capacity. However, whilst the SECO approach of working with framework conditions was highly strategic, there were institutional factors that hindered climate action. The centralised operations made it more difficult to respond to the highly locality-specific nature especially of adaptation to climate change. The reliance on international organisations meant that SECO was often in the role of follower rather than influencer in climate change. Climate change as a transversal topic was challenging and until the mainstreaming guidelines were in place, there was not enough support on how to integrate climate in the design, implementation, and monitoring phases of the projects. The guidelines and climate network contributed much to promoting climate action, but by themselves they have not yet proven to be enough to optimise all opportunities.

3.2.2 EQ 4 Value added and synergies

<p>EQ 4 - To what extent does the division's climate support provide value added/exploit a niche in Swiss climate efforts and in global climate efforts?</p>	<p>4.1 Clarity – The extent to which climate as a transversal theme fostered climate conscious project development and helped identify climate change opportunities across all thematic areas.</p> <p>4.2 Partner cooperation – The extent to which SECO cooperation with partners is relevant for delivering the strategic objectives.</p> <p>4.3 Comparative advantage – The extent to which the interventions draw upon and leveraged Swiss knowledge and expertise.</p> <p>4.4 WOGA – The extent to which coordination and synergies with other Swiss government entities furthered Swiss climate objectives.</p> <p>4.5 Coherence – The extent to which cooperation with Swiss stakeholders incl. the private sector and civil society organisations promoted Swiss climate objectives, coherence with other development partners.</p> <p>4.6 Complementarity – The extent to which activities are coordinated, amplifying or complementary to those financed by other donors, multilateral organisations, and possibly the Swiss private sector.</p>
<p>Summary of findings with linkage to the above areas of inquiry</p> <ul style="list-style-type: none"> • Although there has been a notable improvement since the launch of the climate network and mainstreaming guidelines, there is not enough clarity and confidence within SECO about what climate means and its implications for the projects. (4.1, 4.2) • By working with MDBs and global organisations in a multi-donor environment SECO strengthened its contribution to climate action. (4.2,4.4,4.6) • A common Swiss engagement with climate across SECO, SDC and FOEN was emerging and showing promising results but has not yet fully matured. (4.3,4.5,4.6) • Swiss added value specifically for climate is not easy to isolate but there was evidence of a contribution. (4.2,4.4) • There are areas in the portfolio where SECO mobilizes a Swiss approach to good effect although generally taking a supportive rather than lead role in promoting climate action. (4.3) 	

Although there had been a notable improvement since the launch of the climate network and mainstreaming guidelines, there was not enough clarity and confidence within SECO about what climate meant and its implications for the projects. As noted earlier, the Rio marking methodology is not consistent. One example of the unclear areas was whether climate concerns should be introduced for projects that support micro-enterprises which face many immediate commercial and technical challenges, and if so, how and when to introduce climate considerations. It was also not clear to what extent and how climate should feature in the log frame for projects with a Rio marker 1 (or even 2). The situation was especially difficult for projects with a Rio marker 1. For these projects it was not clear to what extent climate related outcomes, outputs, and indicators should be specified where the main intention is to mainstream climate in the core activities. And if it was not appropriate to have specific outcomes, outputs or indicators, then it was unclear, to many, how can climate be integrated into the project and, for example, become part of the contract with an implementing agent. Some projects, where climate had a clear influence on obtaining the objectives, had been able to find a way of integrating climate – an example was the SWISSCO project on the Cocoa value chain (see box 6). Clarity could have been supported with stronger top management messaging on climate.

Box 5 The Swiss Platform for Sustainable Cocoa (SWISSCO)– clarity in the log frame and project approach on how climate is addressed

The Swiss Platform for Sustainable Cocoa (UR 01047) is a multi-stakeholder initiative, bringing together more than 70 members from along the global cocoa value chain: chocolate manufacturers, traders, retailers, NGOs, research institutions as well as the Swiss Government, represented by SECO. Together, the members represent more than 90pct. of Switzerland’s cocoa imports. Launched in 2017, the platform is partly financed by member fees. This enables the implementation of projects that drive real innovation in the sector and create tangible impact, thus linking the high-quality reputation of Swiss chocolate with sustainability.

The programme addresses a number of social, environmental, and economic challenges facing the cocoa value chain. It is recognised that cocoa is often produced at the expense of the environment through deforestation and loss of biodiversity, and cocoa-producing nations are impacted by climate change. One of the four target areas of the programme is climate, forest and agroforestry where the goal is a deforestation-free and climate-friendly cocoa supply chain. There is a target that 80pct. cocoa imported by Switzerland should come from sustainable sources in 2025. To contribute, the platform engages in international efforts to halt deforestation and forest degradation and promotes the adoption of climate-smart agriculture and agroforestry practices. Indicators are presented in the credit proposal on the percentage of farmers adopting climate smart agricultural practices and the organisational set up was designed with working groups (community of practice) where one of them was devoted to climate resilience and biodiversity.

The project has 4 working groups of which one is on climate. This working group is active in continuously exploring means of mainstreaming climate and enhancing resilience. Useful lessons learnt that have emerged as a result of the working group include: i) the need to foster long-term relationships that explore incentives for farmers to adopt climate smart practices but avoiding lock-ins are important as not enough is known to provide full answers for all situations: ii) giving more attention to both ends of the value chain need attention. It was found that more effort should especially go into reaching end-consumers (climate literacy) and developing market demand for climate smart and deforestation-free cocoa (including credible monitoring). This should be combined with concrete efforts to unlock the finance from the downstream end of the value chain for the necessary investments in climate smart interventions. (Rio marker 1, both adaptation and mitigation).

By working with MDBs and global organisations in a multi-donor environment, SECO strengthened its contribution to climate action. The portfolio analysis showed that over the period of 2017-2022, the MDBs were by far the largest implementing channel for climate-weighted allocation in absolute terms. MDBs and global organisations had the credibility and entry points for contributing to framework conditions. They were also able to scale up investments through loans. As noted in the EQ 3, many of the projects supported via MDBs and global organizations were multi-country which provided opportunities for learning across countries. As noted in the finance thematic case study, working with and through the World Bank and IFC increased the impact of SECO support as it leveraged the capacity and influence of these institutions in national financial markets at all levels. The fact that the new, more climate relevant programmes came on top of existing programmes with proven track records and strong networks in countries, including with regulatory bodies and financial market players, enhanced the opportunities for climate action. According to the IFC, the grant funding from SECO has made it possible for IFC to move faster on developing the “E, environment” in the ESG standards including with regards to climate governance and reporting. Working with the WBG also ensured a link between progress on framework conditions and real sector activities. More generally, SECO added value by providing grants for the MDBs and their national partners to allow them to develop and test new policy and technical approaches and de-risk operations for the private sector. Another good example of this is the Partnership for Market Readiness(PMR) programme managed by the World Bank. This multi-donor fund was launched at the Cancun climate conference and aimed at introducing market-based instruments for carbon pricing and emission trading systems – the value chain thematic study and EQ5 elaborate more on the results achieved.

A common Swiss government engagement with climate across SECO, SDC and FOEN is emerging and showing promising results, but has not yet fully matured. Coordination of Swiss positions in the cross-department working group PLAFICO regarding climate and environment continued to improve according to the participants. Concrete examples involved coordinated positions in the context of COPs, GEF and GCF. A very concrete result was the establishment of a Swiss position on fossil fuel investments in the MDBs following critical questions in the Swiss Parliament. The development of the Swiss Investment Finance Initiative (SIFI) with the participation of SECO and SDC into a wider Swiss public-private partnership for sustainable impact investing, was a promising venture with good potential for

increasing mobilisation of private capital and addressing the climate finance gap. The newly formed partnership strengthens the cooperation between SDC and SECO and supports the ambition of Switzerland to become a global impact investment hub. Beyond SIFI, there was scope for increased Swiss contributions to financial market developments and mobilization of private capital. There appeared to be opportunities for better synergies with SIFEM. A large part of the portfolio of SIFEM is funded by national financial institutions. SIFEM seldom had the capacity or the access to TA to support ESG capacity building and training of staff in supported institutions. The SECO supported the ESG program with IFC which had as its objective to strengthen capacities of financial intermediaries. An effort could be made to enhance synergies by supporting the same financial intermediaries, where the SIFEM capital injection could act as a lever for the implementation of ESG standards.

Some partners pointed to opportunities for better synergies between SECO's support for framework conditions at country level with the development of bankable projects for the carbon credit markets in accordance with art. 6 in the Paris Agreement. Development of carbon credit markets offers the potential for increased market investment in climate relevant activities. Switzerland was seen as a front runner in the development of carbon credit markets involving voluntary agreements of off-set carbon schemes. Switzerland (FOEN) has entered into agreements with 11 countries on the operationalisation of the Paris Agreements article 6 on voluntary market mechanisms for carbon credits and SECO supported the implementation of the bilateral agreements through technical assistance to the countries to generate knowledge and experience for credible solutions for carbon sequestration including measuring, reporting and verification. Such synergies could be further elaborated in the context of country programmes with SECO support for framework conditions and bankable project development that would generate carbon credits. (See box 6).

Box 6 Paris Agreement Article 6

The Paris agreement's articles 6 allows countries to voluntarily cooperate with each other to achieve emission reduction targets set out in their NDCs. Through the establishment of carbon market mechanisms, it can become economically viable for countries which need to reduce their emissions to invest in activities in other countries which lead to the reduction or uptake of GHG. More than 120 countries representing 87pct. of the NDCs submitted (UNFCCC 2021) have indicated their willingness to use Article 6. Switzerland in its NDC commits to reduce its GHG emissions by 50 pct. by 2030 compared to 1990 levels. About 25pct. of its emission reduction should be achieved through the article 6 mechanisms. Switzerland is therefore entering into bilateral agreements with 11 countries, which set the cooperation framework and state the requirements for recognition of the international transfer of emission reductions by the treaty parties. These agreements establish a legal basis for commercial contracts between buyers and sellers of emission reductions. The Swiss and Ghanaian government signed such an agreement on 23 Nov 2020.

Switzerland together with Ghana are leading in the implementation of the provisions in Article 6 on market mechanism for trading CO₂ emission reductions. Ghana expects the benefits in the agreement to be job creation and economic development in 'green' sectors which will contribute to mitigation and adaptation and is proactively promoting this partnership.

The cooperation implies:

- a) providing technical assistance financed by SECO through UNDP to Ghana including for the interpretation and refining of the rules and procedures of article 6 i.e., the so-called rulebook agreed in COP26 in Glasgow to be applied as the legal basis for the agreement,
- b) on demand technical assistance to the Ghana Environment Protection Agency,
- c) Switzerland having established financing through a transport fuel tax,
- d) giving the KliK Foundation the mandate to identify and present proposals for carbon emission reduction through developers to the Government of Ghana and Switzerland for approval,
- e) verification: FOEN issues ITMO for recognized emission reductions in projects, the project owners sell these emission reductions.

The projects are expected to be identified mainly within the agricultural and energy sectors i.e., improved cooking stoves, RE and sustainable value chains. So far, it has proved challenging to enhance synergies between the art. 6 initiatives and the climate activities, according to interviewees in SECO.

Swiss added value specifically for climate was not easy to isolate but there was evidence of a contribution. Especially for projects financed through MDBs and global organisations but also for bilateral projects it was rarely easy to identify an explicit Swiss added value for enhancing climate action performance. Nevertheless, at least five areas were found where, to varying extent, SECO has added climate value:

- Grant finance through trust funds with the MDBs, that supported MDB's work on integration of climate consideration into their activities
- SECO is often considered a reliable partner for consistent climate and green transition messaging supporting others
- The SECO log frame demands precision for technical assistance and grant support and has served to enhance implementing partner and recipient action plans – although seldom related to climate
- SECO has financed climate relevant studies at a sector level which have helped. An example is in Albania where SECO financed a study on the smaller holder perspective on agricultural access to finance which supported the World Bank project on Disaster Risk Financing Instruments (also SECO funded) in its policy dialogue for ensuring due attention to the climate resilience needs of smaller holders, SECO is perceived to be willing to fund innovative knowledge generation and studies on new topics and a [study on insurance, financing and biodiversity](#)²⁹ is another example of this
- SECO directly added value on bilateral projects where SECO engages Swiss universities/consultants/NGOs/public bodies. Examples include 1) the Federal Office for Meteorology and Climatology (METEO) and the Federal laboratories for material science and technology, (EMPA) who brought experience which, even if not unique to Switzerland, gained from deep experience from Switzerland and/or with Swiss international cooperation; 2) the IUD project in Sousse, Tunisia, where SECO mobilised Swiss/international consultants with climate expertise who provided technical capacity building and studies that contributed to knowledge building and worked with Swiss consultancies and Tunisian/Swiss planning engineering companies, bringing top-level expertise

There were areas in the portfolio where SECO mobilizes a Swiss approach to good effect, although not specifically for climate. Generally, SECO took a supportive rather than lead role in promoting climate action. The current Swiss International Cooperation Strategy acknowledged the need to focus cooperation taking into value added, achieve critical mass, and generate impact. One key strategy for responding to this was to select areas of cooperation where Switzerland had a comparative advantage and where a Swiss approach would bring added value. But in practice there were constraints as it had proven difficult to identify comparative advantages that are transferable. SECO had also been ambivalent given the aid efficiency agenda which called for downplaying the use of aid conditioned on or designed around the use of donor nation resources. SECO emphasized its neutrality and traditionally adopted a low-key approach to furthering national interests.

Mobilizing climate finance and greening the financial sector was probably the clearest area where a Swiss approach was applied. Greening finance and mobilizing private finance for climate was central to the SECO narrative of mainstreaming climate change into private sector development and this was also reflected in SECO's choice of an objective on mobilizing private capital for climate. The value added of SECO within finance was primarily in knowledge about capital market development and grant funding for de-risking and technical assistance. SECO's main value added was its understanding of financial markets, its responsiveness to the new demands for climate to be included in financial market development from government partners and investors; and choosing and financing partners that had the capacity and leverage to impact financial sector development in countries and link it to real economy investments. Switzerland had the ambition of becoming an international Sustainable Finance hub with a focus on impact (including climate impact) investment.

Other areas where there was evidence of a Swiss approach that had a potential to contribute to climate action, always with a focus on framework condition, included:

- Promotion of renewable energy and especially energy efficiency reflects Swiss knowledge and reputation for ensuring efficient use of limited resources
- Sustainable infrastructure development corresponds to Swiss planning and early integration of environmental aspects in infrastructure development
- Value chain development reflects the Swiss approach to promoting multi-stakeholder partnerships and focusing on the private sector engagement across key value chains
- Public financial management reflects Swiss prudence and good governance in management of public finances

²⁹ Insuring nature's survival: the role of insurance in meeting the financial need to preserve biodiversity, WBG, April 2022

- Disaster risk reduction, sometimes combined with insurance services, builds on a long-standing area of Swiss intervention reflecting an ability to launch humanitarian support and neutral approach to areas in conflict as well Swiss experience in insurance services
- Skills development where there is emphasis on both creating and responding to market demands as was seen in the case of skills development for renewable energy in Indonesia (RESD) as well as the SRI project in Ghana

SECO did not see its role as pushing partners to adopt more progressive climate approaches in their operations. The modus operandi was to let partners and the private sector lead in climate with SECO in a supporting role. Thus, SECO’s role in developing the climate approach was more limited and generally left to partners. This was evident in the SIFI project where the development objective was left for the private sector to design and develop, and in the PFM support, the Sustainable Finance Facility, and IDSUN projects where SECO supported rather than led the World Bank in the mainstreaming of climate, in SRI where the World Resource Forum supported by EMPA are developing new tools and approaches to recycling of e-waste, as well as in SWISSCO where several of the members are spearheading the application of methods to achieve sustainable value chains.

3.3 Results

3.3.1 EQ 5 Results

EQ 5 - To what extent has climate intervention led to or contributed to achieving the expected objectives?	<p>5.1 Results - The extent to which the interventions contributed to emissions reductions and climate adaptation in accordance with the expected targets and partner country objectives, priorities, strategies and plans e.g., NDC, NCCS, LTS, NAP etc.</p> <p>5.2 Targets -Whether the SECO climate target on financing is achieved in itself and in relation to Paris agreement.</p> <p>5.3 Why and why not? - The most important factors for success and for failure.</p>
<p>Summary of findings with linkage to the above areas of inquiry</p> <ul style="list-style-type: none"> • SECO’s climate approach produced important results which are leading to climate change mitigation and adaptation, albeit still at a relatively small scale. (5.1) • Attention to and evidence of climate mainstreaming increased over time with the more recent programmes paying greater attention to climate aspects. (5.1) • SECO overshot on its internal target for climate finance disbursements. (5.2) • There was quantified saved kWh and GHG emissions from a handful of projects but there is a unexplored potential for further savings in many projects and programmes with climate commitment. (5.1) • Results have not yet materialised in new projects where climate was integrated recently. (5.1) • Many of the factors that supported or hindered results were within the influence of SECO – weak project design was a major hindering factor. (5.3) 	

SECO’s climate approach produced important results leading to climate change mitigation and adaptation, albeit still at a relatively small scale. The portfolio analysis demonstrated that the weighted climate commitment volumes as a share of total volume of SECO ODA had on the whole been increasing from 2017-2020 and leveling off in 2021 and 2022. Twenty-seven projects were examined in the sample and there were climate related results in 14 projects, one of which had RM 0. In 10 projects it was too early to have results and/or there were other reasons for not reporting climate results linked to monitoring methodologies under development, limited attention to climate or weak integration of climate in project/program activities. A table outlining the results including non-quantifiable results is given in Annex B.

Under the business line ‘reliable framework conditions’ the MCP II, the SFF and the DRFI programmes implemented by the WB led to several tools, strategies and plans which influenced policies and systems changes i.e., sustainable finance framework and disclosure regulations in South Africa and adoption of a National Disaster Risk Financing and Insurance Strategy in several countries including Indonesia. Under the PMR also implemented by the WB, *The Carbon Tax Guide: A Handbook for Policymakers* and *the Emissions Trading in Practice: A Handbook on Design and Implementation* are the most downloaded industry go-to guidebooks. In the GCP, one result was high level approval of key policies such as the national coffee action plan in Peru.

Under the business line urban development and infrastructure, there were reported tangible results on saved kWh and CO₂ i.e., as a result of IUWASH, the average energy efficiency improved 24.4 pct in seven water utilities and as a result of the IUD in Tunisia the estimated savings attributed are around 3000 tons of oil equivalent (toe) per year, reducing the energy bill by about EUR 600,000 annually and CO₂ emissions by 5,000 tCO₂eq per year. There were several intermediate results in terms of increased awareness, capacity building, training, strategies, and plans under this business line which might lead to concrete kWh and CO₂ savings depending on climate financing for resilient infrastructure and continuing political buy in to follow the strategies and plans. However, the results identified so far did not seem to match the substantial investment in this business line which points in the direction of a large unexplored potential for capturing results.

In the ‘innovative private-sector initiatives’ outcome area, SECO did substantial work in relation to increasing access to climate finance through support for TA i.e., through SECO17. The DfGE promoted building codes for efficiency in buildings in Jakarta and a number of other cities. GEIPP contributed to the form of better policy, improved regulations, and greater capacity to implement circular economy at central, local, and individual enterprise level.

In relation to integrated value chains, the SWISSCO project achieved several results both on adaptation and mitigation. Overall, imported cocoa equivalents sourced from sustainable production reached 70 pct in 2021. Cumulatively from 2018 to 2021, close to 2.5 million multi-purpose trees and 253,263 plantain suckers planted, and close to 7 million cocoa seedlings distributed and the area with newly established agroforestry systems more than doubled from 2020 to 2021 - see box 7 below.

Attention to and evidence of climate mainstreaming increased over time with the more recent programmes paying greater attention to climate aspects. The target in the context of the International Cooperation Strategy, having climate & resource efficiency as a transversal theme, and the elaboration of climate mainstreaming guidelines (EQ3), has raised attention to climate. One example is the Sankofa project implemented by Halba under the SWISSCO project - see box 7 below.

Box 7 The Sankofa project under SWISSCO

Halba is a member of SWISSCO and a division of the second largest retailer in Switzerland, Coop. Halba’s project Sankofa is supported through SWISSCO with CHF 1 million from SECO. Halba’s mother company COOP invested CHF 1,35 million with the view to use the agroforestry as carbon sink which would absorb 75000 t CO₂ equivalent. Halba aimed at establishing 400 ha dynamic agroforestry on degraded land. The project only achieved 215 ha because the project was implemented during the COVID-19 pandemic, there were intensive droughts and the gold standard methodology which was selected to obtain the carbon credit accreditation is not well suited for small holder farming. The certification for carbon credits did not happen as this methodology requires a minimum of 400 ha cultivated. <https://www.offsetguide.org/understanding-carbon-offsets>

Even so, there were good intermediary results since the farmers noted that there was better soil retention, humidity, and shade which contributed to healthier cocoa plants and fruits due to dynamic agroforestry. There was also increased income through mixed cropping which gave the possibility to sell the produce and save money. This is contributing to build resilience. The increased biomass per ha contributes to mitigation through increasing the carbon sink capacity. There were also social results in terms of food security and from increased income from local sales of food products harvested as a result of the intercropping.

An overall important result linked to the SWISSCO project and Halba’s Sankofa project in particular is that the Ghana Cocoa Board decided to include agroforestry as one of five priorities. This change in the approach was also influenced by the good results from the cocoa trial plot which the Cocoa Research Institute of Ghana (CRIG) had established. Halba’s collaboration with CRIG is expected to be formalized through an MoU in phase 2. This collaboration and the establishment of the trial plot are testimony of the recognition of the high-quality pioneering work of Halba.

There was also the Cities Support Program South Africa (CSP) which had Rio Marker 0 in the first phase from 2015 – June 2020 and Rio Marker 2 (principal) in the second phase from 2020 – 2024. The programme was implemented by the World Bank and the South African’s National Treasury. The programme focused among other things on sustainable and climate-responsive infrastructure and land development, building upon the work started under the land management and urban regeneration component of phase 1, where climate resilience was not in focus. Now in phase 2, the technical assistance programme is working on strengthening climate resilient asset management capacities, scaling up climate responsive capital

investment, and developed water resilience strategies. Other examples included the contributions to the WB Sustainable Finance Facility and the IFC ESG.

SECO overshoot on its target for climate finance disbursements. Table 1 sets out the target for SECOs yearly climate finance contribution to meeting Switzerland’s international climate finance commitment. The target proved relatively easy to reach and SECO systematically overshoot the target based on the way climate finance was incorporated into SECO activities and the way climate finance was calculated including the application of the Rio Markers. In 2022, climate disbursements reached 122 million CHF, which is 32 million CHF (35 pct.) higher than the target.

Table 1 SECO yearly rolling target for climate committed disbursements and the actual disbursement

Climate finance target Million CHF	Target disbursement	Actual disbursement	Over shooting of target %
2017	60	89.4	48 %
2018	75	82.1	9 %
2019	75	90.7	21 %
2020	80	88	10 %
2021	88	111 ³⁰	26 %
2022	90	122 ³¹	35 %

The financial targets per WE operational section followed the same positive trend. All WE operational sections should achieve their climate financial target if all budgeted and planned disbursements are made by the end of 2022 (Cockpit, Climate Network, Annual Programme 2023).

There was quantified saved kWh and GHG emissions from a handful of projects but there was a potential for further savings in many projects and programmes with climate commitment. SECO was measuring its performance on climate through several indicators. Table 2 shows the development on the two indicators which have been measured for the longest period. *SI 10 Reduction of greenhouse gas emissions in Mt CO2eq* has been measured since 2016. The results were produced from 17 different projects compared to the overall portfolio and the 177 projects (L1 level projects in SAP database) with climate commitment covering both strategic periods 2017 – 2020 and 2021 - 2024. The amount of CO2eq saved has fluctuated significantly with 2018 being the year with the highest contribution of 17.9 million tons CO2eq. If this particular year is taking out of the equation, there has been an increasing trend in savings. *SI 11 Kilowatt hours saved through energy-efficiency measures or kilowatt hours additionally produced from renewable energy* has been measured since 2012. The result from 2016 – 2019 stemmed from 12 SECO supported projects while from 2020 the results came from six projects. Also, here the results came from very few projects.

Table 2 Progress on achievement of SECO’s climate related indicators (Sources: 03a project results and 03b climate report)

Indicator	2016 - 2019	2020	2021
SI 10 Reduction of greenhouse gas emissions in Mt CO2eq	29 mio. tons CO2 saved	11.9 mio. tons CO2 saved	9.9 mio. tons CO2 saved
SI 11 Kilowatt hours saved through energy-efficiency measures or kilowatt hours additionally produced from renewable energy	21.3 bio. kWh from renewable energy	3.2 bio. kWh from renewable energy	6.6 bio. kWh from renewable energy

As can be seen in Annex B there were examples of projects on urban development, energy efficiency and water management which produced results of relevance for the indicators but were not included in SECO’s measurement such as the IUWASH project in Indonesia and the Solid Waste Management Project in Albania.

Compared to the previous strategy period, SECO increased the attention to climate by adding SI 6 Amounts mobilized from the private sector (for climate) in USD (including both climate and non-climate numbers) and SI 9 Leverage effect of SECO's support on public investments (for climate) in USD (also including climate as well as non-climate figures)³². The SI 6 is reported under EQ 6.

³⁰ Key results SECO WE 2020 and 2021

³¹ Annual Program 2023 SECO Climate Network. October 2022

³² Private sector capital mobilisation 2016-2020 amounted to USD 80 million based on information from SECO

Results had not yet materialised in new projects where climate was integrated recently. Many of the programmes and projects reviewed did not yet report specific results related to climate. The programmes were in their first years of operation, or they were in the inception phase where the implementation strategy and monitoring methodologies were being set up, e.g., Sustainable Landscape Programme in Indonesia and in the Cities Support Programme (CSP) South Africa phase 2. This is also the case with i.e., the Solar PV Net Metering project in Ghana. Some projects like the IFC ESG, WBG IDSUN II, the sustainable urban development in Tunisia and the WB Cities Support Programme South Africa (CSP) and the Ghana Private Sector Competitiveness Programme (GPSCP) had Rio Marker 1 or 2 added in the second phase. In these projects, the technical assistance and project activities are being aligned with the added objectives on climate, but it was too early to expect results. Based on the results of the first phase, these projects, however, had good potential for delivering climate results for different reasons i.e., strong experience with mainstreaming environment or already achieved climate-related results in phase I, such as in the CSP South Africa.

Many of the factors that supported or hindered results reporting were within the influence of SECO – weak project design was a major hindering factor. Several factors (see table 3) in the SECO model supported results such as continuity, choice of partners, flexibility and the mix of policy work and action on the ground. In the climate approach, main factors that hindered results reporting were, poor integration into project design and log frames and lack of focus on registering progress on adaptation and mitigation, and low focus on climate in call for proposals. This was e.g. the case in the call for proposals under the Sustainable Landscape Indonesia, and the first SIFI call.

Table 3 Supporting and hindering factors – results

Supporting factors	Hindering factors
<ul style="list-style-type: none"> • Continuity / long-term • Choice of partners • Early use of mainstreaming guidelines • Identification of the problem • High political buy in and support • Good sector integration • Flexibility including in procurement processes • Use of influences / change agents • Co-benefits • Mix of policy and action • Multi-country approaches supported learning across countries 	<ul style="list-style-type: none"> • Low or no focus on climate in call for proposals • Climate poorly integrated in project design and implementation plans • Overload, complexity, cumbersome reporting • Underestimation of critical mass and time span / political economy issues • In some cases, needs outweigh resources • General political economy issues hindering progress

The supporting factors were mainly the presence of SECO engagement for a long period of 10 – 12 years which allowed for results to developed and mature and turn into impact. The choice of partner like the MDBs which already had clear strategies and targets on climate aligned to the Paris agreement helped maintain the focus on climate results. In the preparation, the precise identification of the problem to be addressed combined with early use of the mainstreaming guidelines supported integration of climate, as the example of SWISSCO highlighted. In the implementation when the mix of policy and action in SECOs and partners’ close cooperation with the government in target countries secured high buy in and support, the results were forthcoming. Co-benefits helped acceptance and buy in at the local level i.e. shade and cooler temperatures created by tree planting in SWISSCO, and the change agents assisted the PMR projects to influence policies. The integration of climate with other sectors and sector coordination played a strong positive role in achieving results as did the flexible approach which unlocked bottlenecks in procurement processes. Cross country learning was in some case supported by the multi-country approach such as in SFF and IFC Edge.

The most common factor that hindered climate mainstreaming and climate results is related to poor design of the interventions with regards to climate as project design overall is very strong. Generally, there is sample opportunity to better reflect climate risks and opportunities in the analysis, the log frame and the results framework. Although the credit proposals were Rio marked or mentioned climate as an important consideration, there were many examples where climate was then not reflected in the formulation of specific outputs, outcomes, or indicators. For example, the GPSCP II only mentioned investment climate in the credit proposal and not in the log frame even though it has a Rio Marker 1. The Responsible Mining Index project which also had a Rio Marker 1 did not mention climate in the credit proposal. The GEIPP did mention the importance of climate mitigation and has six relevant indicators, but the activities do not seem

to link to tangible results and progress on climate was not reported. The OT4D in Albania briefly mentioned climate in the credit proposal but climate was not integrated in the result framework. Likewise in Indonesia, the IDSUN programme contributed to strengthening the legal and regulatory framework to urban development, but the level of success in terms of addressing climate change could not be assessed due to absence of climate targets and the programme's reporting and reviews did not explicitly refer to climate. The Sustainable Tourism in Indonesia did address some environment and water related issues i.e., limits on the number of visitors in certain destinations, but although the project was marked relevant for climate adaptation, climate issues were not clearly identified and addressed in the project. The later addition of the Integrated Tourism Master Plans was expected to consider climate and environmentally relevant issues but has yet to be finalized. In the SLP in Indonesia (see Box 8), the link between the four projects to be supported and the contribution to the overall objective which is GHG emissions avoidance has yet to be developed. Finally, working with framework conditions, success hinges on the political will to implement reforms. Interestingly, the climate aspects of the reforms were not mentioned in interviews as a hindrance in themselves.

There were projects which most likely produced results on climate change but the monitoring processes and/or methods for verification were not in place to verify and quantify the results. This was linked to the factors analysed above that the projects lack a clear line of sight from the activities to the outcomes and impact. It also reflected that the area of climate change was new and that it posed new challenges for measuring and quantification of adaptation and resilience results and quantifying avoided emissions. An example of this was the SRI project in Ghana which most likely led to avoided GHG emissions through recycling of metals. However, despite the project having been implemented for several years and was in its second phase the challenges to develop an adequate methodology to measure GHG emission reductions had not been overcome. It was envisaged that by 2025 when the project ends there will be a quantification of the contribution to CC mitigation.

Box 8 The Sustainable Landscape Programme Indonesia (SLPI)

SLPI is an example of a weak link between project activities and results and impact on climate mitigation and adaptation – at least in the design phase.

The purpose of the programme is to reduce rural poverty and GHG emissions. The strategy is to contribute to well-governed sustainable landscapes in Indonesia that provide for improved agricultural production and thus, income opportunities for the local population which will at the same time benefit from intact natural ecosystems.

The project defines climate in terms of GHG emissions avoidance in t CO₂eq at the impact level, and is marked with Rio Marker 2, addressing both mitigation and adaptation. The link between the four projects to be supported and the contribution to the overall objective of the SLPI programme which is GHG emissions avoidance has yet to be developed. It is also unclear, how SECO intends to monitor and measure progress, given a lack of GHG-specific indicators and targets in the log-frames of supported projects and a lack of explicit climate change adaptation indicators and targets. This is currently under discussion with the implementers. A complicating factor here is the political context in Indonesia with regards to quantifying GHG emissions resulting from reduced deforestation.

SLPI operates in rural areas of Indonesia with high rates of deforestation, poverty (further exacerbated by the Covid-19 pandemic), peatland degradation, and extreme climate events. Due to the significant degradation of ecosystems and the critical need for their preservation, as well as the simultaneous imperative to improve livelihoods of those dependent on these ecosystems, there seems to be a need to thoroughly examine the trade-offs involved in effectively balancing ecosystem conservation and livelihood improvement. Despite this, none of the projects has explored specific trade-offs required in the project areas between pressing economic development needs on one hand and climate impact and degradation of ecosystems on the other. It is also unclear what strategies the selected projects will deploy to effectively promote long-term co-benefits to local stakeholders by addressing climate change mitigation needs. It is worth noting that none of the chosen projects has conducted climate risk assessments as this was not demanded by SECO.

3.3.2 EQ 6 Mobilisation of private sector capital

EQ 6 - To what extent did the division's activities support mobilisation of private funds	<p>6.1 Results - The extent to which the division's activities to support mobilisation of private funds were successful.</p> <p>6.2 Sustainability - The extent to which these activities resulted in self-sustained private financial flows for climate.</p> <p>6.3 Why and why not - The most important factors for success and failure.</p>
<p>Summary of finding with linkage to the above areas of inquiry</p> <ul style="list-style-type: none"> • Despite increased attention, mobilisation of private capital for climate fell short of expectations showing a decline over the evaluation period. (6.1) • Compared to its peers, private sector mobilisation for climate was low – reflecting variations in approaches and instruments. (6.1) • It proved difficult to establish a link between SECO technical assistance contributions and mobilization of investment from the private sector. (6.2) • There were other examples of mobilisation of private capital related to SECO funded activities – the additionality was difficult to verify. (6.1) • The new public private cooperation regarding SIFI was promising and supported the Swiss ambition of becoming a sustainable impact investment hub. Its success will depend on credible capturing of impact results. (6.2, 6.3) 	

Despite increased attention, mobilisation of private capital for climate fell short of expectations showing a decline over the evaluation period. Swiss development assistance and private sector mobilisation was contributing to the global target of providing at least USD 100 billion of climate financing to developing countries by 2020. Table 4 shows mobilization of private sector funds in total for the period 2020-2021.³³ The share mobilised for climate is indicated at the bottom of table 4 based on information from SECO, amounting to less than 5 pct. of total finance mobilised. As can be seen, the amount mobilised stemmed from five projects/programmes. In these five, SIFEM had by far the largest contribution with close to 85 pct. of the total. PIDG contributed with USD 99 million equivalent to about 14 pct.

Table 4 Private sector capital mobilised per operational section per year to SI 6

USD	Project / Programme	2020	2021	Total	pct.
WEHU	Sustainable Trade Initiative IDH	194,000	2,091,670	2,285,670	0.34
WEIF	Swiss Investment Fund for Emerging Markets (SIFEM)	500,000,000	68,600,000	568,600,000	84.69
	Private Infrastructure Development Group (PIDG)	66,720,000	32,380,000	99,100,000	14.76
WEIN	Platform Renewable Energies REPIC 2018-2022	742,722	647,656	1,390,378	0.21
	SREP Scaling-Up Renewable Energy Program for Low Income Countries	36,828		36,828	0.01
Of which for climate	Climate network: Annual Programme 2023	17,300,000	14,000,000	31,300,000	4,6
TOTAL		567,693,550	103,719,326	671,412,876	100

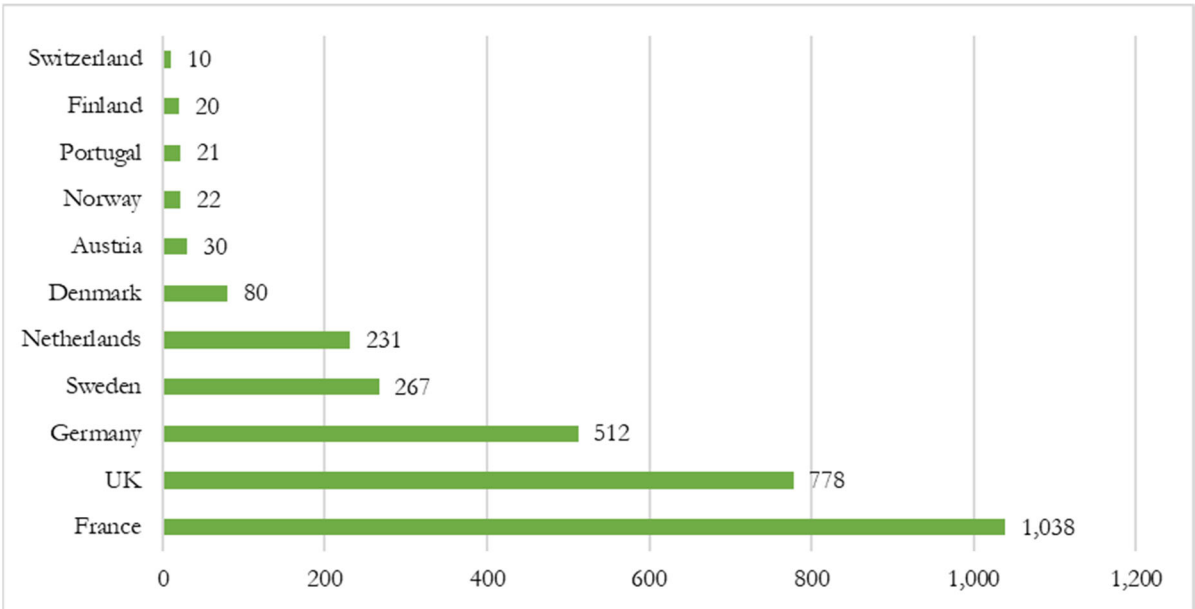
Compared to its peers, private sector capital mobilisation for climate was low – reflecting approaches and instruments. Data from OECD DAC on private sector capital mobilization shows that Switzerland compared to peers was well behind – in general as well as for climate.³⁴ To some extent, this can be explained by the types of instruments different countries use, but also to clear policy commitments related to climate. The large contributions from France, Germany, Sweden, and Finland to a large extent depended on blended finance instruments (concessional loans, guarantee instruments, first loss tranches) of which some of them were used for co-financing climate investments with IFIs. Until recently SECO had only in very few instances and on a limited scale made use of such instruments as this was not seen by parliament as the intention with ODA and questions related to value for money, as Switzerland had already been providing core-funding for the IFIs for exactly the same purpose. But the demands for support for

³³ Private sector capital mobilisation 2016-2020 amounted to USD 80 million based on information from SECO.

³⁴ <https://www.oecd.org/dac/2023-private-finance-odfi.pdf>

Ukraine had led to the signing of a CHF 10 million first loss tranche agreement with IFC for mobilization of credits for farmers. Mobilization of private capital in the Netherlands, Denmark and to some extent Finland to a large extent derived from their national development finance institutions (DFIs), namely FMO, IFU and Finnfund, which had been given climate goals to pursue as contributions to the respective countries' international climate finance objectives. From 2023, such a climate goal had also been established with SIFEM, as SIFEM was now expected to align all new financing with the goals of the Paris Agreement and national climate targets as well as dedicate at least 25 pct. of new investments to climate.³⁵

Figure 13 Top bilateral provides by mobilised private finance for climate, 2018-2020 average, USD million



Source: <https://www.oecd.org/dac/2023-private-finance-odfi.pdf>, adapted by PEM

It proved difficult to establish a link between SECO technical assistance contributions and mobilization of investment from private sector. Under SI 6, SECO also monitored *Projects mobilizing investment from Private Sector through TA*. The rationale being that there are linkages between the technical assistance provided by SECO and the amounts invested by the private sector. According to SI 6, in 2020, USD 152.3 billion were mobilised through 10 projects and in 2021, USD 79.7 billion were mobilised also from 10 projects but not entirely the same projects. The largest contributions came from IFC programmes such as the Global Financial Infrastructure Programme that was by far the biggest contributor, and the Green Bond Technical Assistance programme and SECO 17. The mobilisation of these private funds cannot be reported to OECD as they are not eligible for reporting under the current methodology. SECO was providing inputs for discussion in OECD as to how to better capture private capital mobilised based on the technical assistance contributions. The solution to this will lie in the ability to verify, beyond reasonable doubt, the contribution of the technical assistance to the investment, and the derived climate impact. Furthermore, the mobilisation registered included mobilisation of funding from DFIs e.g., through SECO 17, which likely had already been reported internationally as climate finance by the DFIs themselves.

There were other examples of mobilisation of private capital related to SECO funded activities – the additionality was difficult to verify. One example of this was the SWISSCO. One of the long-term objectives of the SWISSCO was to *make a measurable contribution to the 2030 Agenda aimed at increasing the social, ecological, and economic sustainability along the cocoa value chain with a focus on the living conditions of smallholders*.³⁶ SWISSCO’s component 3 was about leveraging private sector investments through the creation of a co-financing facility. It allowed SECO to initiate public-private partnerships and to flexibly support innovative private sector driven projects aimed at improving the living conditions of farmers and their families through improvement of the cocoa value chain. After two calls for proposals in the first phase, SWISSCO partners implemented 14 projects with a SECO contribution of CHF 7.6 million and investment from the private sector of CHF 18.4 million totaling an investment of CHF 26 million.³⁷ The SWISSCO project had a high

³⁵ SIFEM: https://sifem.ch/fileadmin/user_upload/sifem/pdf/en/Other_Documents/230413_SIFEM_Climate_Approach.pdf

³⁶ Credit proposal, Swiss Cocoa Platform Association and proposed implementing partners, 2017

³⁷ SWISSCO Annual Report 2020

buy in from its members pursuing a sustainable agenda and committed to measuring impact integrated in the project objectives.

The new public private cooperation regarding SIFI was promising and supported the Swiss ambition of becoming a sustainable impact investment hub. Its success will depend on credible capturing of impact results. Based on the preliminary experience and the interest from the investors, SECO in 2020³⁸ approved a new blended finance facility, the SIFI. The purpose was to mobilise finance for the SDGs (SII related to climate, jobs, and companies access to capital). The strategy was three-pronged: 1) innovation window where impact investors can apply for grants to help develop new products or ideas or scale existing with a view to building the market; 2) product window to support with grant TA (or potentially other modalities such as first loss coverage) the growth of impact investing; 3) support for Swiss framework conditions to promote impact investing in Switzerland (primarily financial regulation issues). The SIFI was in 2021-22 developed into a public-private partnership with the participation of SDC, UBS and Credit Suisse Foundations and is presently being set up as a separate non-profit legal entity. So far, there had been little attention to development impact and the primary private sector partners had an overwhelming focus on mobilization, leaving the question of impact to the project developers. The templates for calls for proposals for SIFI requested information on development impact monitoring. There was no process to assess the potential climate impact in the selection of which proposals to pursue. In comparison there was considerably more focus on potential to build capital markets and financial solutions. According to the private partners to the initiative, the intention was to leave project development, reporting and verification open for the bidders to decide themselves, and for the first round of SIFI related to the innovation window, there will only be a focus on measuring private capital mobilized (with additionality and value added of the innovative instruments for mobilization also left open to the chosen project holders to report on). The interviewees from outside SECO also underscored that their primary objective was to mobilize private capital and then it was up to the project implementors to ensure impact.

The issue of anchoring blended finance instruments to a development rationale as well as the importance of assessing outcomes and impacts of the private funding mobilized through the use of blend instruments was repeatedly pointed to as a priority in literature on the use of blended finance instruments.³⁹ In a recent overview of outcomes from donor country evaluations on international climate finance analyzed by DAC OECD Evalnet, one of the findings was that an overemphasis on financial input targets has implications for both relevance and impact. And further “*A focus only on mobilizing (private) finance inputs overachieving climate outcomes can be detrimental to the overall climate efforts.*”⁴⁰ This conclusion was based on the lack of documentation for additionality and relevance of the climate funds.

There was a need to find an acceptable balance between the need for reporting and verification of climate impact that ensure accountability in the use of public funds and deter climate green washing based on international standards without creating overly cumbersome procedures that risked scaring potential impact investors away. SECO engagement with private partners in the context of the Building Bridges initiative was and cooperating with the Swiss Sustainable Finance appeared to be important for addressing this challenge.⁴¹

³⁸ Credit proposal Swiss Impact Finance Initiative 2020-2025 UR-01282.01.88

³⁹ <https://www.oecd.org/dac/financing-sustainable-development/blended-finance-principles/guidance-and-principles/> and <https://www.oecd.org/dac/2023-private-finance-odfi.pdf>

⁴⁰ From billions to trillions – to Impact. Lessons from a Rapid Review of Climate Finance Evaluations, OECD Evalnet November 2022

⁴¹ See e.g. <https://www.buildingbridges.org/2022-edition/> The Federal Council report “Sustainable finance in Switzerland – outlines areas for action for Switzerland to become a leading sustainable financial centre – including actions to increase transparency related to impact and hinder green washing <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-92274.html> and

3.3.3 EQ 7 Impact

<p>EQ 7 - To what extent are the interventions generating or are expected to generate significant positive or negative and intended or unintended impacts?</p>	<p>7.1 Low carbon - The extent to which the division contributes to ‘decarbonisation?’ The extent to which there are significant positive, negative, intended, or unintended impacts which have a causal relationship to the overall portfolio.</p> <p>7.2 Climate resilience - The extent to which the division contributes to ‘climate adaptation;’ The extent to which there are significant positive, negative, intended, or unintended impacts which have a causal relationship to the overall portfolio.</p> <p>7.3 What about non climate actions? - The extent to which there is a positive or negative climate impact from interventions that are not marked climate relevant.</p>
<p>Summary of findings with linkage to the above areas of inquiry</p> <ul style="list-style-type: none"> • It was plausible that results related to improved framework conditions had a positive impact on mitigation and adaptation - especially the mainstreaming of climate into growth-promoting economic policies had potential for impact in the medium to long term. (7.1, 7.2) • In general, credit proposals and SECO cooperation programmes could be considerable stronger and clearer in their alignment with the target countries climate change frameworks such as the NDC and the LTS - this might also support impact. • There are examples of SECO contributing to climate adaptation with a good potential of replication and scaling up the approach in other SECO projects. (7.2) • Urban development and infrastructure projects had some impact on mitigation. There was potential in the second phase of ongoing projects where design improved to have significant impact on mitigation and adaptation. (7.1, 7.2) • There were unintended interventions supporting climate resilience in projects which are not marked climate relevant. (7.3) • There were no negative impacts on climate change identified in the sample. (7.3) 	

It was plausible that results related to improved framework conditions had a positive impact on mitigation and adaptation - especially the mainstreaming of climate into growth-promoting economic policies had potential for impact in the medium to long term. As outlined in EQ5 and Annex B there are impressive results in relation to climate relevant changes to regulations, strategies, and plans which SECO has supported mainly through MDBs such as the WB SFF which led to changes to financial regulations in several countries incl. Vietnam and Colombia, MCP II which led to Climate Change Institutional Assessments (CCIA) in 23 countries including Ghana, and the Climate-PEFA in Indonesia, The Urban Development Plan, the Urban Mobility Plan and the Traffic and Parking Plan in Sousse, Tunisia as well as significant contribution to sustainable urbanization in Indonesia in terms of strengthened legal and regulatory framework and Indonesia’s first National Disaster Risk Financing and Insurance Strategy, support to changes to the building codes to promote energy efficiency in buildings in Jakarta through IFC DfGE and a number of other cities, and reporting in the PFM in Albania of climate fiscal risk reporting and budgeting etc.. Considering that these changes to regulations, strategies, assessments, plans have surfaced only since 2020, there is a considerable attention to climate change and pressure to report progress as well as the continuing support for implementation, it is found plausible that these and other results will have impact on both adaptation and mitigation in the medium term, when they are fully implemented.

The support for the WB implemented PMR programme was assessed by an independent evaluation⁴² to be the most prominent initiative in the carbon pricing policy landscape and was reported to be the only place where dialogue is happening at a practical and technical level across a broad spectrum of participants. It influenced global policy discussions regarding the use of carbon pricing for GHG reductions and is highly effective and efficient at improving readiness and generating dialogue on carbon pricing and PMR knowledge products are particularly valued. Furthermore, it was positively impacting capacity and readiness to design, pilot, and implement carbon pricing instruments as well as the core technical components needed for carbon pricing. These interventions led to carbon pricing regulation, economic modelling to analyse the potential of carbon pricing instruments in a country, sector-based options studies for the adoption of different mitigation instruments and roadmaps for how different mitigation instruments could be rolled out.⁴³ The principal challenge for the PMR in demonstrating a reasonable likelihood for achieving

⁴² Ipsos-Mori, 2018

⁴³ Ipsos-Mori 2018

transformational change was that its policy objectives were long-term but also highly political, and therefore unpredictable.

Globally, SECO has also contributed to produce tools for greening PFM, methods for climate budget tracking, green public procurement as well as green public investment management at the sub-national level, ESG guidelines and tools. All these instruments, methodologies and tools have been developed in the last two – three years. As these tools become more widely known and applied there is a very good likelihood of impact through greener public budgets and greener financial sectors supporting green investments.

In general, credit proposals and SECO cooperation programmes could be considerable stronger and clearer in their alignment with the target countries climate change frameworks such as the NDC and the LTS - this might also support impact. The exception found was SECO programmes in Albania where climate was well mainstreamed into the Swiss cooperation programme with Albania 2022-2025, and this also reflected the choices made. Where projects that had climate action were linked to wider processes, well grounded in local priorities and institutionally the prospects for transformation and sustainability were significantly better. In the RE auctions Programme which has enabled 150MW of wind energy is in line the national energy legislation, the NDC and the National Energy and Climate Plan 2021-2030.

There are examples of SECO contributing to climate adaptation with a good potential of replication and scaling up the approach in other SECO projects. Although support to mitigation is higher, SECO supports adaptation and building resilience in several ways. Risk assessment and management was one approach of contributing to building resilience which i.e., in the case of DRFI led to establishing of various disaster risk assessment and management tools in 11 countries and was likely to increase resilience against loss and damage from climate-induced natural disasters for low-income households in Morocco and farmers in South Africa. Integrated urban planning was likely to lead to resilience through strengthening climate resilient asset management capacities, scaling up climate responsive capital investment, and developed water resilience strategies in Cape Town in South Africa and through redirection of flood water to useful purposes in Sousse in Tunisia. The SWM project in Albania achieved a significant environmental effect and climate resilience was expected to have a positive impact once regulated waste disposal and treatment and from previously unsecured and uncontrolled landfills were in place. Apart from contribution to mitigation the *Renewable energy auctions Programme* in Albania will also contribute to adaptation to climate change, through a more climate resilient energy production, as a result of diversification and reduced dependency on precipitation.

In some of SWISSCO's projects, the application of dynamic agroforestry on degraded lands had already impacted on adaptation, albeit on a small scale. Farmers experienced increased income and food security through diversification of crops. There was also better soil retention which contributed to increased yields. These factors were building resilience to impacts of climate change. There was substantial potential in upscaling this approach in Ghana through the policy decision of the National Cocoa Board to use dynamic agroforestry as one of their strategies. This integrated approach can also be replicated in other value chains such as cashew and palm oil i.e., in the SLP in Indonesia and in the GPSCP II in Ghana in as well as in the value chains of olive and medical and aromatic plants in i.e., the OT4D in Albania.

Urban development and infrastructure projects had some impact on mitigation. There was potential in the second phase of ongoing projects where design improved to have significant impact on mitigation and adaptation. The results achieved on energy savings, energy efficiency, installation of renewable energy and saved CO₂eq emissions impacted moving in the right direction regarding decarbonization i.e., Indonesia, South Africa, and Tunisia. The Urban Development and Infrastructure business line was the most climate intensive business line and also received the highest climate committed amount. As mentioned in EQ5 only a few interventions contributed to concrete CO₂ savings so far. There was indication that the second phase of these projects were better designed in terms of climate integration and reported climate-relevant mitigation and adaptation actions, but it was currently too early to expect results let alone impact in interventions like IDSUN, the Integrated urban development in Tunisia and the Cities Resilience Program and the Cities Support Program South Africa.

There were positive and unintended interventions supporting climate resilience in projects which were not marked climate relevant. There were a few examples of climate action in programmes with Rio Marker0. These actions either came about due to special circumstances or were promoted by SECO's partners. The South African city Cape Town experienced a very serious water crisis which from mid-2017 to mid-2018. The CSP South Africa provided 'Just-in-time' advice to draft a long-term water strategy aiming

to ensure sustainable supply of water to the city. In the short term, the work carried out during the water crisis helped the city reduce water demand and develop a structured approach to managing it. It also brought calm to a chaotic situation and increased the city's confidence in managing future crises. In the long term, the water strategy could influence water management policies and shift the city's perspective towards sustainability. The second phase of this project was Rio Marker2. Under the Indonesia MDTF Climate PEFA was marked RM0 due to the limited funding relevant for climate. This project was elaborated in close cooperation between the WB with the GoI with support from the development partners, incl. Switzerland. Indonesia had been leading regionally and to some extent globally on integration climate in strategies and policies including in PFM.

There were no negative impacts on climate change identified in the project sample. Based on the analysis of sampled projects and not the whole portfolio, the evaluation did not find any negative impacts on climate related to SECO's climate approach. There were a few projects, with a strong focus on energy efficiency, where the source of energy was not stipulated or explored as part of project design. From the point of view of energy efficiency, they had positive results, but might have led to log-in investments in fossil fuel generating energy sources. The support for the Global Eco-Industrial Parks Programme could be such an example, but no concrete evidence to this effect was available. Outside the sample, there was the Energy Efficiency in Cities in Ukraine 2011-2019, that supported the district heating in 4 cities, including though installation of new gas boilers. It led to reductions in GHG emissions, but there was no evidence that other sources of energy had been explored. It underscored the need to pay attention to energy sources when supporting energy efficiency measures.

3.3.4 EQ 8 Sustainability

<p>EQ 8 - To what extent are the results likely to be sustainable?</p>	<p>8.1 Transformation - The extent to which the supported interventions are transformative.</p> <p>8.2 Policy and systems changes - The extent to which the interventions led to policy and systems changes.</p> <p>8.3 Vulnerability of portfolio - To what extent are SECO's projects considered a long-term risk if the climate change is not mitigated soon enough.</p> <p>8.4 Environmental considerations - To what extent are the divisions interventions considering ecosystems and biodiversity.</p> <p>8.5 Why or why not? - The most important factors for sustainability or lack of sustainability.</p>
<p>Summary of findings with linkage to the above areas of inquiry</p> <ul style="list-style-type: none"> • There were examples of transformative results – they related to changes to framework conditions that changed behaviors of governments, local authorities, regulatory bodies etc. – and were often implemented through MDBs. (8.1, 8.2) • There was limited evidence that SECO followed-up on the use and climate impact of the guidelines and knowledge products developed by multilateral organizations with support from SECO. There was also little evidence of SECO applying these tools and products in its own country activities. (8.2) • The SECO portfolio as such was not vulnerable to climate risks. Where SECO technical assistance and framework support contributed to concrete investments, they might be vulnerable - suggesting that attention to climate risk analyses and climate adaptation should not be overlooked. (8.3) • Integration of climate and biodiversity was rare in SECO's portfolio and therefore opportunities for creating co-benefits were not explored. There were cases of good integration leading to co-benefits. (8.4) • SECO's partner choice, long-term presence, and flexibility strongly supported sustainability of results while lack of conceptual clarity, scatteredness and monitoring were hindering factors. Weak recognition of importance of localization hindered to some extent strong results in adaptation. (8.5) • Localization in the area of climate change adaptation had not yet been sufficiently emphasized and this had sustainability implications. (8.5) 	

There were examples of transformative results – they related to changes to framework conditions that changed behaviors of governments, local authorities, regulatory bodies etc. and were often implemented through MDBs. This was the case in Indonesia, the IFC DfGE programme supported changes to the building codes to promote energy efficiency in buildings in Jakarta and several other cities. There are also clear climate results and potential for transformation from the DRFI project under the World Bank in Albania because the project has led to approval of natural disaster and climate fiscal risk reporting and budgeting. In the Cities Support Programme in South Africa SECO's technical assistance supported the elaboration of a Water Strategic Plan in the context of Cape Town's water crisis. The plan was used by

the city's decision makers to inform the strategy. In Indonesia three partner cities (Semarang, Denpasar, Balikpapan) are well in the process of implementing city planning lab approach (CPL) to enable data-driven planning. These cities have all adopted municipal spatial data infrastructure (MSDI) through issuance of decrees for their data-driven decision making and establishing data portals. These achievements create the base for city planning based on climate data.

With the SWM initiative in Albania there are prospects for transformation in solid waste management sector with long-term impact on climate change through protection of water resources and capture of methane.

Some projects show good potential for transformative impact – although they are still in the early phases of implementation: They include SECO contributions to greening of finance sector and capital markets through the WBG implemented Sustainable Finance Facility (SFF). The project work with partner governments on the legal and regulatory framework conditions, including sustainable finance framework and disclosure regulations in South Africa, establishment of a legal framework for green finance in Vietnam incl. green bonds, green credit lines and green public procurement, analysis of climate risks to the financial sector in Peru, and in Colombia support for the National Development Fund (FDN) and analyses of projects which would contribute most to the country's NDC.

There was limited evidence that SECO followed-up on the use and climate impact of the guidelines and knowledge products developed by multilateral organizations with support from SECO. There was also little evidence of SECO applying these tools and products in its own country engagements. SECO supported WBG development of tools and guidelines for greening PFM, financial sectors and integrate climate in the ESG frameworks (see above and Annex B for the concrete results) Examples include: The *Mainstreaming Climate Change in Governance Programme (MCCGP II)* was not known by SECO in Albania and Ghana which are two of the countries where it is implemented by the World Bank. At the same time, there is a demand among SECO HQ staff to get more information about best practices and lessons on climate mainstreaming from other like-minded organizations. There was one example of SECO (WEMU) envisaging conducting training internally on i.e., *Administrative Decentralisation and Climate Change: Concepts, Experience and Action*. The limited follow up has implications for sustainability.

There was weak demand from SECO in relation to how these tools could be adapted in general and promoted through policy dialogues at the country level, and more specifically into SECO country engagements to promote the uptake of the tools and guidelines in SECO priority countries. There was no evidence of SECO contributing to the dissemination of these tools. On the contrary there was some evidence that such tools and the SECO supported programmes which produce them were little known in SECO and SCOs.

The SECO portfolio as such was not vulnerable to climate risks. Where SECO TA and framework support contributed to concrete investments, there might be vulnerabilities - suggesting that attention to climate risk analyses and climate adaptation should not be overlooked. Most of SECO's portfolio was implemented at the level of establishing reliable framework conditions and developing favorable market conditions. In general, this led to outputs such as changes to framework conditions plans and strategies as a basis for mobilization of finance for investments. The vulnerability to the impacts of climate change was therefore somewhat concealed as they will only materialize once the projects, based on the framework conditions, plans and strategies, were implemented on the ground.

However, in the real sector related projects there were some indications as to what these impacts could potentially look like. In the Sankofa project under SWISSCO, the objective in phase I was not met. In fact, only just above 50 pct. of the area planned was cultivated. One of the reasons was prolonged drought which meant that the plants died, or smaller areas were cultivated. In the Cities Support Program in South Africa, intense technical assistance, which was not planned, was provided to Cape Town during the severe water crisis in 2017/18 which impacted to some extent on the implementation of the programme. This pointed to the need for climate risk analysis and for integrating climate adaptation measures into project design.

Integration of climate and biodiversity was rare in SECO's portfolio and therefore opportunities for creating co-benefits were not explored. While approaches to address the climate and biodiversity crisis can be identical, overlapping and create mutual synergies, they can also hinder and have negative impacts on each. Hence it is important to use integrated approaches to find suitable solutions.⁴⁴ In SECO's portfolio, biodiversity was only targeted in 15 pct. of the projects with climate commitment. Seven projects in the

⁴⁴Evalueringstudie biodiversitet og naturbaserede løsninger i den globale og danske udviklingsbistand udviklingstendenser, perspektiver og muligheder, Ministry of Foreign Affairs of Denmark, Danida, 2021

sample for this evaluation had both Rio marker and biodiversity marker. Most of the projects with marking in both areas are in the ‘integrated value chain’ business line. Biodiversity was not integrated in the Rio marked projects in the business lines Market-oriented skills and Urban Development and Infrastructure.

The SWISSCO project had as one of six principles the *Promotion of climate smart agriculture and on-farm biodiversity*. The promotion of agroforestry increases on-farm biodiversity. The projects under SLP in Indonesia were considering ecosystems and biodiversity, both on- and off-farm such as i.e., increasing the area of protected natural ecosystems. Opportunities for co-benefits were not explored in either project. It was too early to establish how objectives would be considered. Biodiversity conservation was part of the IFC ESG Standards. This project was also in the early stages of implementation and no results reported yet in this area.

Opportunities to simultaneously address climate and biodiversity was sometimes overlooked or brought in at a later stage. In Ghana, the SRI project, which was also not biodiversity marked, promoted recycling reducing the number of waste dump sites which often were in wetlands, lakes and stream. In this way, the SRI might have had a positive impact on ecosystems and biodiversity. The DRFI project was not biodiversity marked but the WB as part of the project elaborated the discussion paper *Insuring nature’s survival: The role of insurance in meeting the finance need to preserve biodiversity* which considers the role the insurance industry could play in protecting biodiversity.

SECO support for the Mineral Resource Foundation addressed an important negative side-effect associated with the green transition. The need for a variety of different minerals in batteries, electronics etc. will lead to a steep increase in demand for a range of minerals extracted in developing countries which have limited capacity to manage and oversee the activities of global mining companies. The SECO’s partnership with the Mineral Resources Foundation supported the establishment of the Responsible Mining Index to address this issue both at the level of governance, environment, and climate - see box 9.

Box 9 The responsible mining index programme

The responsible mining index programme (RMI) aimed at addressing the resource curse. The rationale of the RMI is that responsible mining can contribute to economic development and alleviating poverty while exploiting resources in a more environmentally friendly way. The RMI developed a strong methodology involving stake holders from the mining sector. It includes climate change impact on communities, workers and the environment and the existence of adaptation strategies, tracking of GHG and energy consumption, and environment impacts. The RMI program has Rio Marker 1 for mitigation. The credit proposal itself does not mention climate change. However, with support from the program the RMF produced an RMI report biannually in 2018, 2020 and 2022 in six languages with data from 30 mining companies worldwide the first year to 40 companies in 2022. The Responsible Mining Foundation increased the awareness of EESG issue among large-scale mining companies by leveraging the results of the RMI. RMF encouraged a more informed engagement between companies and other stakeholders by increasing the transparency in the mining sector and by making relevant data on the practices of the mining industry freely available and comparable.

An evaluation carried out in 2020, which found that “Many stakeholders feel that RMI does play a differentiated role” compared with other governance instruments for the extractive sector, incl. the EITI because it additionally to the index included studies and tools directly useful for the mining companies. A lesson was that financial sustainability needs to be addressed from the start. RMF is an independent research organization and did not receive funding from the mining sector which limited the possibilities for diversifying its funding. (*External evaluation and input for a next phase of the Responsible Mining Index, Jan 2020, Dalberg*)

There were several factors which supported the process towards sustainability and also some which slowed down the process. These factors were listed in table 5 and explained in the sections below.

Table 5 Supporting and hindering factors - sustainability

Supporting factors	Hindering factors
<ul style="list-style-type: none"> • Choice of partner • SECO model of working with framework conditions • Partnering with MDBs which compensate for small budgets. • Long term presence and knowledge of countries • Flexibility 	<ul style="list-style-type: none"> • Clarity on what is meant by CC mainstreaming. • Too scattered limiting SECOs opportunities for monitoring of climate results and impact. • Not enough attention to climate change context specificity / localization

SECO's partner choice, long-term presence, and flexibility strongly supported the sustainability of results while a lack of conceptual clarity, scatteredness and monitoring were hindering factors. Weak recognition of importance of localization hindered to some extent strong results in adaptation. SECO had a strength in working with reliable and experienced partners of which most of them have clear strategies and targets of climate change and/or aligning to the Paris Agreement i.e., the WBG, UN organizations, SWISSCO and WRF. The partners have often been seen to drive the climate agenda with innovative solutions such as SWISSCO and WRF. By working with the MDBs, SECO was able to leverage the MDB policy influence for framework changes. A supporting factor was also that SECO had a long-term perspective of working with partners for 10 years or more, which is crucial as it increases the likelihood of project results materializing, having the conditions to mature and consolidate. Also, the choice to support MDBs allows SECO's financing to be pooled with large budgets which thereby compensated for the relatively smaller size of SECO's financial capability.

The long-term cooperation with partners was based on trust which allowed for flexibility in terms of adjusting budgets and implementation which was seen in the Cities support programme in South Africa in relation to the water crisis and in relation to the Solid Waste Management in Albania.

SECO projects were rather scattered geographically. Especially in big countries like Indonesia and South Africa, the scatteredness can be challenging for creating synergies between projects and for monitoring and supervision. In Indonesia there are more than 100 different project locations across the 25 engagements. This signifies a streamlining compared to the previous cooperation programme. Even if the SCO Jakarta did not follow all projects with the same intensity, and a system had been made for transparently decide which projects to follow closely, follow-up was time consuming.

'Localization' in the area of climate change adaptation had not yet been sufficiently emphasized and this had sustainability implications. The impacts of climate change were localization specific, and the vulnerability and adaptive capacity varied substantially depending on a multitude of factors underscoring the need for localized climate analyses and context specific solutions. Global programmes were found useful for development of scalable solutions and cross-country learning but often did not fully take into considerations country specific characteristics with regards to policy environment for climate action, alignment to NDCs or other relevant analyses integrating climate and economic analyses and assessing priorities and tradeoffs. SWISSCO was an example of a project that demonstrated the ability to localize solutions. As climate change is rapidly happening, the need for localization of specific project design and inputs into global projects will increase and, in that context, the need for closer engagement of SECO country offices will be important.

4 Conclusions

SECO's strategic focus on mainstreaming of climate and private sector capital mobilization responded to its core mandate, comparative advantages, and was highly relevant for partner countries and globally. SECO's business model centered on support for establishment of framework conditions and capacity building of institutions and people for economic development. Addressing climate change requires a fundamental and transformative integration of climate considerations into economic development. Mainstreaming climate change into economic framework conditions was thus highly strategic. SECO's support for greening of framework conditions and incorporating the actual cost of climate and environmental degradation into the economy supported this integration. The focus on private sector capital mobilization was equally relevant as it addressed one of the largest gaps – namely the massive amounts of investments needed to support economies adapt to climate change and funds needed for the transition to a green low-carbon economic growth pathway. SECO's approach was well suited for the middle-income countries where SECO operated. The approach recognized that meeting climate financing needs in these countries depended on climate friendly framework conditions for sustainable economic development combined with an increasing private sector engagement.

Climate commitments and disbursements grew over the period under evaluation as climate aspects were increasingly mainstreamed into SECO activities – there is evidence of significant results and in some cases promising signs of transformative impact. Internationally reported climate finance increased from CHF 89.4 million in 2017 to CHF 122 million in 2022. There was evidence of tangible results related to the SECO standard indicators on reductions in GHG emissions and improved energy efficiency (kilowatt hours saved). The concrete results related to GHG emissions and energy efficiency derived from a small number of projects. There was not an indicator related to resilience and adaptation – results in these areas were captured along with other result in results narratives and presented yearly in the SECO key results documents. Due to the nature of SECO support to framework conditions and capacity building, it was inherently challenging to attribute concrete results to SECO interventions. For other projects it was too early to capture results. There were encouraging examples of transformational results or potential for transformative results with the opportunity for wider impact and changing behaviors based on changes to policies and rules and regulations. These results and transformative impacts were evident in the financial sector, in the area or macroeconomic policy making, the private sector through support for ESG standards, and in municipalities through policy changes related to planning and financing of urban development. Due to the recent incorporation of climate aspects into these areas, it will be some years before a full overview of results and impacts will become evident.

Mobilisation of private capital for climate investments fell short of expectations – and remained below comparable peers. Despite the SECO's ambition and work to develop instruments for impact investments, the results in terms of mobilization of private capital for climate investments were modest. Most of the private finance mobilised over the past years can be attributed to the activities of SIFEM of which only a small share went to climate. This is about to change with new climate targets for SIFEM's activities. The recent development of the SIFI into a public private partnership with the participation of SDC and Swiss bank foundations had the potential to increase mobilization. Comparisons with peers indicated that some of these countries relied heavily on their DFIs for private capital mobilization (e.g., Netherlands on FMO, Denmark on IFU, Finland on Finnfund, etc.) whereas other countries like France and Sweden relied on blended finance instruments incl. loans and guarantees. This meant that compared to peers, SECO had less opportunities for mobilizing private capital. This latter option was until recently not part of the SECO instrument palette, but the increased demands for reconstruction finance for Ukraine had led to a reconsideration of blend finance instruments (which in light of Ukraine's wish to build back better and greener could serve two purposes). The low level of mobilization of private capital was also an issue in the context of delivering Switzerland's fair share of climate finance, as private sector mobilization was expected to play a significant role in this regard.

Despite the objective to systematically address climate risks and opportunities and a climate finance target, climate remained peripheral to the SECO strategy. Climate change and SECOs climate approach came increasingly to the forefront in the 2021-24 strategy period compared to the previous, reflecting the global discourse on climate change. This is evident in the increase in funding as well as the share of projects with a climate content. To a large extent, climate was added on to new projects or to second/third phases of existing projects. The climate finance target helped to increase attention to climate including from SECO management. But the target proved quite easy to reach – SECO systematically overshooting – so the incentive to address climate action more strategically was not present. There was little

evidence that the increased importance attached to climate change led to changes in the way SECO supported countries based on analyses of climate risks and opportunities. Nor did the increased attention to climate lead to reallocation of funds between business lines to better respond to climate mainstreaming based on needs in SECO's partner countries. There are examples of new projects with a clear climate objective, e.g. The Sustainable Landscape Project (SLP) in Indonesia, Solar PV Net Metering in Ghana and the SWISSCO project. But overall, climate considerations remained peripheral to SECO strategic choices and allocation of funding. Only recently, climate consideration started coming to the forefront of strategic considerations for example in the context of the potential selection of Morocco as a SECO priority country where issues related to climate change and migration had been considered, and the adoption of climate as one of the three themes in the new Albania country strategy (2021-2024)

There are no fundamental constraints for supporting climate action in the SECO institutional set-up and the climate network led to greater awareness and capacity, but this was insufficient for climate mainstreaming to take root across the organisation. The centralized structure of SECO could have allowed for fast translation of policy objectives into engagements, which can be more difficult in decentralized structures. This did not happen to any great extent in SECO as there was little high-level institutional pressure or incentives to do so. Climate did not feature prominently in their view of project concepts. While the climate network supported awareness and knowledge sharing related to climate, it did not have the capacity in terms of staff resources to significantly improve the capacity across the organization to analyse and address climate issues and support learning. This implied that capacity remained thin and clarity and confidence within SECO about what climate meant and its implications for the projects were often insufficient. Due to the centralized nature of SECO's mode of operation, it was generally felt in country offices that the climate input had to come from the headquarters. The limited capacity related to climate was also evident in the Rio-marking of projects, which was not systematic but rather based on judgement and there was no evidence of institutional follow-up as to the climate content on which the Rio marking was based. Finally, there were examples of uncertainty on whether and how to push for climate action in countries with weak capacities, even in countries with high vulnerability another indication that climate awareness was limited.

The development of the climate mainstreaming guidelines contributed to awareness – but they were not systematically applied and had limitations, and climate was missing from SECO's formal risk analyses as well as other instruments. The development of the climate guidelines raised awareness among the various staff involved – and the departmental approach ensured broad involvement across SECO's thematic priorities. Despite this, the guidelines were not systematically applied in the design of projects, and several staff, especially at country level, were unaware of their existence. While the thematic approach of the guidelines followed the SECO strategy and mode of operation and allowed for broad engagement, it also missed that climate action was essentially location specific and must be based on climate analyses, up-stream diagnostics, and risk assessments at location level. Climate aspects had yet to be included across SECO's operational guidelines and tools, incl. the risk guidelines and country programming instructions.

Project design was weak when it came to climate, and this led to difficulties in monitoring and reporting of results related to climate. SECO's strong project design had yet to develop to incorporate climate better. Project design and log-frames did in many instances not provide a clear line of sight between the activities funded and the expected climate impacts. In contrast to good practice on mainstreaming, there was little up-stream analyses of climate risks and opportunities at country and project level. Sometimes the support from SECO funded upstream climate analyses for example in the context of urban development in South Africa and Indonesia in cooperation with the WB or in the case of support for the city council in Sousse, Tunisia. But in other projects, the analyses were absent which had an impact on the attention to climate in projects e.g., Sustainable Tourism in Indonesia, and the Ghana Private Sector Competitiveness Program II (GPSCP). Not all project log frames in the sample that were marked Rio Marker 1 had an output or an outcome related to climate, so it was not possible to determine or ensure reporting on the climate aspect of the programme. There were also a few examples of projects marked Rio marker 2, where there was little link between the activities and the expected climate impact, as this was only going to be developed later during implementation, for example Sustainable Landscape Projects in Indonesia. Compelling reasoning that linked activities, outputs, and outcomes was often absent which made it difficult to monitor climate activities during implementation in order to adapt and better reach the outcomes. The ability to monitor and follow-up on project implementation was particularly difficult where projects stretched across many themes and scattered geographies. Finally, SECO would need to strengthen attention to climate

impact as well as additionality and concessionality in activities which had a strong focus on private capital mobilization, such as SIFI, in order to ensure verified climate impacts and efficient use of public resources.

SECO's choice of partners was strategically relevant – in particular SECO's partnering with the MDBs was an important addition to the ecosystem for climate finance and action. SECO's cooperation with the MDBs and in particular the WBG, addressed another important gap in the global climate transition – namely framework conditions for scaling climate investments and development of bankable projects for financing of climate mitigation and adaptation. This was particularly the case in the urban infrastructure area. While SECO did not push the climate mainstreaming objective hard in the Trust Fund and project related partnerships with the MDBs, it did provide scarce high-in-demand grant funding for MDB activities to develop climate aspects not least in the macroeconomic area (greening of the PFM), and the financial sector. Also working with the MDBs in multi-donor environments strengthened SECO's contribution to climate action, as it could leverage the MDBs policy influencing for climate. SECO's support for multistakeholder processes by reaching out to a broad base of stakeholders at political and operational levels as well as across different sectors and especially involving the private sector was instrumental in mainstreaming climate issues. While SECO was not at the forefront of providing climate insights from a technical viewpoint, the multistakeholder approach enabled SECO to use its convening power and grant financing to pave the way for an inclusive and comprehensive approach. The benefits of this approach were evident in the case of SWISSCO.

The limited climate capacity in SECO implied that SECO to a large extent relied on partners to provide the climate input into the projects. While this from the point of view of efficiency could be a viable solution when working with the MDBs - as there was no way SECO would be able to match the capacity and knowledge of the WB Global Practice on Climate – it also limited SECO's ability for policy influencing on climate in the context of trust fund support and supporting the wider uptake of the climate tools and practices, it had itself financed e.g. at country level.⁴⁵ Working with the WBG/MDB partners in the field of PFM, finance or ESG, ensured the integration of climate into these activities, but SECO's supporting role did not lead to a raised ambition level on climate, nor did SECO often use the tools developed though the SECO financed activities in its own activities. The limited climate capacity was more of a concern when collaborating with partners who also had limited climate knowledge. In some cases, as in the support to Urban development in Tunisia, Swiss/international consultants provided expertise. In other cases, Swiss partners explained that they were busy developing their climate capacity, e.g., Swisscontact in Indonesia. SECO had no systematic way of assessing partners' climate capacity.

Swiss intergovernmental cooperation in the context of PLAFICO evolved positively – but there was still room for more cooperation including at the strategic level as well as in relation to private sector mobilization and developing carbon credit opportunities. Policy coordination with regards to Swiss positions in climate and environment related international negotiations improved. And the development of the SDG Impact Finance Initiative (SIFI) into a wider Swiss public-private partnership for sustainable impact investing was a promising venture with good potential for increasing mobilisation of private capital and addressing the climate finance gap. The newly formed partnership strengthens the cooperation between SDC and SECO and supports the ambition of Switzerland becoming a global impact investment hub. But there was potential for further strengthening of a joint Swiss approach to climate and climate financing. There also appeared to be unexplored opportunities to strengthen cooperation with SIFEM in the area of climate to address synergies beyond the low-hanging fruit of synergies related to ESG and based on the experience of peers. Finally, there was opportunity to explore a WOGA approach to further develop carbon credit markets in countries that had an interest in doing so, with SECO providing support for capacity development in countries incl. reporting and verification, as well as support for framework conditions and development of bankable projects ready for investors.

SECOs added value and niches in the international climate finance field could have benefitted from more attention to critical mass – SECO's policy objectives related to *Swissness* in climate were not fully explored. The provision of much sought for grant assistance to the MDBs was important for the functioning of the climate finance ecosystem and SECO supported their ability to develop knowledge and tools for moving towards low-carbon economic growth. This support was greatly appreciated by the partners, but the role did not allow for much visibility and a Swiss footprint. This has become even more difficult with the WBG Trust fund reform, which while great for enhanced WBG efficiency also created difficulties for donors to make their individual impact felt. An important niche for SECO and Switzerland

⁴⁵ This evaluation did not assess SECO's influence in the Boards of the MDBs, but only influence specifically with regards to climate in the context of contributions to Trust Funds

was financial market development and sustainable finance where the new public private partnership regarding SIFI had potential including as a model for others. SIFI built on SECO's recognized capacities in financial sector development. At the same time SECO had limited experience with blended finance as SECO had not been involved in years of provision of blended finance loans and guarantees which would have sharpened its attention to issues of additionality, concessionally, market creation, and most importantly development and climate impact. These capacities were not yet in place for SIFI to fulfil its potential. Another niche associated with Switzerland is insurance and disaster risk reduction which was partly built on in the Albania country programme but had wider relevance for other SECO countries.

There was ambivalence in SECO regarding *Swissness* - on one hand Switzerland did not want to impose itself and its solutions on countries also referring to aid effectiveness principles – on the other hand there was a rising demand from Parliament for supporting a larger Swiss footprint including on climate. Middle income countries where SECO were overwhelmingly active showed an interest in climate knowledge and technologies. There are good examples of SECO engaging with Swiss Universities and knowledge institutions, but there had not been a systematic approach to clarify Swiss knowledge and technologies of potential interest for the middle-income countries in the climate area. During the evaluation, evidence emerged across a couple of examples in addition to the financial area where Swiss value added was clear that could potentially form a basis for developing critical mass and strengthen Swiss comparative advantages in the area of climate: They included promotion of renewable energy and especially energy efficiency reflecting Swiss knowledge and reputation for ensuring efficient use of limited resources; sustainable infrastructure development drawing on Swiss planning and early integration of environmental aspects in infrastructure development; and value chain development reflecting the Swiss approach to promoting multi-stakeholder partnerships and focusing on the private sector engagement across key value chains.

The country approach of SECO was not strong enough to fully address climate issues and to support the ongoing shift from greening projects to greening economies. Climate risk and opportunities were location specific and policy solutions had to be designed with this in mind and in alignment with countries plans to reduce GHG emissions and strengthen resilience by integrating climate and economic considerations into development activities. A country approach was also integral part of Paris Alignment, as the alignment to a low-carbon development trajectories starts with the countries. This was also the background to the newly developed WBG climate and economic development diagnostics that provided analyses and suggested priorities for actions that benefit both economic development and climate to move from greening projects to greening economies. A stronger country focus would have allowed for better analyses of and understanding of climate risks and possible trade-offs and co-benefits. The ongoing discussion in SECO of real or perceived trade-offs was not addressed at the country level nor brought into the design of projects. Stronger country analyses could also have led to better understanding of co-benefits of addressing climate which could have supported the arguments for a stronger climate focus in SECO. Attention to co-benefits between climate and biodiversity and addressing these two interrelated objectives simultaneously would also benefit from more location specific analyses. Finally, a stronger country focus could also support reaping potential co-benefits between climate mainstreaming and gender mainstreaming based on an understanding that climate change in many instances impacted lives of men and women differently.

5 Recommendations

Recommendations:

Supporting the Paris Agreement goal of limiting the increase in the global average temperature to well below 2°C above pre-industrial levels and preferably limiting the temperature increase to 1.5° will require the systematic integration of climate considerations into all development related decisions in all countries. The global evidence of the increased urgency of promoting a transition towards low-carbon climate resilient development pathways, is leading to increased demands for climate finance globally. In the coming years, there will be increased pressures on rich countries to provide their fair share of climate finance considering levels of GDP and CO₂ emissions per capita. This evaluation pointed to Switzerland consistently delivering less than its fair share of international climate finance. At the same time, increasing ODA is only one part of the answer. Investing in policies that can support a bigger role for the private sector and prepare the ground for better market response will be important, as will innovation and transfer of knowledge to developing economies to support the green transition.

The evaluation concludes that SECO is well positioned through its focus on framework conditions and its cooperation with influential partners to support the on-going shift in climate finance from supporting greening projects to greening economies. The decision to formulate a strategy for SECOs climate efforts is timely and can support this move. The following recommendations should be seen in this context. Based on the findings and conclusions, the recommendations provide input as to what needs to be done to move the activities of SECO in that direction. In summary the overarching recommendations are to:

7. Use the on-going strategy processes to clarify the objectives of SECO's climate strategy including the ambition level regarding climate finance.
8. Commit to align to the Paris Agreement and develop tools and procedures to support the implementation of this commitment.
9. Invest further in the climate capacity of SECO's staff across the organisation to strengthen capacity for climate policy dialogue, project design, and impact.
10. Strengthen the understanding of climate risks and vulnerabilities in SECO's priority countries as a basis for policy inputs and better alignment to low-carbon development pathways and building resilience at country level.
11. Strengthen the cooperation across government structures and government related entities for a stronger Swiss climate engagement building on Swiss comparative advantages and value-added with a view to ensuring climate impact.
12. Strengthen project design to ensure climate impact and learning.

These overarching recommendations are supported below by the identification of a number of concrete actions that could be taken to implement the recommendations.

1. Use the on-going strategy processes to clarify the objectives of SECO's climate strategy including the ambition level regarding climate finance. Rationale: The current International Cooperation Strategy devised a climate finance target for SECO, that proved easy to reach. SECO itself in its own storyline of climate as transversal theme had two objectives 1) systematically mainstream climate into all activities and 2) increase private capital mobilization, both of which remain work in progress. The current strategy processes – both the International Cooperation Strategy 2025-2028 and the SECO climate strategy process - should clarify objectives and the level of ambition with regards to climate, taking into consideration the increased demands for international climate finance, fair share of international climate finance as well as opportunities for co-benefits incl. in relation to expected SECO contributions to Ukraine and increased international demands for attention to biodiversity. SECOs climate strategy should also clarify the level of ambition with regards to private sector mobilization also in light of the available blending finance instruments and SECOs focus on framework conditions rather than supporting individual transactions.

Concrete actions that could be taken to implement this recommendation includes:

- Strengthen Swiss-wide cooperation and coherence in the context of PLAFICO and beyond with a view to setting out principles and priorities for the Swiss climate engagement initially in the context of the next International Cooperation Strategy 2025-2028,
- In the current discussions of the International Cooperation Strategy aim for Paris Alignment of Swiss ODA including systematic integration of climate considerations into development cooperation activities,

- Raise the climate contribution further within the SECO portfolio also taking into consideration opportunities for co-benefits,
- Clarify the ambition level and instruments available for mobilization of private sector capital.

2. Commit to align SECO activities to the Paris Agreement and develop tools and procedures to support the implementation of this commitment. Rationale: Paris alignment is a commitment to improvement over the *status quo* and to keep temperature increases below 2°C, and to pursue efforts to limit the temperature increase to 1.5°C. SECO's existing tools and procedures related to climate, incl. the climate mainstreaming guidelines, constitute a good starting point for promoting alignment of its activities to the Paris Agreement as do experiences from other development partners.

Concrete actions that could be taken to implement this recommendation include:

- Formalise the commitment to align to the Paris Agreement in the new climate strategy.
- To support this commitment, develop existing guidelines and tools to promote climate responsive country programming, systematic Rio marker assessment and argumentation as well as updating mainstreaming guidelines
- Include climate risks into SECO's risk framework,
- Develop a checklist to assess partner capacities with regards to climate as part of the risk framework
- Strengthen the organizational structures to ensure delivery on the Paris Agreement commitment, e.g., by empowering the climate network to have a say in assessing climate relevance and climate mainstreaming in project concepts, including making recommendations to the Concept Committee in this respect.

3. Invest further in the climate capacity of SECO staff across the organisation to strengthen capacity for climate policy dialogue, project design, and impact. Rationale: Strengthened climate capacity will be central for SECO going forward in order to 1) enhance project design and monitoring, 2) to support stronger policy influencing with partners, partner countries, and internationally, and 3) to ensure impact monitoring related to climate private finance mobilisation. Strengthening climate capacity could initially be focused in a few areas linked to Swiss comparative advantages (recommendation 6). Climate knowledge and capacity is going to be key in the coming discussions regarding the possible change of the MDBs profiles towards becoming climate banks, starting with the WBG. Capacity to assess the relevance and climate impact of project proposal will be important as SECO strengthens its support to development of financing instruments for impact financing. Linked to recommendation 6.

Concrete actions that could be taken to implement this recommendation include:

- Undertake staff training and knowledge sharing across the organisation, including local SCO staff, involving climate analyses and risk assessment, climate mainstreaming and the use of Rio Markers,
- Ensure a critical mass of staff with a high level of climate relevant knowledge within SECO priority areas, including by over time changing the skills-mix in SECO, or by drawing more on climate relevant knowledge in other ministries incl. environment and energy,
- Strengthen knowledge sharing and cooperation on climate capacity building across Swiss entities engaged in climate, incl. SDC, FOEN and SIFEM, incl. through the organisation of climate learning events
- Systematic follow-up, as addressing climate is constantly evolving - new technologies, and financing instruments are constantly emerging so that SECO adds value by being on the forefront of new developments and support for new and promising solutions.

4. Strengthen the understanding of climate risks and vulnerabilities in SECO priority countries as a basis for policy inputs and better alignment to low-carbon development pathways and building resilience at country level. Rationale: More attention to climate risks and vulnerabilities as well as countries' own low-carbon climate resilient development strategies will strengthen SECO's ability to address trade-offs and enhance co-benefits at country level. It should not lead to a scaling back of global programmes – rather it should lead to qualified inputs from SECO at global level based on country knowledge and strengthened capacity of SCOs as to how to support implementation of global programmes taking into consideration climate aspects and potential trade-offs between climate and short term/long term growth, as well as bringing the tools and guidelines on incorporation of climate into practice, including in

the context of the PFM, ESG, and financial sector development. This recommendation is closely linked to recommendation 2 and 3.

Concrete actions that could be taken to implement this recommendation include:

- Base country programmes on analyses of climate risks and opportunities and an understanding of how to enhance co-benefits and balance trade-offs in the short and long term, in light of country policy choices and climate/development strategies,
- Strengthen the capacity in SCOs related to climate to ensure SECO climate inputs into ongoing policy dialogues with the government including in the context of development partner coordination on climate and economic development,
- Strengthen SECO/SCOs policy inputs into global programmes at global level based on country knowledge and at country level in the context of global programmes' implementation at country level to raise the ambition level on climate and support better uptake,
- Support the uptake of climate knowledge, tools and guidelines that SECO supported the development of to promote climate mainstreaming at country level.

5. Strengthen the cooperation across government structures and government related entities for a stronger Swiss climate engagement building on Swiss comparative advantages and value-added with a view to ensuring climate impact. Rationale: There exist a multitude of cooperation fora across the federal government, including PLAFICO. And there are examples of SECO cooperation and networking with universities, research institutions, and cooperation with private sector entities, CSOs etc. in various areas. There appears to be opportunity to critically review all this to seek out a limited number of areas within which there is Swiss/SECO value-addition and opportunity to enhance climate impact by applying Swiss knowledge and technologies. This evaluation identified a number of concrete value additions and comparative advantages of SECOs approach and areas of intervention that could form the basis for further consideration of value addition and ensuring critical mass. Considering the Swiss ambition to become an international leader in sustainable impact financing, it could be considered to explore further synergies – beyond SIFI - between SECO, SDC, SIFEM, and Swiss Sustainable Finance – to boost this ambition.

Concrete actions that could be taken to implement this recommendation include:

- Cooperate with SECO beyond WE (such as Trade Promotion) to clarify Swiss value addition - knowledge and technologies – in the climate area to define and promote Swiss solutions in countries where there is a demand and need for such solutions, and consider more systematically ways to bring Swiss competences and knowledge into play in the context of SECO cooperation programmes where relevant based on analyses of climate risks and opportunities and country needs.
- Enhance cooperation and explore synergies between government related actors SECO, SDC and SIFEM – also reaching out to the private sector networks such as Swiss Sustainable Finance - to support the ambition of Switzerland becoming a leader in sustainable impact financing – with a strong focus on climate impact.
- Explore further synergies between SECO and FOEN in the development of carbon credit markets e.g. in the context of supporting framework conditions for carbon market development

6. Strengthen project design to ensure climate impact and learning. Rationale: The evaluation concluded that SECO in general had very strong projects design, but that there was room for improvement with regards to integration of climate into project design. The root cause appeared to be related to limited up-stream analyses of climate risks and opportunities and unclear guidance on climate mainstreaming. Improving project design with regards to climate is essential for achieving impact on mitigation and/or adaptation and to monitor progress on climate aspects during implementation and for the ability to adapt the project in order to support the delivery of the outputs, outcomes and objectives related to climate. Measuring strengthening of framework conditions requires specific attention and good project design with understanding of drivers of changes and attention to context.

Concrete measures that could be taken to implement this recommendation include:

- Strengthen up-stream analyses of climate risks and opportunities – including potential co-benefits and trade-offs. Ensure that project log frames and theories of change have a clear climate objective and a line of sight between activities and outputs, outcomes and impact.

- Pay attention to applying where relevant tools and guidelines on climate mainstreaming in country programmes and project design i.e., in PFM which are already available, often produced with SECO support,
- Ensure monitoring and reporting on progress on at all levels on climate results and climate risks, including in the annual reports on country programme implementation.
- Ensure attention to climate impact in projects of implementing partners for sustainable impact finance projects by demanding ex-ante analyses of potential impact and ensuring reporting and verification in accordance with international standards.
- Ensure systematic learning e.g. by requesting learning related to climate to be explicitly addressed in project completion reports, and that learnings are drawn upon in the on-going capacity strengthening of SECO staff.