

SWITZERLAND

WHAT IS YOUR AID-FOR-TRADE STRATEGY?

1. Do you have an aid-for-trade strategy and what are the key elements in this strategy?

The Swiss AfT-Strategy is an integral part of the Economic Development Strategy which seeks to promote the integration of partner countries in the world economy by supporting stable macroeconomic conditions, encouraging foreign investment, strengthening trade capacities and by building basic urban infrastructure, with the overall goal of sustainable economic growth and reducing poverty.

The division for Economic Development Co-operation is hosted within the State Secretariat for Economic Affairs (SECO) as the federal government's Centre of expertise for all core issues relating to economic policy such as trade and labour issues. Therefore, the work of the division for Economic Development Co-operation aims at an optimal coherence between the objectives of development co-operation and those of foreign economic and trade policy, and has therefore established a WTO Task Force for Trade and Development (see under C for further information).

Within this framework, Switzerland's trade-related co-operation (or trade-related technical assistance-TRTA) is seen as a core element and is considered as crucial complement to the current WTO Doha negotiations. The Swiss TRTA is structured around the following five main areas:

- Support trade policy: Strengthen trade policy formulation and implementation capacities in partner countries and in Geneva (including WTO accession, intellectual property, competition, government procurement, trade reforms, etc.).
- Facilitate access to the Swiss and European market: Support the import to Switzerland and neighbouring countries of goods produced by SMEs in partner countries through the Swiss Import Promotion Programme (SIPPO). Promote tariff reduction and preferential access to the Swiss market (through the General System of Preferences) and support labels such as fair trade and organic production.
- Increase supply side capacities: Help SMEs to build up their ability to meet international norms and standards (SPS/TBT); enhance their export capacities and their competitiveness (marketing, market research, quality management, procurement, access to trade finance); increase their access to finance, and support the development of the relevant institutional structures, as well as measures to ease trade (e.g. customs modernisation).
- Implement environment and social criteria within trade: Support efforts of partner countries and their industry sectors to comply with international environment and social conventions related to trade. Promote coherence between trade, biodiversity, climate change and social considerations.

- **Commodities:** Switzerland is actively involved in the main international organizations dealing with soft commodities, promotes sustainable production (multi-stakeholders approaches), and supports partner countries' efforts to diversify their economic structure basis in order to reduce their dependency on raw materials and introduce price risk management.

2. How has this strategy evolved since the December 2005 WTO Ministerial Conference?

Aid for Trade is not new. As mentioned previously, in the case of Switzerland, TRTA has constantly been a core element of the economic co-operation strategy. Particularly since Doha in November 2001, there is a strong international regain of interest for trade cooperation. In full agreement with the views of Switzerland, this consideration has been further strengthened by the debate on Aid for Trade highlighted at the last ministerial conference in Hong Kong.

In order to increase the effectiveness of TRTA, Switzerland has adopted an Implementation Plan to respond to the commitments of the 2005 Paris Declaration on Aid Effectiveness, recognizing that these commitments need to be implemented in the specific context of each partner country. In addition to ongoing efforts towards increased ownership and enhanced focus on partner's national development strategies, TRTA programming will devote special attention to program-based aid modalities and common arrangements at country level.

3. How does this strategy address regional aid-for-trade challenges?

Switzerland recognizes that many countries face cross-border constraints (e.g. trade-related infrastructure, customs, heterogeneous regional trade policies, etc.) to trade more effectively. The ability to identify cross-country and regional needs should be strengthened, at both country, regional and multilateral level. In particular, regional integration efforts should be encouraged with a view to making regional integration a building block for the multilateral trade system. Therefore, Switzerland has been an active promoter of regional integration efforts and exchange of experience. This implies, for instance, strengthening relevant regional institutions and enhancing their skills to deliver capacity-building to neighbouring countries (e.g. TRALAC, the Trade Law Centre for Southern Africa).

HOW MUCH AID FOR TRADE DO YOU PROVIDE?

SCOPE

4. How do you define aid-for-trade (i.e. which types of programme and project do you consider trade-related)?

In line with the report of the AfT Task Force, Switzerland agrees that there is a need to define the scope of AfT in a way that is broad enough to reflect the diverse trade capacity building needs identified by individual countries, while at the same time establishing a border between AfT and economic development assistance in general. Such clarity is a necessity to ensure a reliable monitoring of this initiative. Accordingly, Switzerland considers that Aid for Trade covers four main pillars:

- a) Trade policy and regulations
- b) Development of export capacities or "trade development" (working with SMEs)
- c) Trade-related infrastructure
- d) Trade-related adjustment

Referred to this definition of AfT, the trade-related co-operation provided by Switzerland places its main emphasis on the pillars a) "trade policy and regulations" and b) "development of export

capacities”, thereby covering the areas mentioned under question A1), i.e. *Support trade policy (a), Facilitate access to the Swiss market and Increase supply side capacities (b), Trade, Environment and Social* (either a or b), *Commodities* (either a or b):

METHODOLOGY

5. *How do you allocate the aid-for-trade share in individual projects and programmes?*

The Division for Economic Development Co-operation within the State Secretariat for Economic Affairs (SECO) is the responsible agency for trade-related technical co-operation, as well as for macro-economic assistance, investment promotion, infrastructure financing and relations with international financial institutions. Within that division, it is the *Trade and Clean Technology Co-operation* sector (WEHU) that is exclusively responsible for the strategy and management of the trade-related technical co-operation, leaving implementation to strategic partners (specialised multilateral institutions, NGOs, etc.). Given this institutional setting, all projects and programmes (co-) financed by SECO through WEHU can be considered as 100% AfT-relevant.

COMMITMENTS

6. *According to your aid-for-trade pledges you have made at or since the December 2005 WTO Ministerial Conference?*

We are currently working on the 2006 Report of the Joint WTO/OECD-DAC Doha Database for TRTA/CB, shedding further light on the pledges made since 2006. At the present, Switzerland is moreover considering its contribution in the scope of Enhanced IF. An official Donor-Meeting including pledging session is foreseen for the 25th of September.

PLEDGES

7. *Describe any aid-for-trade pledges you have made at or since the December 2005 WTO Ministerial Conference?*

In general, all our commitments are part of AfT. This year, Switzerland engages itself for example in Nicaragua with the Programme “Strengthening Export Capacities of SMEs and the National Quality System” which aims at strengthening export capacities of SMEs. The recent signature of a free trade agreement with the US (CAFTA), as well as the preparation of a coming free trade agreement with the EU, has opened new opportunities for Nicaraguan companies as well as challenges. However, SMEs will not be able to seize these opportunities unless they strengthen their competitiveness and export capacities, and comply with international standards.

The Project is part of a national sector plan (PROMIPYME) elaborated on the basis of the principles of harmonization, alignment and ownership from the Paris Declaration. SECO has identified two components of PROMIPYME, where it has experience and where it can make a contribution in the sector policy dialogue: i) strengthening export capacities of SMEs; ii) enhancing the National Quality System. The Swiss contribution is amounted at USD 1,95 million.

A contribution from SECO to this Project represents an opportunity to progressively integrate the principles of the Paris Declaration in the trade-related cooperation. SECO is currently exploring similar participations in sector programmes in countries like Tanzania and Ghana. Nicaragua is currently one of the most advanced partner country in trade-related sector programmes. This Project will build on the strong involvement in the past of Switzerland in the national policy dialogue through the budget support donor group and the private sector development round-tables. Finally, the Project

is also an important element of the new Swiss Cooperation Strategy 2007-2012, which emphasises the importance of strengthening the involvement of the Swiss cooperation in sector programmes.

8. What is your medium-term (beyond 3 years) financial plan for aid-for-trade?

Since Doha in 2001, Switzerland has increased its trade-related cooperation as mentioned in the 2006 Report of the Joint WTO/OECD-DAC Doha Database for TRTA/CB. Moreover, it is foreseen to increase the share of trade-related cooperation – pillars a) and b) without investment promotion – by 50% from 2007 to 2010 (representing the yearly budget of SECOWEHU). Therefore, the budget for trade-related cooperation (category a: trade policy and category b: export capacities) is expected to progress from CHF 50 million (2006) to more than CHF 75 million (2010).

HOW DO YOU IMPLEMENT YOUR AID-FOR-STRATEGY?

MAINSTREAMING

9. How do you ensure that aid-for-trade is effectively integrated in your overall development strategy and programming both at headquarters and in-country?

As mentioned in the first part of the questionnaire, AfT is integral part of the our Economic Development Co-operation Strategy within the State Secretariat for Economic Affairs (SECO) as the federal government's Centre of expertise for all core issues relating to economic policy such as trade and labour issues. SECO Headquarter and Swiss Cooperation Offices in the field have different tasks in the implementation of the Paris Declaration. Cooperation Offices are given the mandate to ensure implementation at country level. By assessing opportunities and risks, they define the concrete action lines deriving from the partnership commitments together with the partner countries' authorities and the development community in the given country. More precisely their mandate is to:

- Identify priorities and possibilities for action regarding the five key principles (ownership, alignment, harmonisation, management of results);
- Translate identified priorities for action in concrete measures;
- Decide with national authorities, national partners and the donor community on measures to strengthen coordination mechanisms, taking into account existing platforms;
- Include harmonisation in regular reporting and monitoring flows on annual and periodic basis;
- Inform and consult national authorities and partners about on-going and planned operations, the annual programme and aid flows (commitments and disbursements).

SECO Headquarter has the responsibility to:

- Provide policy and strategic guidance on aid effectiveness, ensuring institutional coherence;
- Take the necessary measures on the institutional level, in particular adjust internal procedures where appropriate;
- Ensure a close link between international discussions on harmonization and operational work at country level and foster knowledge sharing about good and bad practice;

- Involve domestic stakeholders in the debate and coordinate communication;
- Monitor overall implementation.

10. Have you recently strengthened your in-house aid-for-trade expertise and how is this expertise deployed to link policies with operations?

Within SECO's *Division for Economic Development Co-operation*, it is the *Trade and Clean Technology Co-operation* sector (WEHU) that is responsible for the strategy and management of the trade-related technical co-operation, leaving implementation to strategic partners. Particularly since the beginning of the Doha Development Round, the TRTA-branch inside SECO (WEHU) has been gradually strengthened. Currently, WEHU staff is composed of 10 Programme Managers that work strongly interlinked with other trade-related divisions inside the public administration of Switzerland and with a broad array of strategic partners such as specialised multilateral institutions, consulting firms or NGOs.

In order to better take into account the interests of developing countries in the ongoing Doha Round of multilateral trade negotiations, and to improve policy coherence, Switzerland has created a high-level task force bringing together the different governmental entities responsible for development issues moreover, i.e. the *WTO Task Force on Trade and Development*. The Task Force is responsible for the Swiss participation in the WTO negotiations when development issues are discussed, e.g. "special and differential treatment" of developing countries. It prepares positions among others on food aid, tariff escalation, agricultural quota management, and tariff reduction formulas.

OWNERSHIP

11. What approach do you follow in your country assistance plan, when national development strategies lack a strong trade development component?

Along the lines of the Paris Declaration on Aid Effectiveness, Switzerland promotes the integration of trade in the national development strategies, and increases both the resources devoted to trade-related cooperation and its impact in terms of development and poverty reduction. To attain this goal, Switzerland has been an active promoter of donor-coordination in the provision of trade related technical assistance and of mainstreaming trade into national development plans in the scope of the Integrated Framework. Since 2001, several Diagnostic Trade Integration Studies (DTIS) have been supported, therefore. Nonetheless, in the end it is the beneficiary country that needs to respond to the support provided by donors, otherwise one of the basic principle of IF, "LDC-Ownership", is seriously undermined.

12. How do you encourage and support policy dialogues on aid-for-trade among key stakeholders in partner countries?

All SECO-supported projects and programmes contain a module of promoting multi-stakeholder dialogue. In addition, Switzerland in its partner countries seeks to make optimal use of local coordination structures such as IF Steering Committees, Private Sector Development Groups, CG Meetings and PRSP Reviews. In our view, we should strengthen those existing structures and avoid creating new institutional arrangements.

ALIGNMENT**13. Are you using the partner countries' policy planning and budgeting framework as the basis for the provision of your aid-for-trade programme?**

As mentioned, Switzerland promotes the integration of trade in the national development strategies, and increases both the resources devoted to trade-related cooperation and its impact in terms of development and poverty reduction. Considering however the limited effectiveness of the IF process to mainstream trade into national development strategies thus far - this happened only in 7 out of 31 countries where DTIS have already been validated - using the partner countries' policy planning and budgeting framework as the basis for the provision of AfT-activities is often a very challenging endeavour. Most notably, Switzerland was able to align its AfT-programme to the policy planning of the Governments of Ghana and Nicaragua.

HARMONIZATION**14. Do you coordinate aid-for-trade analysis and programming with other donors at the country level, given that its scope often exceeds the capacity of any single donor?**

Given the fact that Switzerland as small country is a donor with limited funds, strong donor coordination has been a key for the Swiss development cooperation since its beginning. As well as a broad array of regional and multilateral programmes supported by Switzerland, the Swiss bilateral engagements always seek to be soundly embedded within the national context, considering public policies and other donor initiatives. However, to make harmonization effective, it is crucial to count on the policy coherence of the recipient country.

15. Are you increasing the amount of aid-for-trade for regional and multilateral programmes?

There is a clear tendency towards regional and multilateral programmes, in parts due to the increased delivery of development aid by regional and multilateral institutions. On the *regional level*, Switzerland promotes south-south trade as well as regional integration and exchange of experience. This implies, for instance, strengthening relevant regional institutions and enhancing their skills to deliver capacity-building to neighbouring countries (e.g. TRALAC, the Trade Law Centre for Southern Africa). On the *multilateral level*, Switzerland collaborates for instance with multilateral organisations and programmes, such as the ITC, WTO DDA Trust Fund, Integrated Framework (IF), Advisory Centre on WTO Law (ACWL), Agency for International Trade Information and Co-operation (AITIC), World Bank, UNIDO, UNCTAD, International Commodity Organisations, etc.

MANAGEMENT FOR RESULTS**16. What objectives and timeframes do you set for your aid-for-trade strategy and programmes? How do you measure success?**

The main reference scheme for our aid-for-trade strategy is the annual work programme of SECO-WEHU. It contains an overall assessment of the previous year, the definition of yearly goals, measures and indicators, management modalities, evaluation mechanisms, and the strategic outline for the coming three years. This work programmes provides a sound tool to assess the results obtained in the principal areas of interventions, which are mostly found in the pillars "trade policy and regulations" and "development of export capacities" (for main areas of the strategy, see part A of the questionnaire). Additional efforts to assess the success of our AfT-work in the field are done by project- and programme-specific evaluations.

17. What evaluation methodologies do you apply to your aid-for-trade projects and programmes?

The type of evaluation methodologies applied varies according to the kind of project and programmes. For example, evaluations of regional and multilateral projects are often carried out by other organisations, such as by UNIDO in the SECO-funded activities in the area of standards and clean production or by the World Bank in the area of commodity risk management. Moreover, the size of the projects and programmes influences on the methodology applied. Large scale projects that exceed the amount of US\$ 1 million require a Logical Framework with other structure of indicators than small scale projects. Finally, there are cases where joint monitoring and evaluation exercise is done (see example below).

18. Do you cooperate with partner countries, other donors and stakeholders in joint monitoring and evaluation of aid-for-trade projects and programmes?

Switzerland usually cooperates with partner countries, other donors and stakeholders when the delivery of aid is based on explicit efforts of alignment and harmonizations. For example, Switzerland is currently contributing to a joint-evaluation of the functioning of AITIC (Agency for International Trade Information and Co-operation). AITIC is an intergovernmental organisation, based in Geneva, aimed at helping LDCs to benefit from the multilateral trading system by assisting them in the active participation in the work of the WTO and other trade-related organisations in Geneva, as well as in the WTO negotiations.

The evaluation that is coordinated among five donors (U.K, Sweden, Finland, Switzerland and The Netherlands) aims at enabling the donor countries of AITIC to make a decision on whether or not to prolong the donations for another (five year) period. The main things to be looked at are comparative advantage, impact assessment and internal organisation of AITIC.

DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?

19. Do you engage with partner countries, regional organisations, other donors and stakeholders in reviewing progress towards the fulfillment of your aid-for-trade policy and programme commitments?

Yes.

Annex: Success factors for TRTA-projects according to SECO experience

Success factors for trade policy projects according to SECO experience:

- A trade diagnostic linked with PRSP is the basis.
- Strong commitment from the partner.
- Project should be targeted and a national priority.
- Medium to long term approach (short-term seminars/workshops are not enough).
- Sustainability: Importance to strengthen existing local partners/institutions.
- Financial sustainability: Cost-sharing with local partners/institutions.

- Ensuring participation of the private sector.
- Link trade policy support with concrete export development programmes (ex. Agroindustry cashew, cotton, etc.).
- Operate in target areas where Switzerland has specific know-how (ex. trade and environment, standards, services, IPR, etc.).
- Supporting multi-stakeholder dialogue.

Success factors for trade development projects according to SECO experience:

- A trade diagnostic linked with PRSP is the basis.
- Three level approach (exporters-national trade institutions-trade policies).
- Close collaboration with Swiss Import Promotion Programme (SIPPO).
- Special trade preferences for low-income developing countries (Swiss GSP).
- Sustainable approach to trade (environment + social).
- Use of market-based instrument.
- Close collaboration with the private sector in Switzerland and in partner countries.
- Standards, quality and competitiveness are the main focus of SECO's cooperation.
- Commodities is a main field of activity.
- Presence of local offices facilitate monitoring of projects.
- Results-based management.