

State Secretariat for Economic Affairs SECO

Final report on the implementation
of the Dispatch on Switzerland's
International Cooperation
2017–20

SECO Annex

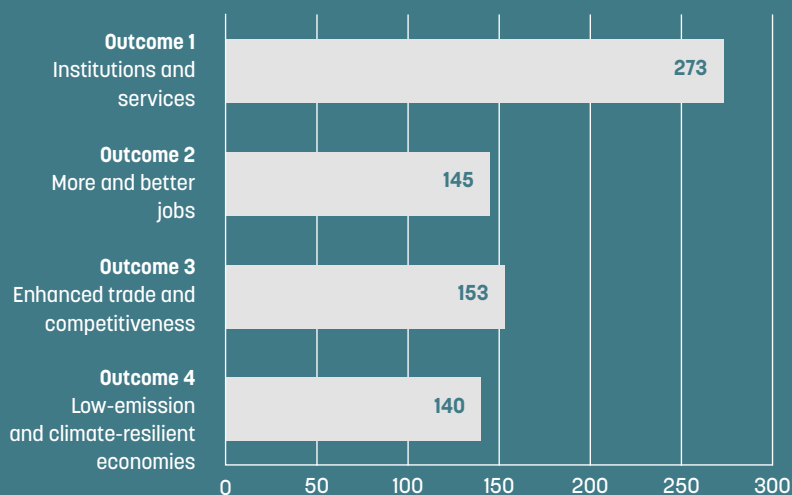


Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

SECO priority countries 2017–20



Use of SECO funds in CHF million 1 January 2017 – 30 June 2019



For further information on issues and projects, please see the SECO background dossier on the 2017–20



final report at the following link:
<https://www.seco-cooperation.admin.ch/final-report2017-20>

State Secretariat for Economic Affairs

SECO is the centre of expertise of the Swiss Confederation for all core issues relating to economic and trade policy, with overall responsibility for economic development cooperation. It supports efforts of its partner countries to shape economic structural change and integrate into the global economy.

SECO supports the implementation of the 2030 Agenda in its partner countries, complementing and working in coordination with other actors. It actively harnesses the leverage of multilateral development banks and acts as the Swiss lead agency overseeing their projects. It adopts a long-term approach to international cooperation, taking account of climate policy factors and creating prospects for people locally, which helps reduce the long-term causes of forced and irregular migration. In its projects, SECO systematically considers the opportunities offered by technological progress and digitalisation.

SECO has measured its contribution to alleviating poverty and global risks in its partner countries based on four target outcomes (outcomes): 1. Strengthen public institutions and services; 2. More and better jobs; 3. Enhanced trade and competitiveness; 4. Low-emission and climate-resilient economies. The targets set are expected to be met by the end of 2020. Achieving the desired broad impact in the area of trade proved challenging in part, and there were frequent delays in infrastructure improvement projects. SECO also worked on two transversal themes: economic governance and gender equality.

In 2019, SECO's Economic Cooperation and Development Division was again awarded ISO 9001:2015 certification. The ISO audit confirmed that the division's management system consistently provided high-quality services and implemented innovative approaches. The success rate of SECO projects has improved further since the mid-term report published in 2018.

Project success rates

Success rate (overall)



Relevance: Are the projects chosen suitable for the context?



Effectiveness: Were the objectives achieved?



Efficiency: Were the results achieved as cost-efficiently as possible?



Sustainability: Will the results last beyond the end of the project?



■ Current Dispatch (2016 – 18) Number of projects evaluated: 72

■ Previous Dispatch (2012 – 15) Number of projects evaluated: 81

Global challenges and role of SECO

Major global challenges in recent years have included climate change and its impact, the overuse of natural resources, forced and irregular migration, and unemployment. Other developments such as government debt, volatile commodity prices and rapid urbanisation have also left their mark. Protectionist tendencies have increased, as have the questioning of multilateralism and the number of armed conflicts, making international cooperation an increasingly difficult task.

- ▶ SECO has supported projects that helped, directly or indirectly, address these challenges in its partner countries, focusing its efforts on where it could best respond to needs and deliver the greatest added value.
- ▶ Through its multilateral engagement, SECO has increased the leverage of its bilateral activities and helped shape the international environment, thereby contributing to the 2030 Agenda in accordance with its expertise.
- ▶ By promoting sustainable inclusive growth as a means of reducing poverty and global risks, SECO has fulfilled the duty to alleviate need and poverty in the world, as laid down in the Swiss Federal Constitution. At the same time, it has supported the global orientation of Swiss foreign economic policy, for example by expanding its cooperation with the private sector and increasing climate financing.

SECO partnerships

- ▶ **Working in partnership** is key to achieving effectiveness and dealing successfully with global challenges. The **2030 Agenda for Sustainable Development**, in particular Sustainable Development Goal (SDG) 17, provides an important reference framework for this.
- ▶ SECO has deepened its **partnerships with multilateral development banks**. It engaged in intensive dialogue on institutional and development issues and helped design multilateral projects in the energy, water and transport sectors, as well as projects supporting small and medium-sized enterprises (SMEs). SECO assisted development banks in enhancing their social and environmental standards and in formulating their strategies for implementing climate measures under the Paris Agreement (see p. 9).
- ▶ For SECO, **partnerships with the private sector** are key to mobilising additional funding, expertise and innovative business models needed to achieve the SDGs. Such partnerships exist both with the private sector in Switzerland, e.g. with the Swiss Platform for Sustainable Cocoa (see p. 7) and the SECO Start-up Fund (see p. 6), and the private sector in target countries, e.g. with the SECO Entrepreneurship Programme (see p. 6).
- ▶ **Partnerships with non-governmental organisations (NGOs)** ensure that SECO projects are innovative, sustainable and coordinated with civil society. Cooperation with NGOs proved particularly valuable in promoting SMEs, value chains and tourism.
- ▶ Through its **partnerships with Swiss higher education institutions** such as the Graduate Institute Geneva (IHEID) and ETH Zurich, SECO tapped into Swiss expertise and strengthened the ties between academia and international cooperation.

- ▶ SECO's activities are **strategically coordinated with and operationally complementary to the activities of the Swiss Agency for Development and Cooperation (SDC) and the Human Security Division (HSD)**. SECO exploits synergies with other units of the Federal Administration such as the Federal Office for the Environment (FOEN), the State Secretariat for Migration (SEM), the Swiss Federal Institute of Intellectual Property (IPI) and the State Secretariat for International Finance (SIF). This ensures that funds are used efficiently and that measures achieve maximum effect.

Innovation and risk management

SECO takes calculated risks in its cooperation, since development issues often require innovative approaches. In such cases, SECO launches targeted pilot projects and scales them up if successful. In 2019, 5% of projects were considered 'high risk' due to their innovative potential or a difficult context. SECO monitors such projects very carefully, adapting its support promptly or halting the project entirely if necessary.

Measuring impact¹

To enhance its impact, SECO uses project implementation indicators to identify problems at an early stage and take appropriate improvement measures. SECO has an evaluation policy and evaluation guidelines that take into account international standards and set out clear principles governing evaluations. An independent evaluation committee, comprising five members from politics, academia, business, the international sector and civil society, responds to the results of evaluations and oversees implementation of their recommendations. Between 2016 and 2018, three independent thematic portfolio evaluations were conducted according to OECD DAC criteria,² together with 145 project evaluations, including 75 external evaluations and 70 internal reviews.

¹ This final report refers to the current Dispatch period 2017–20. Unless stated otherwise, the results reported relate to the period 2016–19.

² DAC Criteria for Evaluating Development Assistance

In addition, a sustainability review was carried out in 2019, examining how the relatively low past scores for the sustainability of project outcomes could be boosted. Its recommendations are already being implemented.

Migration

SECO supports projects in its partner countries that create opportunities for people in search of work. For example, in North Africa, where unemployment is extremely high by global standards, even skilled job-seekers have difficulty finding work, or work of a decent quality. This contributes to migratory pressure. SECO therefore promotes SMEs and sustainable tourism in the region. In addition, SECO, together with the SEM, SDC and HSD, is involved in implementing the strategic linkage between international cooperation and migration policy, as agreed in the Dispatch 2017–20. To this end, these bodies cooperate in the Inter-departmental Structure for International Cooperation on Migration.

Results at a glance

- ▶ **USD 2.1 billion in third-party funds mobilised for basic infrastructure**
- ▶ **65,000 jobs created**
- ▶ **845,000 producers trained**
- ▶ **21.3 billion kilowatt hours of energy generated from renewable sources**

In the Tataouine, Médenine and Gabès regions of south-eastern Tunisia, where over 40% of young people are unemployed, tourism is one of the most promising sectors for quickly creating high-quality jobs.

SECO therefore supports the Destination Management Organisation (DMO), in partnership with Swisscontact. Its aim is to help tourism workers become better coordinated and enhance the quality of their services, drawing on the Berber culture and heritage. An external project evaluation in 2019 confirmed that the DMO had succeeded in reaching a large number of tourism professionals, helping them to develop a common vision for tourism, as well as mobilising the private sector and improving marketing and waste disposal. The accommodation and catering offer had also been expanded. Despite the crisis in the tourism industry, all service providers involved in the project had managed to keep going, with 83% reporting that the project had led to an increase in the number and length of overnight stays in the region since 2016.



Sustainable growth thanks to positive framework conditions and good government services

Government institutions, services and framework conditions are the basis for sustainable growth and social prosperity. An efficient public administration provides reliable basic services for all, encourages self-reliance and fosters resilience to challenges such as climate change.

Public finances strengthened

SECO's partner countries do not sufficiently exploit their potential to raise funds independently and put them to effective use. SECO helped them modernise their financial administration and mobilise their own resources. In Peru, Indonesia, Serbia and Ghana, public financial management was enhanced and opportunities for corruption reduced. Six local governments in Serbia increased their tax revenues substantially, while in South Africa, local governments became more efficient at managing public procurement processes and infrastructure projects. These experiences showed that involving the authorities closely in project design was critical to success.

Financial sector efficiency improved

A well-developed and well-regulated financial sector is key to a functioning and resilient economy. SECO therefore strengthened central banks, regulators and financial market supervisors. It supported the development of capital markets in Peru, Colombia, Indonesia and South Africa and ensured protection against earthquake risks in Colombia by introducing innovative financial instruments. SECO helped partner countries implement the 40 recommendations of the Financial Action Task Force effectively, and was involved in launching a new global initiative to strengthen reporting offices for money laundering. A key priority in the future will be to ensure that new financial technologies are properly regulated to mitigate associated risks.

Basic services improved

Public infrastructure and services in SECO partner countries are often unreliable. SECO therefore supported the professional management of basic public infrastructure in the areas of water, wastewater, waste, energy and transport. It mobilised private capital to renovate existing infrastructure and finance new infrastructure projects, and developed an approach combining investment with competitive incentive systems to boost the performance of water supply companies. This approach was adopted as part of the water sector reform in Albania. In the Western Balkans, a network

of local water and waste-water specialists was set up to provide vocational education and training. In the mountainous region of Pamir in Tajikistan, around 18,000 households were given access to reliable, sustainable and affordable electricity by 2017. In total, USD 2.1 billion of capital (mostly loans from the private sector and development banks) was mobilised

to improve infrastructure. Implementing infrastructure projects often proved difficult, with delays due to lengthy decision-making processes, changes in political leadership, lack of expertise and funding issues. In the future, SECO will increase its focus on improving the governance of public utilities and designing projects that cover multiple cities.



External view

Results of the 2015 independent evaluation on tax and development

The evaluation made ten recommendations that were implemented over the course of three years, resulting in many improvements. Among the measures taken, SECO stepped up cooperation with Swiss country offices. The guidance note developed in response to the evaluation helps better coordinate project diagnostics and monitoring. Projects are now better adapted to the limited resources of local tax authorities. SECO also actively shapes the global tax reform agenda and contributes to the development of new tools. As part of these efforts, medium-term reform strategies are already being prepared in some partner countries in coordination with the International Monetary Fund, the OECD, the World Bank and the UN.

Challenges

► **Failed attempt at modernisation:** The project to modernise Vietnam's supreme audit institution ran into delays owing to the difficult institutional environment. It was abandoned completely in 2018 as the political conditions needed to complete the project successfully were no longer in place. In the future, SECO will examine even more carefully the extent to which partners are willing and able to implement far-reaching reforms.

► **Political influence:** In Azerbaijan, political influence has increasingly curtailed the independence of the newly-established banking supervision and regulatory authority FIMSA. Consequently, any further support is now conditional on the completion of specific milestones (such as the passing of legislation on financial market supervision). A similar approach also applies in other high-risk projects.

3 All aggregated figures relate to the period 2016–18.

Good jobs create better prospects for the future

The private sector creates 90 % of all jobs worldwide and therefore plays a vital role in poverty reduction. In SECO's partner countries, new businesses often fail after a short time because they cannot access expertise, capital, skilled workers or key services. SECO therefore supports innovative private-sector initiatives and the mobilisation of private resources.

Entrepreneurship promoted

SMEs in SECO's partner countries usually do not receive the support they need. SECO helped SMEs transform their business ideas into marketable products. The SECO Entrepreneurship Programme strengthened networks connecting start-ups with mentors and investors and created over 2,600 new jobs by the end of 2018. 77 per cent of young entrepreneurs surveyed in an evaluation⁴ rated the support received as an important factor in their success. Thanks to the SCORE⁵ programme, working conditions for 336,000 employees in more than 1,600 companies were improved by the end of 2018. In Indonesia, over 1,700 local businesses benefited from programmes in the tourism sector. In 2018, SECO launched a project to promote sustainable winter tourism in the mountainous regions of Kyrgyzstan, around Karakol and Chunkurchak. Looking ahead, SECO plans to provide increased support to start-ups in Africa as a means to create jobs.

Access to capital facilitated

Despite high growth potential, SMEs in SECO partner countries are often held back by a lack of financing. SECO facilitated access to capital for SMEs by providing technical expertise and training local banks in lending. In Ghana, over a million SMEs were able to access secured loans thanks to the Global Financial Infrastructure programme. SECO also supported the development, deployment and application of innovative financial technologies such as mobile payment services, as well as offering financing options to companies with growth potential through the SECO Start-up Fund and the Swiss Investment Fund for Emerging Markets (SIFEM). In a bid to close the biggest financing gap for SMEs anywhere in the world, SECO supported a project in North Africa that

creates local economic prospects. According to an external evaluation,⁶ by the end of June 2018, over 4.8 million microcredits had been awarded, 58 % of them to women, and over 59,000 loans had been granted to SMEs. In total, SECO projects mobilised more than USD 13.2 billion of capital (loans from development banks and private investments).

Barriers to women entrepreneurs

Women entrepreneurs face a particular set of obstacles. In Ukraine, SECO incorporated gender aspects into various projects in the banking and SME sectors, while in North Africa it supported financial services for women entrepreneurs. By the end of 2017, over 106,000 women entrepreneurs in Egypt had benefited from loans.

SIFEM

SIFEM, the federal development finance institution set up by SECO in 2011, together with other public and private investors, provided established SMEs and fast-growing companies with long-term investments, loans and expertise. SIFEM helped these companies grow and created over 28,000 jobs in 2016–18.

External view

An independent evaluation of the SDC's and SECO's job-creation activities between 2005 and 2014 was conducted in 2017.⁷ Overall, 72 projects worth a total of CHF 2.2 billion were evaluated, including 38 SECO projects and one joint project with the SDC.

The report found that SECO and the SDC had made effective contributions to promoting employment in partner countries. Nearly 85 % of projects in the portfolio were rated between 6 (very good) and 4 (satisfactory). Projects with direct employment objectives and those aimed at improving labour conditions received the best effectiveness scores. In the future, the promotion of value chains will be supported by better and more realistic analyses of production and marketing risks. In complex country contexts in Africa and the Middle East, projects will be prepared with even greater care.



Over 65,000

productive jobs were created and more than 11,000 retained.

827,000 companies

received new access to capital.

Challenges

- ▶ **Time and incentives needed:** In Kyrgyzstan, SECO promoted access to financial services for population groups previously unable to access banking services. It found that the introduction and acceptance, by both customers and banks, of new financial products took longer than planned and needed to be supported by incentives.
- ▶ **Additional risk buffers:** In light of the rapid technological progress of financial services (Fin-Tech, blockchain), SECO promotes new products and technologies to ensure that financing instruments and infrastructure remain relevant. However, additional risk buffers are needed for investments in difficult markets.
- ▶ **Overly ambitious project objectives:** Implemented between 2012 and 2017, the Education for Employment (E4E) project aimed at better integrating young people in Morocco, Tunisia, Egypt and Jordan into the labour market. However, the project objectives proved too ambitious and the effects of the Arab Spring were underestimated. The goals were therefore adjusted and greater care exercised in the choice of partners.

4 External Mid-Term Evaluation – The Swiss Entrepreneurship Programme, 2018.

5 Sustaining Competitive and Responsible Enterprises (SCORE) programme

6 External End-Term Evaluation of the Micro, Small, and Medium Enterprise Technical Assistance Facility for the Middle East and North Africa, 2018.

7 Report on Effectiveness Swiss International Cooperation in the Field of Employment 2005–14, 2017.

Enhanced trade and competitiveness through sustainable products

Global value chains are growing in complexity. With the ongoing advance of digitalisation and automation, innovations that generate productivity gains are becoming key competitive advantages. SECO supports innovative trade actors in developing countries, strengthens the integration of its partners in global value chains, promotes their competitiveness on international markets, and thereby contributes to the implementation of Switzerland's foreign economic strategy.



**845,000
workers**

within value chains received education and training to enable them to deliver better, more sustainable products and services and to export more, thereby improving their standard of living.

**Over USD 100
million**

of additional income was generated by exports of sustainable products.

Business environment improved

Businesses in SECO partner countries often fail to thrive, or even get off the ground, as a result of regulatory barriers. SECO takes a holistic approach to tackling this problem, encouraging targeted reforms that reduce costs and bureaucracy for companies and create incentives for investment. Even small advances in removing regulatory obstacles and increasing legal certainty bring substantial benefits to many businesses. However, success is conditional upon long-term cooperation with government partners. A programme run with the International Finance Corporation (IFC) scaled up innovative approaches strategically in Eastern Europe, Africa, Asia and Latin America. Experience with the programme has shown that policy windows for reforms must be exploited to achieve success. More effective business regulations unleashed over USD 9 million of additional investment in 2018.

Competitiveness enhanced

Greater competitiveness and easier market access are key to ensuring that as many countries as possible benefit from globalisation. The Colombia+Competitiva programme

in Colombia and SeCompetitivo in Peru bolstered the international competitiveness of the respective countries. Meanwhile, the SECO-supported Swiss Import Promotion Programme (SIPPO) enabled local export promotion organisations and industry associations to provide better services. This contributed to a total of over USD 750 million in additional exports between 2016 and 2018, most of them sustainable. Simultaneously, the Vietrade project doubled the exports of 22 Vietnamese SMEs between 2014 and 2017. In 2017, the Swiss Platform for Sustainable Cocoa was founded with support from SECO. Bringing together private sector and civil society actors, it sets sustainability targets for the import of cocoa products and strives to implement these targets in partner countries.

Favourable framework conditions for trade created

International trade is increasingly reliant on global value chains. To participate in these value chains and benefit from globalisation, the relevant authorities must be able to comply with the rules of international trade, and companies and producers able to take advantage of opportunities. Since 2018, the Global Trade Facilitation Programme has helped customs authorities in partner countries to facilitate the import and export of goods. In addition, the Global Quality and Standards Programme helps national institutions comply with global quality standards and assists SMEs to meet standards and thus boost their exports.

External view

In 2018, an independent evaluation team analysed 25 SECO programmes worth CHF 144 million, focusing on market access and competitiveness in value chains.⁸ The evaluation concluded that SECO's projects addressed the challenges and priorities of beneficiary countries. It found that SECO had helped integrate producers and SMEs in global value chains such as cocoa, cotton and gold and had delivered clear added value in this area. The sustainability of the project results was considered promising. However, the producers integrated in global value chains accounted for a relatively small percentage of overall commodity trade. SECO is now including more Swiss expertise in projects designed to strengthen value chains, and is taking a more focused approach in its choice of value chains.

Challenges

- ▶ **Misjudged capacity of a partner:** Until 2018, SECO helped universities in partner countries develop the expertise needed to independently support trade negotiations and reforms. In South Africa, however, it transpired that the partner university did not have the required capacity or access to government. On the recommendation of an external evaluation, SECO will set up advisory committees for its new programme that bring relevant government partners on board from the outset.
- ▶ **Political changes:** In the past, projects to strengthen value chains have often delivered good results. However, in many cases the replication and dissemination of these results were undermined by political changes and inadequate support from local authorities. Consequently, SECO is now making a greater effort to include the political level in technical projects.

8 Evaluation Report on Market Access and Competitiveness, 2019.

Climate-friendly growth through sustainable urban development

Population growth is primarily concentrated in cities, which are important centres of economic growth and innovation. Only well-developed, well-organised cities that take proactive and fact-based development and investment decisions can grow sustainably. For many cities, therefore, integrated urban planning as well as curbing emissions have become key priorities.

Sustainably developed cities

Most urban development in SECO partner countries is uncoordinated. Urban sprawl makes it harder to access public services, and the risks from natural disasters are high. SECO helped more than 50 cities plan and manage their urban development in an integrated and professional way. Flood management was improved in three Vietnamese cities. In Khujand, Tajikistan, a reliable bus service with lower emissions was developed.

Sustainably supplied energy

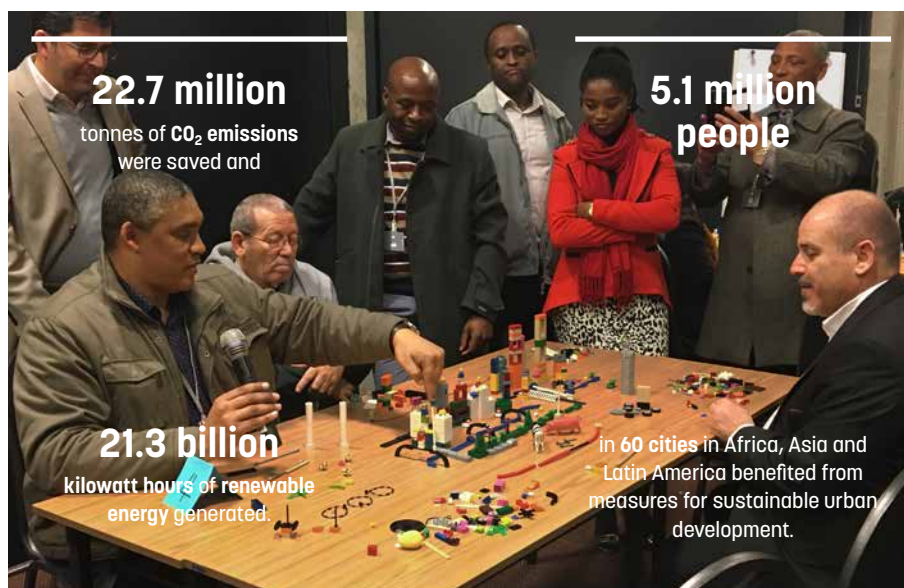
Supplying cities with energy sustainably is a major challenge. SECO improved energy planning and management in its partner countries, as for example in the Ukrainian cities of Vinnytsia and Zhytomyr, both of which received the European Energy Award label. Inspired by the positive experiences, other Ukrainian cities have expressed an interest in adopting this approach. To this end, a national structure is to be set up with support from SECO.

Resource efficiency in the private sector promoted

Private companies in SECO partner countries often lack the know-how and capital to make efficient use of resources. SECO therefore supported the financing of sustainable investments and promoted resource-saving production methods. Thanks to a multilateral project, four national development banks were able to issue green bonds that resulted in USD 200 million of private financing. In 2018, SECO embarked on a partnership with the IFC to create new markets for climate financing in emerging economies.

Climate financing secured

Together with the SDC and the FOEN, SECO is helping achieve the global target of providing at least USD 100 billion of climate financing to developing countries by 2020. SECO stepped up its climate-related activities between 2017 and 2019, spending over 30% more than in the previous Dispatch period. With the SDC and the FOEN, SECO worked to promote climate governance and multilateral funds (the Green Climate Fund and Climate



Investment Fund). It mobilised additional private capital through partnerships such as the Private Infrastructure Development Group. Going forward, SECO will continue its efforts to mobilise private-sector climate investment, in particular among Swiss private investors.

External view

An independent evaluation⁹ of SECO activities in the field of energy-efficient cities was conducted in 2018. Fourteen ongoing projects worth approximately CHF 120 million were examined according to OECD DAC criteria. The evaluation finds that SECO is delivering good results with its approach and portfolio, and that the project objectives are well aligned with the Dispatch and with strategies of partner countries. SECO is an important international actor in the field of energy-efficient cities and is valued by both partners and beneficiaries. It has established itself as a reliable enabler of innovations and has helped promote the visibility of Switzerland abroad through its injection of Swiss expertise and know-how. The European Energy Award approach has proved effective. SECO will take account of the evaluation's recommendations in future projects.

Challenges

- **Knowledge transfer difficult:** Tunisian municipalities have little experience with sustainable planning. SECO therefore helped authorities in Sousse, Tunisia's third-largest city, better plan and manage the use of space, energy needs and transport systems. The biggest challenges were technical complexity and knowledge transfer.
- **Lack of green funding:** Businesses in Latin America were keen to use resources more efficiently and reduce emissions but were held back by the insufficient availability of green loans. SECO therefore joined forces with the Inter-American Development Bank (IDB) to develop sustainable bonds and credible standards and practices for the market.
- **Ownership takes time:** In Indonesia, SECO helped the cities of Semarang, Denpasar and Balikpapan introduce an integrated urban planning system. This was a difficult and time-consuming process. However, the approach taken has paid off, enabling the cities to plan independently for the long term. The Indonesian government wants to extend the planning system to many other cities, at its own expense.

⁹ Evaluation Report on Energy-Efficient Cities, 2019.

Close cooperation with multilateral development banks

Measures addressing global challenges such as financial crises and climate change require international coordination. Multilateral development banks (MDBs) are key players in this regard, having the credibility and influence, financial resources, tools and expertise to facilitate effective and sustainable action. Switzerland has long considered development banks to be valued partners.

Development banks are key partners for achieving the SDGs, for example in the infrastructure sector (energy, water, transport). They bring together a wide range of partners, help scaling up projects, test innovative approaches and replicate the most successful experiences. Through strategic dialogue and in projects with development banks, SECO and the SDC strive to maximise the effectiveness of the resources deployed (see SDC Annex).

Partnerships strengthened

Each year at the World Economic Forum in Davos, SECO organises an institutional and geopolitical discussion with all presidents of the development banks. In 2019, partnership meetings with the IFC and the European Bank for Reconstruction and Development took place in Switzerland. These meetings were an opportunity to exchange knowledge with the Swiss private sector concerning impact investing, financial technology and climate protection. They resulted in various collaborations.

Reforms supported

In 2018, World Bank Group member countries agreed on a capital increase package totalling over USD 13 billion. Switzerland successfully advocated this solution, which should lead to a healthy long-term financial budget. Within the framework of the G20, Switzerland

championed better coordination between development banks, without restricting their institutional independence.

In the future, Switzerland will support greater specialisation in priority working areas for each bank, based on its strengths and the SDGs. Coordination between development partners needs to be systematised, in particular through the establishment of country-specific platforms, and further efforts are needed to harmonise environmental, social and financial standards.

Support for refugees in the South

In countries such as Bangladesh, Lebanon, Jordan and Colombia, which take in refugees from neighbouring countries, development banks make a vital contribution to ensuring basic local services, education and employment for refugees and the local population. In 2018, when sections of the Rohingya Muslim minority were forced to flee from the conflict in Myanmar, the development banks provided the Bangladeshi government with USD 200 million of extraordinary funding at short notice. In Latin America, the IDB has set up a special fund for unexpected migration, such as the current movements from Venezuela.

Progress on climate financing

Development banks are among the largest providers of financing for action on climate

change and make a vital contribution to meeting the goals of the 2015 Paris Agreement. In 2018, they committed USD 43 billion of their own funds to mitigation and adaptation measures in developing countries and emerging economies, 72% more than in 2015. Almost USD 68 billion in further funding was mobilised from private partners. Development banks have also been instrumental in making renewable energy, such as wind and solar energy, competitive in developing countries.

Challenges

- ▶ **Debt:** The public debt risk in developing countries has intensified. Both bilaterally and in cooperation with development banks, Switzerland works to secure greater transparency, better debt management and increased mobilisation of countries' own resources.
- ▶ **Private sector:** The framework conditions for the private sector need to be further improved and many good new jobs created to keep pace with demographic trends. Switzerland helps development banks build new markets and better employment opportunities, including through the use of digital technologies.



"As an environmental engineer, I also work for the benefit of society and the environment in my region."
Dwi Rahayu, Muara Laboh Geothermal Power Plant, Indonesia, project supported by the Asian Development Bank

37,000 new jobs
were created as a result of support for SMEs from the European Bank for Reconstruction and Development.

15.6 million
people benefited from poverty alleviation programmes thanks to the Inter-American Development Bank.

95 %
of power generation projects backed by the African Development Bank are linked to renewable energy.

Lessons learnt and outlook

SECO has learnt some key lessons from the Dispatch 2017–20 and identified the global challenges for the years ahead. Its economic development cooperation will help its partner countries overcome these challenges and mitigate potential risks.

The past few years have shown that **SECO's focus** on sustainable, inclusive economic growth as a means of reducing poverty and global risks has been successful. The four outcomes provided a pertinent framework for this, as did the transversal themes of economic governance and gender equality.

The **instruments used by SECO** to achieve its outcomes also proved effective. SECO pursued and expanded approaches such as corporate development and the promotion of sustainable value chains, while new issues such as digitalisation (FinTech, e-commerce and GovTech) were incorporated, new strategies formulated and new projects implemented.

However, despite relevant outcomes and effective instruments, project implementation faced some **challenges**. Overly ambitious goals and overly optimistic assessments of contexts and partners made achieving the objectives more difficult. Inadequate institutional capacity or insufficient willingness by partner countries to engage in reforms, as well as governance and security issues, resulted in delays in project implementation and, in some cases, the abandonment of activities.

SECO has drawn lessons from these **experiences** and taken specific improvement measures, including improvements to its risk management and impact measurement.

In terms of its **strategic and thematic orientation**, SECO has learnt that it must focus even more on areas where its partner countries wish to improve and where its own strengths lie.

To respond appropriately to existing and future global challenges, it must also maintain a degree of flexibility in its projects and identify the most practical and innovative solutions possible.

SECO has identified the following challenges for 2021–24:

- ▶ Possible slowdown in global economic growth
- ▶ Weak governance and fragility
- ▶ Global taxation and insufficient transparency
- ▶ Increasing protectionism and slowdown in global trade
- ▶ Rapid urbanisation
- ▶ Sustainable labour markets and decent employment opportunities
- ▶ Digitalisation
- ▶ Migration and displacement
- ▶ Climate change and overuse of natural resources
- ▶ Poverty and inequality

With these challenges in mind, SECO will place even greater emphasis on fostering reliable framework conditions and innovative private-sector initiatives in its future activities.

Gender equality and climate and resource efficiency are key prerequisites for delivering sustainable economic growth and ensuring social prosperity. They will therefore be included in all economic development cooperation activities.

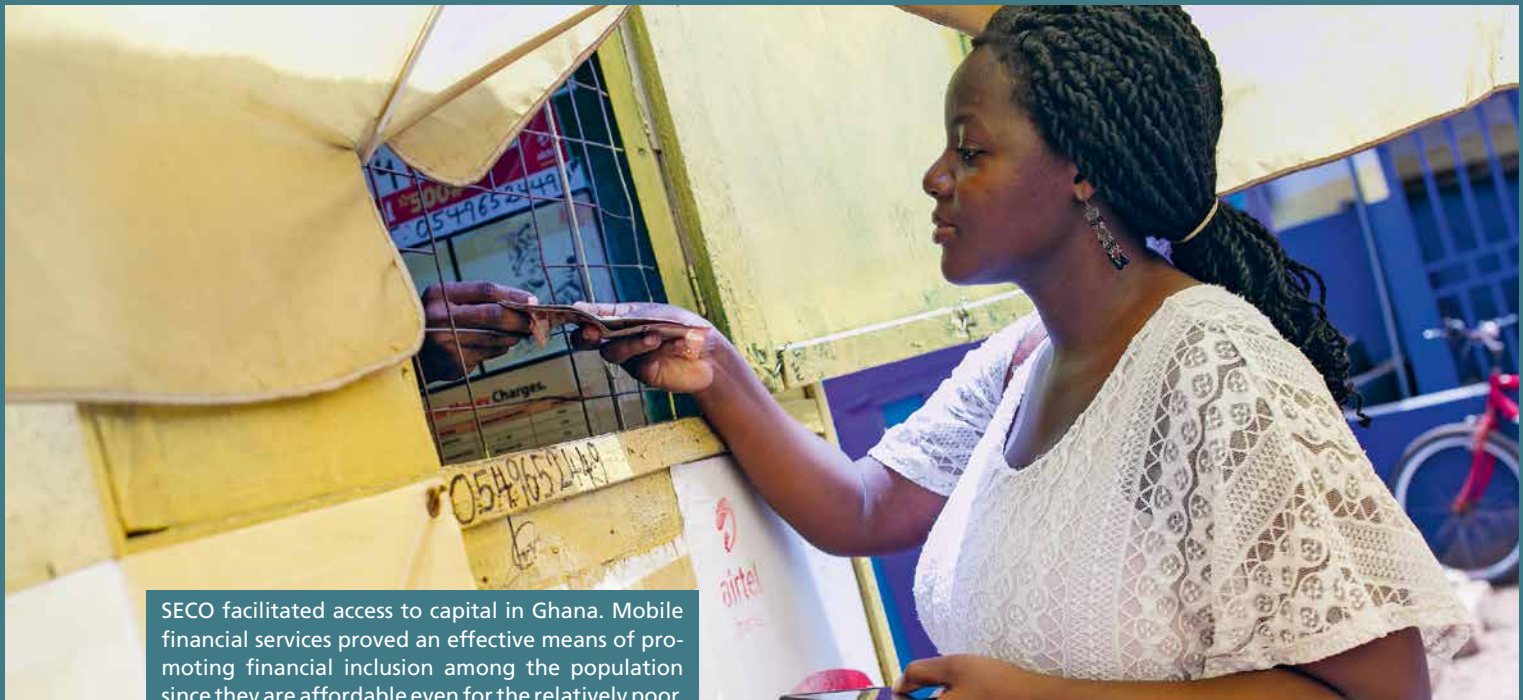
SECO will continue to build on tried-and-tested approaches such as macroeconomic support and the promotion of entrepreneurship, professional skills and sustainable value chains. These are areas where there is demand from partner countries and where SECO and its partners can deliver significant added value. In providing this assistance, SECO will respect the principle of complementarity with other actors and avoid duplication.

Working in partnership will remain key to achieving effectiveness and dealing successfully with global challenges. SECO will therefore deepen its partnerships with multilateral development banks, the private sector and other national and international development actors, and mobilise more external funding for the implementation of the 2030 Agenda.

In its choice of priority countries, SECO will continue to focus on the needs, interests and willingness to reform of partner countries. It will also build on its own core competencies and Switzerland's international trade and foreign-policy interests. SECO will intensify its efforts to make digital technologies accessible and usable for its development partners. This applies to the improvement of public services and the facilitation of trade as well as digital solutions for accessing financial services.



In Ukraine, SECO supported sustainable and participatory urban development. Here, representatives from municipal authorities and civil society exchange ideas on improving urban mobility.



SECO facilitated access to capital in Ghana. Mobile financial services proved an effective means of promoting financial inclusion among the population since they are affordable even for the relatively poor.



In Peru, SECO promoted a modern, sustainable and competitive private sector. Seven value chains were strengthened, including tourism and quinoa and asparagus production. Producer organisations are now stronger, and access to capital is easier. In addition, 6,000 jobs were created or retained.

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Page 9: Asian Development Bank (Indonesia)

Inside back cover: Deutsche Gesellschaft für Internationale Zusammenarbeit (Ukraine); SECO (Ghana); Peruvian Ministry of Production – PRODUCE (Peru)

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