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COOPERATION  
PROGRAMME

# Peru

Cooperation Programme 2021–2024



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# Editorial

With this Cooperation Programme 2021–2024, the Swiss State Secretariat for Economic Affairs SECO supports Peru in consolidating its middle-income status.



Looking towards the future, uncertainty in Peru remains high. SECO promotes economic growth and sustainable prosperity and aims to further strengthen the economic resilience of Peru.



In line with the United Nation's (UN) 2030 Agenda for Sustainable Development and Switzerland's new Strategy for International Cooperation 2021–2024, SECO takes a three-pronged approach: It considers Peru's development priorities, Switzerland's perspective on Peru and the added value that Switzerland can offer with this partnership. These criteria define the two thematic priorities of Switzerland's Cooperation Programme 2021–2024 that are outlined on the following pages.

Taking into account the lessons learned and building on the results achieved in the 2017–2020 cycle, the Cooperation Programme 2021–2024 defines the strategic framework for the future activities of SECO for the next four years. SECO aims to remain a responsible and reliable development partner. This requires persistence during challenging times and support in mitigating risks as well as seizing opportunities when they arise. We count on the ownership of our Peruvian partners to achieve lasting reforms and results. We are confident that we can positively contribute to Peru's development agenda with the present programme and we look forward to continuing our partnership with Peru going ahead.

**Marie-Gabrielle Ineichen-Fleisch**  
State Secretary, Director of SECO

**Raymund Furrer**  
Ambassador, Head of Economic Cooperation and Development SECO

# Consolidating middle-income status

The main goal of SECO's international cooperation 2021–2024 is to contribute to sustainable economic growth and prosperity by strengthening the enabling conditions in two intertwined thematic priorities: SECO supports Peru in pursuing its agenda of decentralization by promoting resilient subnational growth hubs outside of Lima. It further aims to encourage Peru's economic growth by fostering a competitive, innovative and sustainable private sector.



Promoting resilient subnational growth hubs



Fostering a competitive, innovative and sustainable private sector



## Country context

Peru has had a turbulent political history until the turn of the millennium, alternating between periods of democratic and authoritarian rule. In the 1970s, a military dictatorship ran the country and much of the economy was state-led. The 1980s brought back democratic rule; however, under difficult conditions. An ongoing internal conflict and a major economic crisis isolated Peru internationally and led it to the brink of collapse.

The 1990s brought radical change once more: In 1992, the government abolished congress and fought terrorist groups fiercely. The constitution was revised one year later and political power became concentrated with the executive branch. Simultaneously, much of the economy was privatised and opened up to foreign investment and trade. The decade of the 1990s remains a subject of debate to this day. Some see its legacy in the significant economic progress Peru has achieved, while others highlight the substantial social costs of the reforms and the human rights violations. The government collapsed in 2000 on corruption charges.

The turn of the millennium marked the start of a golden decade for Peru. With 6% annual average growth, the Andean country outpaced every other

**1** A traditional farmer from the community of Lamas in the San Martin region shows her freshly grown coffee beans.

**2** Lima's business climate stands out compared to other Peruvian cities.

**3** "El Metropolitano": the first segregated line of fast buses in Lima.

**4** Asparagus is one of Peru's flagship export products.



nation in the region. The poverty rate fell from 52% in 2005 to 26% in 2013, extreme poverty dropped from 30% to 11%. More than 6 million people escaped dire living conditions during that time, and Peru started to grow a sizeable middle class. Between 2014 and 2019, growth of gross domestic product (GDP) slowed to an annual average rate of 3.1%, mainly owing to the end of the commodity supercycle (a period with very high commodity prices). In 2020, the coronavirus disease 2019 (COVID-19) hit the country hard, threatening to reverse the progress in reducing inequality of the past 20 years.

Today, Peru is a well-respected member of the international community with a small but open economy. It maintains an abundant network of trade agreements and actively participates in international organisations. However, its middle-income status remains vulnerable due to significant deficits in basic infrastructure and heavy exposure to external factors. The political system is prone to corruption and caught in an ongoing struggle for power between the executive and the legislative branches. Consequently, there is limited fertile ground for institutions to grow and produce consistent and predictable outcomes. Much will depend on Peru's ability to advance constitutional reforms, formalise and diversify its economy, and on how well the country weathers sustained periods of low commodity prices, the effects of climate change, and the challenges of the digital transformation.

Looking towards the future, uncertainty in Peru remains high. COVID-19 is likely to leave a significant long-term dent in the country's socioeconomic development. Peru's many structural deficits were blatantly exposed and dissatisfied voters increase pressure on political decision-makers. Furthermore, current geopolitical trends such as a deteriorating US-China relationship may affect the terms of Peru's trade and investment agreements.

Despite the pandemic and the uncertain outcome of the 2021 elections – the year in which the country celebrates 200 years of independence – Peru's medium- to long-term challenges remain largely the same. The country needs to reform its governance system, strengthen institutions and address corruption. In order to render the government more effective, the ongoing decentralisation process needs to be deepened and subnational authorities strengthened in their ability to manage and invest financial means. New and more sustainable sources of economic growth must be found and tax returns need to be invested into infrastructure, education, health and public service delivery.

Despite the downsides, the recent pandemic offers opportunities. Efforts to digitalise schools, the government and the economy have never before advanced at the current pace. Structural deficits have become too obvious to ignore and people are demanding change. There is huge potential to decarbonise the Peruvian economy and to increase its competitiveness by investing in green and circular production methods. The coming years may well mark a turning point for Peru.



### Facts about Peru



- Population: 33 million
- Urban population: 78%
- Ease of doing business ranking: 76<sup>th</sup> / 190
- Wealth inequality (Gini Index): 43%
- Informality of the economy: 72%



### Main results achieved

■ Since the start of its engagement, SECO has successfully supported Peru in reforming and modernising its **public financial management** (PFM) at the national and subnational levels as well as its financial market oversight and monetary policy. SECO has helped Peru implement a comprehensive economic regulatory framework to improve financial decision-making, budgeting and transparency.

■ SECO contributed to the creation of a modern **institutional architecture on competitiveness**, which increasingly works across silos and in coordination with the private sector. In particular, it contributed to design and implementation of Peru's National Competitiveness Policy 2019–2030. SECO fostered the development of Lima's entrepreneurial ecosystem by facilitating the creation of the Peruvian Seed and Venture Capital Association and a new government fund for entrepreneurship financing. At the micro level, SECO helped companies to increase productivity and sustainability as well as to improve working conditions in over ten value chains, facilitating their integration into global markets.

■ SECO helped identify effective practical solutions for sector-specific challenges in **water and sanitation** (utilities' financial viability, zoning, quality and consistency of water supply), agriculture (microleasing, ozone technology, certification of procedures for producers), tourism (digitalisation and simplification of procedures, certification support for companies) and artisanal mining (formalisation, reduction of mercury).



### Lessons learned

■ **Strong alignment through flexible but guided programming:** Like every country, Peru needs to balance short- and medium-term government priorities with long-term development strategies. In that context, SECO has made relevant contributions through flexible cooperation mechanisms guided by well-defined long-term objectives.

■ **Investing in institutions for sustainability:** SECO offers effective tools and expertise to support institutional development – a challenging task and an indispensable basis for any sustainable economic development. Peru needs reliable partners with a willingness to invest long-term into public goods. Governance, coordination and sustainable, responsible business conduct are among the key challenges where SECO has successfully provided support, drawing on Swiss and international best practices.

■ **Engaging with focus, long-term and subnationally:** Many of Peru's most pressing challenges for economic growth are rooted at the subnational level. At the same time, this is where international support tends to be scarce. SECO has been able to make a difference by engaging with regional and local governments and private sector organisations over several years and on topics where its toolbox and expertise are most relevant.

■ **Local presence and portfolio integration:** Programmes with country-based staff and strong links to the rest of SECO's portfolio have shown the best long-term results and sustainability.

■ **Regional cooperation:** Peru can profit from the experience of other countries in the region and vice versa. From 2017 to 2020, SECO has successfully fostered and leveraged knowledge exchange with Colombia in cooperation with the Swiss Agency for Development and Cooperation's (SDC) Global Cooperation (Water, Climate Change and Environment, Disaster Risk Reduction, etc.) and Humanitarian Aid.



# Development cooperation programme



1



2



3



4

## Peru's development priorities

### 1. Stronger institutions at all levels of government:

Currently ranking 90<sup>th</sup> out of 140 on the World Economic Forum's institutional quality index, Peru is determined to strengthen and better coordinate its institutions in order to sustain and further advance development. Gaps are particularly persistent at the level of subnational government. The most important challenge is to build adequate public infrastructure, to tackle corruption and to develop local capacities. Peru is determined to advance the ongoing decentralisation process in order to ensure that regions and municipalities can grow and invest their own resources and become agents of change.

### 2. Competitiveness and economic diversification:

Peru's economy remains heavily dependent on commodity exports. There is broad political consensus that a diversification of productive sectors towards goods and services with higher value added is needed. Only then can growth rates be sustained over the long run and Peru's vulnerability to external shocks be decreased.

1 SECO supports subnational governments in improving PFM so that they can provide better public services such as education.

2 Together with the Ministry of Economy and Finance, SECO fosters the modernisation of the public finance administration to improve the quality of expenditure and accountability.

3 The value chain of organic bananas for export in the Piura region provides the livelihood of more than 9,000 families of small producers.

4 Together with the Superintendency of Banks, Insurance and Pension Fund Administrators, SECO actively promotes financial education, inclusion and consumer protection.

Therefore, the current government assigns a high priority to increasing the productivity of firms and to strengthening the competitiveness of the Peruvian economy.

**3. Resilient green growth:** There are two important risks to the resilience of Peru's socio-economic development. First, Lima remains the country's single most important source of growth and employment (30% of the population live in the capital). It therefore constitutes a bulk risk to the economy. Second, climate change and natural disasters (mainly earthquakes) put many regions of Peru, especially Lima, at high risk. Water scarcity, floods and earthquakes are among the most prominent examples of events that can shake the economic foundation of entire regions. They have the potential to put Peru's development back for decades, at least in certain regions. Therefore, Peru aims to diversify its sources of growth in geographic terms by developing economic hubs outside of Lima and by improving the resilience of its economy.

Events like COVID-19 remind us how quickly needs and priorities can change. Apart from the effects of the pandemic, the fallout from climate change, natural disasters and corruption may be just some of the most prominent known unknowns the country will have to deal with in the near future. At the same time, the digital transformation offers opportunities for Peru to advance its economy towards the levels defined by the Organisation for Economic Cooperation and Development (OECD).

### Switzerland's perspective on Peru

Switzerland and Peru maintain strong diplomatic relations and count on a number of important bilateral agreements in areas such as investment protection (1991), free trade (European Free Trade Association (EFTA), 2010) and double taxation (2012).

Switzerland has been a reliable development partner for Peru since 1964. In 2009, SECO established a full-fledged strategic commitment. SECO fosters Peru's economic development by taking into account the potential and the expertise of the Swiss private and public sectors.

Switzerland runs a trade deficit with Peru and countries of the Asia-Pacific region have recently been gaining trade market shares in Peru. The EFTA-Peru free trade agreement helped further expand and diversify bilateral trade. However, there remains untapped potential for Swiss importers in terms of high-quality agricultural products (cacao, coffee, superfoods). The Peruvian market offers potential for pharmaceutical products, machinery and other sectors from Switzerland. SECO supports bilateral trade by fostering Peruvian integration into global value chains and by helping firms to comply with increasingly demanding standards of quality, traceability, and production methods. Furthermore, SECO facilitates customs procedures and promotes a favourable business environment and effective trade promotion.

Swiss investments in Peru remain at a relatively moderate level. However, Peru's efforts to close the country's infrastructure gap offer opportunities for Swiss companies. The Peruvian government is planning substantial investments and is looking for public-private partnerships in sectors where Switzerland has expertise, services and products to offer. Examples include transport (urban mobility, cable cars, trains, etc.), water, construction (green housing, tunnels, airports, etc.), and clean and resource-efficient production methods. By working in areas such as intellectual property or competition, SECO contributes to improving the regulatory conditions for foreign investment. Furthermore, it supports Peru's authority in terms of public procurement and public-private partnerships in order to improve the country's capacities.

SECO fosters collaboration with Swiss public, academic and non-governmental institutions in order to facilitate the transfer of Swiss expertise to Peru. Examples include urban development, cadastre and water management, agribusiness, tourism, intellectual property, skills development and PFM.

The two Swiss Agencies responsible for international cooperation, SECO and SDC, maintain a constant dialogue in order to identify and exploit synergies. The most relevant thematic areas are water management, disaster risk reduction, climate change and environmental issues. In 2020, Switzerland and Peru signed one of the world's first bilateral agreements under

Article 6 of the Paris Agreement. The agreement contributes to the fight against climate change and is in the interest of both countries: Peru can use Swiss climate financing to increase the use of green technology and foster the modernisation of several sectors. Switzerland, on the other hand, has an opportunity to achieve parts of its nationally determined contribution (NDC) commitments in Peru. SECO supports Peru in establishing the national framework needed to reach its own NDCs and for the agreement to become operational.

Switzerland is collaborating with Peru in its fight against corruption. Over USD 90 million in stolen assets were seized in Switzerland and have been returned to Peru. SECO supports these efforts by strengthening economic governance and control mechanisms. Furthermore, SECO supports Peru in its ambition to comply with OECD standards in various thematic areas. Over the long term, these efforts will help mitigate the risk of Swiss companies' operations in Peru.

Switzerland aims to be a responsible and reliable development partner. This requires persistence during challenging times, support in mitigating risks and capturing opportunities when they arise. Therefore, SECO wants to balance long-term strategies with rapid, flexible response mechanisms.

## Accountability, monitoring and risk management

SECO continuously monitors and evaluates the results achieved and incorporates lessons learned into its operations.

Project evaluations are conducted during or after project implementation. In addition, SECO commissions independent thematic or country portfolio evaluations.

The monitoring of the cooperation programme will be based on the results framework (see page 16/17) along the relevant business lines and impact hypotheses. Accountability reporting is carried out annually.

SECO is dedicated to ensuring comprehensive and rigorous risk management. Based on the Organisation for Economic Cooperation and Development's (OECD) conceptual framework for aid risk analysis, SECO's risk management distinguishes between three levels of risk:

- **Country risks:** SECO identifies and evaluates the relevant risks in its partner countries as well as the implications for the project portfolio.

- **Project risks:** Before approval, all projects are screened for development (achievement of objectives), security, fiduciary, financial, environmental and social risks. During project implementation, the identified risks and corresponding mitigation measures are regularly monitored.

- **Institutional risks:** SECO monitors the risks it faces as an institution and that may compromise the successful implementation of SECO's mandate.

## Financial resources

SECO's activities under this programme will be financed through the Swiss framework credit 2021–2024 for economic and trade policy measures within development cooperation.

The final allocation of funds will depend on the identification of suitable programmes or projects, the absorption capacity, as well as the efficiency and effectiveness of the cooperation with the relevant partners in the country. Accordingly, the following information on planned commitments for the four-year period is indicative. This information serves merely as a basis for the forward spending plans that are reviewed each year by the Swiss Parliament. Planned commitments for Peru 2021–2024:

75  
CHF million

Peru also benefits from regional and global initiatives financed by Switzerland that may not be included in these financial projections.

## Working with partners

As a relatively small development partner, SECO depends on strong partnerships. Historically, Helvetas, Swisscontact and the German Corporation for International Cooperation (GIZ) are SECO's most important bilateral partners, while the World Bank, International Finance Corporation (IFC), the International Monetary Fund (IMF), and various UN agencies (UNIDO, UNDP, ITC) are its most frequent multilateral partners. Total official development assistance (ODA) to Peru amounted to USD 153 million in 2018, of which

roughly 70% was provided by bilateral and 30% by multilateral development agencies. Switzerland ranked sixth that year. ODA to Peru has been declining since the country reached upper-middle-income status in 2008. The Peruvian Agency for International Cooperation (APCI) is the official coordinating institution between development partners and the Peruvian government. In addition, there are several sector-specific coordination mechanisms, usually with alternating leads.





### SECO's contribution to gender equality in Peru

Peru is a traditional society when it comes to gender roles. In 2019, only 65% of women had a job with regular income, compared to 81% of men. Women are more likely to work in micro or small (often informal) companies, and in 2019, their salaries were on average 30% lower than men's. The political arena is male-dominated. Out of a total of 26 regional governors, not a single one is a woman. Peru has one of the highest rates of violence against women in Latin America, with new records reported during the COVID-19 lockdown.

There is little political consensus on how gender equality should be addressed in Peru. A lot depends on the government and other stakeholders to push the agenda forward. Given the abundance of competing political priorities and frequent changes in government, gender-related topics often come second. Nevertheless, in 2019, Peru issued its first Gender Equality Policy under the auspices of the Ministry of Women and Vulnerable Populations. SECO is supporting the government and the private sector in improving women's economic participation and opportunities through a transversal approach within its portfolio.



### SECO's contribution to climate change mitigation, adaptation and resource efficiency in Peru

Peru is one of the countries most vulnerable to climate change. While its complex and diverse ecosystems provide fertile ground for agriculture, forestry, fisheries and tourism, shifting climate conditions threaten these traditional sectors and eliminate the income basis of entire regions. Furthermore, the food security of 14 million Peruvians as well as the country's water supply in the coastal region is at risk. Almost 70% of Peru's highly damaging natural disasters are linked to climate-related phenomena. The government is aware of the challenges, which are likely to be a stress test for the resilience of Peru's society, infrastructure and institutions. As a response, it has enacted the country's first Framework Law on Climate Change in April 2018 in relation to Peru's NDCs.

SECO is committed to support Peru in complying with its NDC of reducing greenhouse gas emissions by 2030 and to establish the necessary national framework. It assists Peru in increasing the resilience of municipalities and mitigate environmental risks in areas like water, deforestation and heavy metal pollution. Drawing on Swiss and international expertise, SECO is encouraging the shift towards a low-carbon circular economy, the adoption of resource-efficient, cleaner production technologies and is supporting Peru in mobilising green financing.

## Thematic priorities

### SECO's contribution to Peru's development agenda

The main goal of SECO's Cooperation Programme 2021–2024 is to contribute to sustainable economic growth and prosperity. This is being achieved by working within two thematic priorities.

Almost 80% of the population lives in urban centres, with 30% of the population residing in Lima alone. With the exception of a few cities, most of Peru's regions are far from Lima in terms of economic development and access to quality public services and infrastructure. The heavy dependence on Lima as a single source of growth combined with a high level of vulnerability to effects of climate change and widespread informality in terms of employment limit the population's economic resilience and opportunities. SECO will support Peru in tackling these challenges and in pursuing its agenda of decentralisation by fostering resilient subnational growth hubs outside of Lima.

Overall, competitiveness of the Peruvian private sector is low, the sector itself is highly informal and the economy as a whole is dependent on relatively few export commodities. Under its second thematic priority, SECO supports Peru in tackling these important constraints to economic growth by developing a competitive, innovative and sustainable private sector.

Emapa San Martín is committed to providing water and sanitation services with quality, reliability and coverage.



Thematic priority 1

## Promoting resilient subnational growth hubs

For additional hubs of economic growth to emerge outside of Peru's capital city, a set of underlying conditions needs to be fulfilled.

Effective economic policies and institutions – both at national and at subnational levels – are an indispensable basis. The capacities of and the coordination between institutions need to be strengthened and key economic policies must be aligned with relevant international standards. Despite the ongoing decentralisation process, subnational governments still heavily depend on transfers from the capital and have limited direct sources of income. They struggle to effectively manage and execute the available financial resources.

In order to become a driver of economic development, future subnational growth hubs need to build capacities and skills around urban development. In particular, basic public service providers such as water utilities or public transport operators need to strengthen their offerings. Furthermore, Peru needs to fight corruption and invest in resilient public infrastructure in order to close the estimated USD 110 billion gap and to mitigate natural disaster risks (earthquakes, El Niño Costero, landslides, etc.).

From 2021 to 2024, SECO aims to support two key enabling conditions for resilient subnational growth hubs to emerge.

First, the design and execution of effective and transparent economic policies, realized by

- building the capacities of and improving coordination between the institutions mandated with their implementation at national and subnational levels;
- supporting PFM reform (fiscal policies and incentives, budget/investment planning and execution, etc.), which contributes to an effective, green and transparent use of public resources; and
- promoting integrity by strengthening internal controls and external oversight mechanisms.

Second, supporting the improvement of urban planning and public service delivery by

- fostering the water and sanitation sector, at the micro (utility management, skills), meso (institutions) and macro (policies, regulations) levels;
- supporting municipalities produce high-quality, timely cadastral information, which is an indispensable basis for resilient urban development, attracting private investment and effective tax recovery; and
- facilitating urban mobility development with a positive economic, environmental and social impact.

### Peru's Development Priorities

- Decentralisation of political and financial decision making
- Resilient urban and infrastructure development
- Fighting corruption and improving economic governance
- Building up the country's climate resilience and investing in a green and circular economy



Thematic priority 2

## Fostering a competitive, innovative and sustainable private sector

The Peruvian economy is lacking competitiveness and more than 70% of people work in the informal sector. Most companies are small and show low levels of productivity. Their potential to create decent jobs is limited and Peru's complex regulatory framework combined with high levels of corruption offers few incentives for formalisation.

Micro, small and medium-sized enterprises (MSME) have insufficient access to financing, and non-standard financial products such as green credits or seed and venture capital are rarely available. Furthermore, MSMEs have limited capacities at their disposal to manage the shift towards a digital economy, sustainable production methods, and responsible social and environmental business practices.

Peru is heavily dependent on commodity exports and therefore vulnerable to external price shocks. The traditional primary (low-value-added) products of the mining, oil and gas sectors, as well as from agriculture and fishing, represent almost 70% of Peru's total exports. Low levels of innovation and poor education are additional barriers to economic diversification.

During its 2021–2024 development mandate, SECO will continue to support Peru in fostering a competitive, innovative and sustainable private sector by focusing on three main areas:

At the macro level, SECO partners with national and subnational governments to foster an effective regulatory framework for SMEs by

- supporting the design of effective policies and incentives for formalisation, innovation, good economic governance, etc.; and
- facilitating coordination among institutions and piloting initiatives and solutions that cater to key economic policies.

At the meso level, SECO promotes accessibility to key economic infrastructure by

- fostering a strong trade infrastructure in line with international standards;
- developing an effective and inclusive financial market providing affordable services to SMEs;
- supporting skills development and technical education; and
- promoting a dynamic ecosystem for entrepreneurship and innovation.

At the micro level, SECO supports value-chain development by assisting companies and cooperatives in meeting international market requirements in the areas of quality and sustainability by

- integrating local firms into international markets and creating links to the Swiss private sector;
- keeping larger portions of value-added activities within Peru (mainly in the agricultural industry, small-scale mining and tourism). SMEs, cooperatives and farmers receive support in adopting resource-efficient production techniques, to innovate and to make use of digital tools. SECO's programme provides firms with incentives to formalise.

### Peru's Development Priorities

- Increasing the productivity and competitiveness of MSMEs
- Formalisation and diversification of the economy
- Financial inclusion and skills development



# Results monitoring for Peru



Thematic priority 1

## Promoting resilient subnational growth hubs



Thematic priority 2

## Fostering a competitive, innovative and sustainable private sector



### Theory of change

**If SECO** supports Peru to develop effective economic policies, institutions and public services,



**then** Peru will ultimately have more and more resilient hubs of economic growth,



**because** more regions provide effective framework conditions for the private sector to grow, create jobs and contribute to government income.

### Transversal themes



#### Gender equality

SECO aims to improve opportunities for women by promoting gender-sensitive economic institutions and public services.



#### Climate and resource efficiency

SECO supports climate-sensitive public financial management and green public financing solutions. It promotes resource efficient urban development.



### Theory of change

**If SECO** supports Peru's private sector to innovate, diversify and access financing and international markets,



**then** the Peruvian economy will ultimately grow in a sustainable and resilient way and generate more and better income opportunities for all segments of society,



**because** companies will be more competitive, more value will be added within Peru and economic development will be more resilient to external shocks.

### Transversal themes



#### Gender equality

SECO aims to improve economic opportunities for women through gender-relevant incentives for formalisation and by promoting female entrepreneurs.



#### Climate and resource efficiency

SECO promotes the efficient use of resources in production processes and fosters green financing solutions for the private sector.



### Contribution to selected SECO business lines

#### Growth-promoting economic policy

**If SECO** strengthens the capacities of and the coordination between institutions at the national and subnational levels in order to design effective and transparent economic policies,



**If SECO** contributes to the effective and transparent use of public resources



**then** Peru can independently mobilise, manage and invest resources and provide better services to all



**because** Peru is building strong, accountable and transparent institutions at all levels that generate sufficient domestic and foreign resources (SDGs 16.6, 17.1).

#### Urban development and infrastructure services

**If SECO** – together with the Peruvian government and the private sector – improves public service delivery in urban contexts,



**then** this helps to create the conditions for sustainable economic growth and broader social prosperity



**because** cities are planned and managed in a sustainable manner (SDG 11.3)



**because** equal access to affordable and reliable public services will increase (SDGs 6.1, 6.2, 7.1).

#### Access to financing

**If SECO** fosters an effective and inclusive local financial market providing affordable financial services to SMEs,



**then** entrepreneurs, producers and cities will have access to adequate financial services (SDGs 8.1, 9.3)



**because** the private sector can benefit from better framework conditions



**because** the financial and capital markets are able to respond adequately to the needs of borrowers (SDG 8.10).

#### Innovation-friendly business environment

**If SECO** is a partner for national and subnational governments to help design and execute an effective regulatory framework for SMEs,



**If SECO** supports a business climate that incentivises innovation,



**then** the competitiveness of enterprises (especially SMEs) will improve



**because** they are not hindered by unnecessary bureaucratic barriers,



**because** they can invest freed-up resources into the productive core business.

#### Rules-based trade system

**If SECO** is a partner for national and subnational governments to help design and execute an effective regulatory framework for SMEs,



**then** the trade-relevant framework conditions improve



**because** the partner country will be able to make better use of opportunities offered by national, regional and international trade (SDG 17.10).

#### Integration in value chains

**If SECO** supports companies in increasing productivity and sustainability,



**If SECO** contributes to retaining increasingly larger parts of value-added activities within Peru,



**If SECO** helps local firms to integrate on international markets,



**then** the (international) competitiveness of companies and producers is strengthened (SDG 9.3),



**then** they are better integrated into sustainable local, regional and international value chains (SDGs 8.9, 9.3, 12b)



**because** enterprises/producers meet international quality and market access requirements



**because** they are more productive and competitive.

#### Corporate social responsibility

**If SECO** facilitates business conduct and develops incentives for companies to formalise,



**then** companies can create safe and productive jobs for women and men (SDG 8.8),



**then** they adopt sustainable practices (SDG 8.4), and



**then** they include sustainability information in their reporting cycle (SDG 12.6)



**because** they have the expertise and knowledge.

#### Market-oriented skills

**If SECO** fosters quality technical education,



**then** companies find skilled workers and are more innovative (SDG 8.5)



**because** in the digital age, availability and development of skilled workers are a necessity.



## Abbreviations

<b>APCI</b>	Peruvian Agency for International Cooperation
<b>CHF</b>	Swiss franc
<b>COVID-19</b>	Coronavirus disease 2019
<b>EFTA</b>	European Free Trade Association
<b>GDP</b>	Gross domestic product
<b>GIZ</b>	German Corporation for International Cooperation
<b>IFC</b>	International Finance Corporation
<b>ITC</b>	International Trade Centre
<b>IMF</b>	International Monetary Fund
<b>MSME</b>	Micro-, small and medium-sized enterprises
<b>NDC</b>	Nationally determined contributions
<b>ODA</b>	Official development assistance
<b>OECD</b>	Organisation for Economic Cooperation and Development
<b>PFM</b>	Public financial management
<b>SDC</b>	Swiss Agency for Development and Cooperation
<b>SECO</b>	State Secretariat for Economic Affairs
<b>SIFEM</b>	Swiss Investment Fund for Emerging Markets
<b>SME</b>	Small and medium-sized enterprises
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>USD</b>	United States dollar

## State Secretariat for Economic Affairs SECO – Economic Cooperation and Development

SECO's Economic Cooperation and Development division is responsible for the planning and implementation of economic cooperation and development activities with middle-income developing countries, with countries of Eastern Europe as well as the new Member States of the European Union. It coordinates Switzerland's relations with the World Bank Group, the regional development banks and the economic organisations of the United Nations. SECO is part of the Federal Department of Economic Affairs, Education and Research.

Switzerland's international cooperation efforts as defined in the International Cooperation Strategy 2021–2024 aim to alleviate poverty worldwide, improve respect for human rights, promote democracy and protect the environment. Accordingly, SECO's economic and trade policy measures strive to support sustainable and inclusive growth. The Economic Cooperation and Development division focuses its activities on its specific areas of competences and experience in two target outcomes aligned with the 2030 Agenda for Sustainable Development; 1) Access to markets and opportunities and 2) Income opportunities. Special emphasis is placed on issues related to climate and resource efficiency as well as gender equality.

For detailed information about the orientation of SECO's economic development cooperation, see: [www.seco-cooperation.admin.ch/secocoop/en/home.html](http://www.seco-cooperation.admin.ch/secocoop/en/home.html)



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