Swiss International Cooperation: Economic Cooperation and Development

**Colombia**

2017–2020
Abbreviations and acronyms

APC  Colombian Presidential Agency of International Cooperation
      (Agencia Presidencial de Cooperación Internacional de Colombia)
CHF  Swiss Franc
CO2eq CO2 equivalent
EU   European Union
GHG  Greenhouse Gas
ODA  Official development assistance
OECD Organisation for Economic Cooperation and Development
O&M  Operation & Maintenance
PEFA Public Expenditure and Financial Accountability Programme
PNAC National Plan for Adaptation to Climate Change (Plan Nacional de Adaptación al Cambio Climático)
PND  National Development Plan (Plan Nacional de Desarrollo)
PFM  Public financial management
SDC  Swiss Agency for Development and Cooperation
SDG  Sustainable Development Goals
SECO State Secretariat for Economic Affairs
SME  Small and medium-sized enterprise
USD  United States Dollar

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State Secretariat for Economic Affairs SECO –
Economic Cooperation and Development

The State Secretariat for Economic Affairs SECO is part of the Federal Department of Economic Affairs, Education and Research (EAER). SECO’s Economic Cooperation and Development division implements 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 organizations of the United Nations. As part of Switzerland’s international cooperation efforts as defined in the Federal Council’s 2017–2020 Message on International Cooperation, SECO’s economic and trade policy measures strive to support sustainable and inclusive growth.
Development challenges and SECO’s response

Switzerland’s economic cooperation and development programme in Colombia – implemented by SECO – is aligned with the priorities defined by the Colombian government in the National Development Plan, the national roadmap for international cooperation and related sector strategies. With its core competences, as defined in the Swiss Cooperation Strategy 2017–2020, SECO is well positioned to effectively and efficiently support Colombia in its integration into the world economy, including the OECD accession process, and in successfully addressing some of its key development priorities, such as the promotion of inclusive and green growth, foster territorial development and competitiveness.

The overall objective of SECO’s programme is to promote inclusive and sustainable economic development that contributes to lasting peace. SECO strives to achieve this goal by pursuing three thematic objectives.

Though presented separately, the three objectives are linked to a significant extent, allowing for the creation of synergies among objectives and ensuring the overall coherence of SECO’s portfolio in Colombia.
Objective 1

Take action on climate change by fostering integrated urban development and contribute to sustainable natural resource management, including by tackling global water challenges

(shared objective with the SDC Global Programme Water)

Challenges

In Colombia, three-quarters of the population live in cities. Due to the continuous growth and the concentration of economic activity, urban areas are responsible for a large share of energy and water consumption and the generation of waste and greenhouse gas emissions. Because of its geography (extensive coastlines, three mountain ranges and diverse ecosystems), and exposure to climate phenomena such as El Niño, Colombia is highly vulnerable to climate change. Combined with inadequate disaster risk management, such vulnerability leads to high costs of natural disasters. Rapidly growing cities are particularly affected by such climate-related phenomena. Cities also use most of the natural resources.

Colombia is the second-most bio-diverse country in the world, half covered by forests and rich in terms of water availability. Decades of conflict and limited access to natural resources have impaired Colombia’s capacity to sustainably manage its natural resource wealth. Improved access to formerly inaccessible territories and growing demand increase the pressure on natural resources as well as the risks accelerating environmental degradation and natural resource depletion.

Focus

SECO’s climate-relevant intervention focuses on measures to reduce greenhouse gases (mitigation) as well as measures to adapt to the consequences of climate change (adaptation). Priority is placed on urban areas, given their impact on and vulnerability to climate change and their important role as regional growth poles. SECO supports the development of solid urban policies and planning to foster more resilient, inclusive and sustainable cities. SECO’s support in this field aims at contributing to the gradual emergence of greener and more resilient cities that provide opportunities for all.

In the area of natural resource management, SECO supports Colombia’s efforts to value its natural capital and use it in a sustainable way. Initiatives that incorporate the value of nature into the decision-making of national and subnational governments, financial institutions and the corporate sector will be supported.

Proposed SECO measures

- Support regulatory and voluntary standards together with catalytic pilot interventions in the field of sustainable construction.
- Support integrated and sustainable urban planning processes which lead to prioritised infrastructure financing.
- Contribute to a more sustainable supply and efficient use of energy by building capacities and providing incentives for SMEs to invest in resource-efficient technologies as well as developing tools for financial institutions to price in climate risks.
- Support the development of disaster risk financing and insurance schemes.

Contribution to Colombia’s country development objectives

Measures under this objective contribute to the transversal green growth agenda contained in the National Development Plan 2014–2018. Low carbon development (20% GHG reduction target against business-as-usual model by 2030), reduction of environmental impacts from industrial activities, sustainable management of natural resources, integrated urban development and reduced vulnerability to climate change are the main elements of this agenda. In addition, Colombia’s roadmap for international cooperation defines conservation and environmental sustainability as one of its three pillars.

SECO contributions

First priority
- Integrated urban development
- Sustainable energy supply
- Resource-efficient private sector
Objective 2

Improve competitiveness of sectors with potential to create productive and decent employment

Challenges
Colombia’s labour market is characterised by high rates of unemployment and informality. Productivity is affected by high labour costs and a mismatch between the demand for and supply of skills. Bureaucracy, limited redistributive capacity of the fiscal system, and weak institutional articulation hamper the competitiveness of SMEs. Access to finance constitutes an additional source of concern for SMEs and is particularly difficult in rural areas. Despite numerous free trade agreements, Colombian exporters face high tariff and non-tariff barriers, which limit their access to and competitiveness on external markets. All of these factors negatively impact the productivity and competitiveness of SMEs and foster informality. The OECD accession process has produced some reform momentum; however, efforts will have to continue beyond such an accession if Colombia is to reap the benefits of its integration into the global economy.

The remarkable growth rates of the past decade had only a marginal impact on income distribution and regional disparities. With a Gini coefficient of 0.52, Colombia remains the second most unequal country in Latin America. Economic activity is concentrated in the extractive sector and in a few urban centres. Territorial development has been constrained by the armed conflict and limited competition. Going forward, Colombia’s economic performance and social cohesion will depend on its ability to promote productivity and competitiveness in non-extractive sectors that are able to provide decent jobs across the country.

Focus
SECO supports Colombia’s efforts to become more competitive through the promotion of sound economic framework conditions and a strengthened export sector. A special focus is placed on job creation, including by providing SMEs with access to finance and workers with the right skill set. The creation of a more conducive business environment helps to enhance productivity and innovation and enables more enterprises to enter the formal sector. Supporting innovation and product diversification, quality improvements and standards compliance and integrating Colombian producers into global value chains will allow SMEs to increase their exports. Anticipating the transformation that rural Colombia will undergo with a peace agreement, new opportunities arise in the promotion of non-traditional export-oriented value chains. Recognising the need to reduce regional disparities, SECO intends to strengthen its work at the subnational level and include measures that promote economic diversification and competitiveness in the regions.

Proposed SECO measures
- Contribute to the improvement of the business climate such as regulatory reforms, transparency, predictability and simplification of administrative procedures; reduce the cost of doing business.
- Support sector-specific skills development and entrepreneurship.
- Provide technical assistance to firms in the area of corporate governance, corporate social responsibility, managerial capacity and working conditions.
- Promote innovative mechanisms for results-based finance.
- Strengthen the quality infrastructure and capacities of SMEs to comply with technical norms and private voluntary standards.
- Develop more sustainable non-traditional export-oriented value chains, such as cocoa, natural ingredients, gold or tourism.
- Strengthen decentralised public-private coordination mechanisms, such as regional competitiveness commissions or export networks.

Contribution to Colombia’s country development objectives
Measures under this objective contribute to the transversal Strategic competitiveness objective contained in the National Development Plan, which seeks to enhance productivity, human capital formation, innovation and ultimately the diversification of the economy. More broadly, measures contribute to the Plan’s overarching Equity goal, which aims at securing a Colombian society where opportunities are accessible to all.

SECO contributions
First priority
- Dynamic entrepreneurship, strengthened skills and flexible labour market
- An efficient business environment
- Greater international competitiveness of SMEs and facilitated market access

Second priority
- Access to long-term capital
- Favourable framework conditions for sustainable trade
Objective 3

Strengthen public institutions at national and subnational levels that provide efficient services for all

Challenges
Weak local governance and service delivery, strong presence of regional elites and private interests, corruption and lack of transparency are some of the greatest concerns of Colombian citizens related to public administration. Recent administrations have identified this challenge, and implemented institutional reforms seeking for a more efficient and transparent state. However, institutional capacities to implement such reforms and inter-institutional articulation remain weak. Well-functioning public infrastructure with reliable and affordable basic services for the population and the economy are still lacking, especially at the subnational level.

The Colombian economy has demonstrated its resilience to international crises with strong macroeconomic and financial fundamentals leading to a steady growth, due in part to the implementation of important fiscal and macro reforms. However, Colombia is heavily dependent on revenues from commodities – which are by definition very volatile – and is particularly exposed to swings in global financial market sentiment. Fiscal space for manoeuvring is limited due to the direct effects of lower oil prices on public finances, the currency depreciation, and higher inflation; external financial conditions have also tightened with an increase in government bond spreads and smaller portfolio inflows. Such a context is challenging for many government-induced reforms that require financing but also for the implementation of a post-conflict agenda, which will require additional resources. A strong, efficient and transparent public financial management, as well as a developed financial sector with strengthened supervision and deepened capital markets, are necessary to optimise the use and allocation of limited resources.

Focus
Building up on a solid track record, SECO continues to support the strengthening of the financial sector as well as the public financial management, with an increased focus on the municipal and departmental level and the governance system between national and subnational levels. Moreover, SECO works on strengthening the management capacities of public utilities in order to enable a more reliable and sustainable service provision in the domains of water, wastewater and solid waste. Finally, institutional strengthening is supported through capacity building in areas of strategic interest, for example in relation to land management.

Proposed SECO measures
- Strengthen inter-institutional articulation within and between the three levels of government in the area of public financial management (PFM).
- Provide technical assistance to strengthen managerial capacities of public utilities in the areas of water, wastewater and solid waste.
- Strengthen institutional capacities in the area of the land cadastre.
- Support public financial management reforms, including an integrated system of public financial management, budget and treasury reform, improved financial reporting and revenue and tax administration.
- Strengthen fiscal risk and debt management.
- Strengthen and intensify the financial sector, such as financial sector regulation, stability, diversification and inclusion.

Contribution to Colombia’s country development objectives
Measures under this component contribute to the “Good Governance” transversal objective contained in the National Development Plan. The plan foresees regulatory reforms aiming to increase efficiency in public services, strengthening the relationship between national and subnational entities, state modernisation, improving official statistics and national systems of information and promoting budgeting by results. Most of the measures are supporting OECD recommendations regarding the reforms of public institutions, transparency and accuracy of information.
1 SECO supports a more sustainable construction sector.

2 Colombia’s sound macroeconomic fundamentals are an important factor for its growth path.

3 SECO contributes to the responsible extraction and trading of gold from artisanal and small-scale mining.

4 Improving skills and training curricula of workers enhance access to more and better jobs in the formal sector.

5 An efficient business environment fosters SMEs, start-ups and innovation.
Programme implementation and management

Implementation modalities

SECO's international cooperation seeks to deliver inclusive sustainable growth. To reach this objective, the 2030 Agenda for Sustainable Development and the Addis Ababa Financing for Development Action Plan provide a common language and direction, whereas international aid and development effectiveness principles provide the common ground on which SECO and its international partners cooperate.

SECO uses an appropriate mix of modalities for its development cooperation consisting of financial aid, technical assistance and capacity building at an individual, organisational and institutional level. Partnership and dialogue are necessary to promote reforms as well as to develop and implement policies. This dialogue involves players on several levels that can contribute to coherent and synergistic solutions to development challenges: governments, private and civil society players as well as other donors and multilateral institutions. SECO uses synergies between bilateral and multi-bi cooperation and has established guidance to help implement the principle of alignment, harmonisation, and accountability and, when appropriate, the use of national systems.

Partner strategies: SECO's operational activities to support inclusive sustainable growth in partner countries are aligned with national development strategies, thereby applying the principles of national ownership and partner focus. The activities are harmonised with those of other donors and rely on the principle of mutual accountability. SECO's local experts are systematically involved.

SECO increasingly mobilises public and private resources for development. A relatively modest, yet very specific, Swiss contribution can go a long way. For instance, to leverage the impact of Swiss ODA, SECO supports partner countries in developing framework conditions that foster domestic resource mobilisation and private enterprise. Similarly, innovative programme and project approaches as well as innovative financing mechanisms are very effective instruments to stimulate new forms of collaboration and increase the effectiveness of cooperation resources.

SECO's activities include sharing of Swiss knowledge and facilitation of technologies. Specificity, high quality and effectiveness are the hallmarks of SECO's international cooperation.

Cross-cutting issues

To meet its objectives, SECO focuses on two transversal topics: gender equality and economic governance. Making a highly relevant contribution to inclusive sustainable growth, gender equality and economic governance are systematically integrated into all SECO activities.

Gender equality: SECO considers gender equality an important element of poverty reduction, social inclusion and economic development. Therefore, it is essential to systematically address the gender dimension (social norms, legal provisions and gender-specific risks) in its economically oriented projects.

No projects should place either women or men at a disadvantage.

Economic governance: Strengthening economic governance is another essential component of SECO's commitment to promoting inclusive sustainable growth. It is a subset of good governance and refers to the entire set of economic rules and frameworks accounting for a transparent and accountable public and private sector. It is a prerequisite for a stable economy and success in the fight against corruption, which undermines inclusive economic development.

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1 These development effectiveness principles are rooted in, for instance, the 2005 Paris Declaration, the 2008 Accra Action Programme and the 2011 Busan Partnership for Effective Development Cooperation, which links all players in the development cooperation space.
The gender and economic governance dimensions are taken into account regarding the project design, implementation, risk assessment and monitoring in order to contribute to the greater effectiveness and sustainability of SECO’s projects.

Accountability and monitoring

The economic development cooperation programme will be monitored annually for the following purposes (cf. also chapter on Results monitoring):

- **Steering**: Data and information for evidence-based decision-making
- **Risk mitigation**: Identification of relevant risks and mitigation measures
- **Learning**: Identification of factors for success and failure, challenges, gaps and good practice
- **Accountability**: Data and information for accountability towards SECO headquarters, the Swiss government, the Swiss public, and the partner country

The programme is aligned with the partner country’s development goals and strategies as well as with the SDGs. Therefore, the annual monitoring ensures that SECO’s portfolio does indeed contribute to the achievement of the partner country’s goals.

In the case of major changes in the country context or development goals, the results framework for the country strategy will be adapted.
Financial resources

SECO’s activities under this strategy will be financed through the Swiss framework credit 2017–2020 for economic and trade policy measures within development cooperation. The final allocation of funds to individual countries, programmes and projects will depend on the identification of suitable interventions, the absorption capacity as well as the efficiency and effectiveness of the cooperation with the relevant partners in each priority country.

Accordingly, the following information on planned commitments for the four-year period of this strategy is indicative. It cannot be considered a firm commitment or claimed as such by the partner country. This information serves merely as a basis for the forward spending plans that are reviewed each year by the Swiss Parliament. Actual disbursements will depend on various factors, such as the changes in the project portfolio and the framework conditions of the partner country as well as available disbursement credits authorized by the Swiss Parliament. Portfolio and planned disbursements are regularly discussed with the partner authorities.

Projected funds allocated to each objective

- **40%** Take action on climate change by fostering integrated urban development and contribute to sustainable natural resource management (including by tackling global water challenges)
- **30%** Improve competitiveness of sectors with potential to create productive and decent employment
- **30%** Strengthen public institutions at national and subnational levels that provide effective services for all

Planned commitments for Colombia 2017–2020:

55 CHF million*

*Colombia also benefits from regional and global initiatives financed by SECO. When these measures cannot be earmarked to a specific country, they are not accounted for in the financial projections mentioned above.
Results monitoring

The following table contains the results framework for Switzerland’s economic cooperation and development programme with Colombia. It will be monitored under the SECO quality management system, which is based on international standards (results-based management). These are aligned with the country development objectives as well as with the SDGs and will be monitored at outcome level.

The results framework covers the overall economic cooperation and development portfolio. However, the proposed indicators will be measured only in relevant projects and will provide a selection of key data for steering and accountability.

The results framework allows for focused monitoring, reporting and evaluation of key issues identified by and agreed between SECO and the partner country counterpart. Both are committed to results orientation and the highest possible effectiveness of economic cooperation. Both want to learn about factors for success and failure as well as about risk management and mitigation in order to continuously improve results. Even though the results framework should contribute to efforts to capture and assess SECO’s contribution to achieving the partner country’s development objectives, it is not meant for measuring the partner country’s achievements as a whole.

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2 For the systematisation of results measurement and the collection of aggregated data, SECO has formulated so-called Standard Indicators which are part of Country Results Frameworks and most project logframes. The Standard Indicators also allow for the collection of results information on cross-cutting issues (see also Chapter 4.2.). With regard to economic governance, many Standard Indicators require the collection of relevant data. Regarding gender, the Guidelines on Results Reporting with SECO Standard Indicators explain in detail which kind of relevant information (e.g. gender disaggregated data) should be collected per Indicator.
## SECO overall objective in Colombia:
Inclusive and sustainable economic development that contributes to lasting peace

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| Effective institutions and services | More and better jobs | Enhanced trade and competitiveness | Low-emission and climate-resilient economies |

**SECO’s target outcomes**
Economic and trade policy measures deployed by SECO in its development cooperation efforts with its partner countries are targeted towards achieving the above-mentioned four outcomes.
Objective 1:
Take action on climate change by fostering integrated urban development and contribute to sustainable natural resource management, including by tackling global water challenges

First priority
Integrated urban development
Improved planning criteria and selective measures promote sustainable urban development in partner countries.

Selected indicators:
- Number of inhabitants benefiting from sustainable urban development projects
- Number of cities with urban development measures (including for improving governance) in the sectors of public transport, energy efficiency and natural disaster risk management
- Greenhouse gas emissions saved or avoided in t CO2eq

Sustainable energy supply
By including sustainable and climate-compatible aspects, SECO contributes to improving the energy policy as well as reforms and investment measures and to increasing energy efficiency and supply (e.g. by promoting renewable energy).

Selected indicators:
- Kilowatt hours saved through energy-efficiency measures and kilowatt hours additionally produced from renewable energy
- Greenhouse gas emissions saved or avoided in t CO2eq

Resource-efficient private sector
Promotion of a resource-efficient private sector.

Selected indicators:
- Number of jobs created and retained
- Greenhouse gas emissions saved or avoided in t CO2eq
- Kilowatt hours saved through energy-efficiency measures and kilowatt hours additionally produced from renewable energy
- Increased resource efficiency
- Green investments additionally triggered in USD and financing instruments supported

Partner objectives
- Green Growth Strategy (PND)
- Estrategia Colombiana de Desarrollo Bajo en Carbono.
- Plan Nacional de Adaptación al Cambio Climático – PNAC
- Conservation and environmental sustainability (APC objective 3)
**Objective 2:**
**Improve competitiveness of sectors with potential to create productive and decent employment**

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**First priority**

**Dynamic entrepreneurship, strengthened skills and flexible labour market**
The promotion of entrepreneurship and skills together with improved framework conditions for the labour market and the social partnership help to create new jobs and retain existing (better) jobs.

**Selected indicators:**
- Number of jobs created and retained
- Number of persons under-going training or continuing education (entrepreneurs, producers, staff)
- Measures for improving working conditions

**An efficient business environment**
Improving the business environment through less bureaucracy and more effective regulation promotes the growth and competitiveness of businesses.

**Selected indicators:**
- Direct compliance cost savings (mio. USD)
- Investment generated (mio. USD)

**Greater international competitiveness of SMEs and facilitated market access**
More efficient work processes by producers and SMEs improve their productivity and promote international competitiveness. Sustainable standards facilitate access for partner countries’ goods and services to the Swiss and EU markets.

**Selected indicators:**
- Increase in trade volumes (as a % and in USD million) of sustainably certified commodities (soya, coffee, cocoa, cotton, timber, palm oil, tea, BioTrade products) from developing countries
- Number of jobs created and retained
- Increase in export volumes (as a % and in USD million) of sustainable goods and services (textiles, furniture, tourism, etc.) from developing countries
- Productivity increase in export value chains
- Percentage of producers with better living conditions

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**Second priority**

**Access to long-term capital**
Easier access of companies to long-term investment capital through innovative and more efficient financial instruments as well as public-private partnerships creates new jobs.

**Selected indicators:**
- Number of companies with access to capital
- Capital mobilised (loans, participation, etc.) in USD
- Number of jobs created and retained
- Measures for improving working conditions

**Favourable framework conditions for sustainable trade**
A better understanding of the framework conditions for international trade facilitates access for partner countries’ products to the global market.

**Selected indicators:**
- Improved rules and regulations and enhanced competitiveness for facilitating market access
Objective 3: Strengthen public institutions at national and subnational levels that provide effective services for all

Partner objectives
- Strengthen state presence at the subnational level
- Manage fiscal risks
- Transparency and accountability of government action / good governance

First priority

Transparent resource mobilisation and reliable public financial management
Economic policy reforms and an improved financial policy lead to more transparent and efficient resource mobilisation and more reliable public financial management.

Selected indicators:
- Measures for improving public financial management
- Key PFM indicators as per the PEFA framework
- Measures for improving capacity development
- Resources mobilised

Second priority

Stable and deep financial sector
Better regulation and supervision of the financial sector contribute to a stable, diversified and competitive financial market and strengthen the international financial system.

Selected indicators:
- Measures for financial market regulation and supervision

Reliable basic public services
Through technical and financial support, public utilities are better placed to offer a reliable and affordable public service.

Selected indicators:
- Number of persons with access to better (basic) services
- Proportion of O&M costs recovered through charges
- Measures for improving capacity development
- Leverage effect of SECO’s financing in USD