



Swiss Federal Council

**Millennium Development Goals
Progress Report of Switzerland 2005**

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Millennium Development Goals – Progress Report of Switzerland 2005
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Contact

Interdepartmental Committee for Development and Cooperation
c/o Swiss Agency for Development and Cooperation (SDC)

Orders

Swiss Agency for Development and Cooperation (SDC)
SDC Distribution Center
CH-3003 Bern
Tel.: +41 (0)31 322 44 12
Fax: +41 (0)31 324 13 48
E-mail info@deza.admin.ch

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the following websites: www.eda.admin.ch, www.sdc.admin.ch, and
www.seco-cooperation.ch.

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Preface

During the United Nations Millennium Summit of September 2000, 189 heads of state agreed upon the Millennium Development Goals (MDGs) and set targets for reducing poverty and improving the lives of the poorest people in the world. Globalisation enmeshes the policies of trade, economy, social affairs, health, migration, security, etc. with development issues.

The UN's Millennium Declaration and the Millennium Development Goals reflect a shared vision and a more robust international consensus to rid the world of poverty. Both developed and developing countries are asked to take "mutual and shared responsibilities". This understanding is reflected in the commitments agreed to at the Monterrey Conference on Financing for Development (2002) and the Johannesburg Summit on Sustainable Development (2002). Furthermore, the ongoing WTO development round sets a crucial challenge for poverty issues.

The year-long focus on development issues in 2005, culminating with the Millennium Review in September, provides an opportunity for Switzerland to position itself as a reliable partner in the international effort to reduce poverty and to achieve the Millennium Development Goals (MDGs).

The primary objective of Switzerland's development policy is to alleviate poverty. This stock-taking report examines Switzerland's improvements in policies to support international development objectives. Based on its contribution to the MDG agenda and particularly to MDG8, Switzerland will define its position in view of the Millennium Review Summit in September 2005.

1. Millennium Development Goals and Targets

1.1. The Global Context

More than one billion people – one-sixth of the world's population – live in extreme poverty. These people have neither clean drinking water, nor do they have enough to eat. They suffer from inadequate health care and have no access to education. They face a daily struggle to survive.

The world community can and must demonstrate the will to change this situation. 2005 will be a key year in terms of development policy, because 2005 represents a particular opportunity for the international community to make decisive progress towards poverty reduction. A series of decision-making events – the G8 Summit, the Millennium Review Summit, and the WTO Ministerial Round – has the potential to galvanize all countries into reaching a long overdue agreement on the actions needed to lift these one billion people, particularly in Africa, out of extreme poverty.

The starting point is the Millennium Declaration (see Box 1), which was approved by the international community at the Millennium Summit in New York in September 2000. As a signatory to this Declaration, Switzerland has stated its readiness to join with other countries to help alleviate poverty throughout the world, build peace, and commit itself to the protection of human rights and the environment.

Box 1 **Millennium Declaration – Objectives**

1. Peace, security and disarmament
2. Development and poverty reduction
3. Protecting our common environment
4. Human rights, democracy and good governance
5. Protecting the vulnerable
6. Meeting the special needs of Africa
7. Strengthening the United Nations (UN)

Based on the Millennium Declaration, the heads of state and government assembled in New York agreed on eight concrete development goals, the so-called Millennium Development Goals (MDGs; see Box 2). The MDGs are something completely new. They create a global framework and establish a specific target date – the year 2015. By this point in time, extreme poverty is to be cut in half. This is the first time in history that such a time frame has been established. The series of eight interconnected and mutually reinforcing MDGs set today's common agenda for poverty reduction and sustainable development, and in most cases call for quantitative improvements by 2015 measured from 1990. For each goal there is one or more specific targets, along with specific social, economic and environmental indicators for tracking progress towards the goal.

Box 2**Eight Millennium Development goals¹****Goal 1: Eradicate extreme poverty and hunger****Target 1**

Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day

Target 2

Halve, between 1990 and 2015, the proportion of people who suffer from hunger

Goal 2: Achieve universal primary education**Target 4**

Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

Goal 3: Promote gender equality and empower women**Target 4**

Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015

Goal 4: Reduce child mortality**Target 5**

Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate

Goal 5: Improve maternal health**Target 6**

Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio

Goal 6: Combat HIV/AIDS, malaria, and other diseases**Target 7**

Have halted by 2015 and begun to reverse the spread of HIV/AIDS

Target 8

Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

Goal 7: Ensure Environmental Sustainability**Target 9**

Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources

Target 10

Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation

Target 11

Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers

¹ A/56/326 Road Map towards the implementation of the United Nations Millennium Declaration – Report of the UN Secretary-General of 6 September 2001.

Goal 8: Develop a global partnership for development**Target 12**

Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction – both nationally and internationally)

Target 13

Address the special needs of the Least Developed Countries (includes tariff- and quota-free access for Least Developed Countries' exports, enhanced programme of debt relief for Heavily Indebted Poor Countries [HIPC] and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction)

Target 14

Address the special needs of landlocked developing countries and small island developing states (through the Programme of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions)

Target 15

Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term

Target 16

In cooperation with developing countries, develop and implement strategies for decent and productive work for youth

Target 17

In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries

Target 18

In cooperation with the private sector, make available the benefits of new technologies, especially information and communication technologies

United Nations – Indicators for Monitoring the Millennium Development Goals, New York, 2003

In March 2002, at the Financing for Development Conference in Monterrey (Mexico), the international community reaffirmed the “mutual and shared responsibilities” between developing and industrialized countries for achieving the objectives of the Millennium Declaration and the Millennium Development Goals (Monterrey Consensus).

Achieving the MDGs requires concerted efforts by industrialised and developing countries. Poor and rich countries together determined, in a manner not previously seen, how they intended to achieve these goals. The developing countries are mainly responsible for achieving the MDGs 1 to 7. Industrialised countries are mainly responsible for achieving the MDG7 (target 9 – ecological sustainability) and MDG8 (global partnership for development). This includes issues of trade, aid, and debt, along with moves to promote environmental sustainability. While the poor countries must improve their political and economic conditions, the rich countries must open their markets, reduce debt among their partners in the South, and provide more and better support. In particular, OECD² member states accepted the main responsibility for reaching MDG8, including targets relating to official development assistance (ODA), foreign investment, market access, debt relief,

as well as access to affordable and essential drugs and new information and communication technologies (ICT). In addition, they also accepted a shared responsibility for ensuring environmental sustainability (target 9 of MDG7). By assuming these responsibilities, rich countries provide support to the developing countries' own efforts to reach the MDGs 1 to 7.

The MDGs and their associated targets represent a valid attempt to define the purpose of work by both development agencies and national governments. By measuring progress based on a series of key indicators, the MDGs have helped to put the alleviation of poverty into the mainstream of development activity, whilst resisting the temptation to define poverty too narrowly. Whilst the first seven MDGs are mutually reinforcing and are directed at reducing poverty in all its forms, MDG8 concerns the mobilization of financial resources and other actions required to attain the first seven goals. In a broad sense, MDG8 is about creating an international enabling environment in which national development strategies can succeed.

Monitoring progress toward realizing the commitments and goals set out in the Millennium Declaration, including the MDGs, takes place at the global, regional, and country-level. The UN Secretary-General submits annual reports to the General Assembly on the implementation of the Millennium Declaration, including progress towards the MDGs, and a more comprehensive report every five years, beginning in 2005 at the Millennium+5 Summit³. These global reports are in turn based on country-level monitoring and reporting, both in developing and industrialized countries. To date, some 70 developing countries have produced MDG country reports. Convinced that an effort is needed on the part of the industrialized world to show greater transparency and accountability for the impact of policies on poor countries, Switzerland is joining other donors who are publishing MDG reports.

3 The event's official name is "High-level Plenary Meeting of the General Assembly".

1.2. Progress Report of Switzerland

Switzerland considers the Millennium Declaration and the MDGs as development policy milestones which help keep global political commitment to poverty reduction high on the international and national agenda and mobilize public awareness. At the political level, the Millennium Declaration and the MDGs, while not losing sight of other dimensions of poverty reduction, will guide Switzerland's development policy – and other policies – over the coming years.

This present first progress report shows Switzerland's commitment to the Millennium Declaration, the MDGs, and the Monterrey Consensus. It presents the progress made to date, the achievements and the challenges. The report should form a basis for dialogue with the international community and the United Nations, as well as with Swiss policy-makers and the Swiss public on the MDG policy agenda. By following the MDG reporting format for high-income countries informally established within the OECD-DAC (Development Assistance Committee) and by using the MDG indicators, the report allows for a comparison of Switzerland's support with that of other donor countries.

Chapter 4 is the central element of the report. It focuses on target 9 of MDG7 and on MDG8. Chapter 2 provides a brief overview of Switzerland's efforts to improve international aid delivery, focusing on aid effectiveness and on the objectives set out in the Millennium Declaration. Chapter 3 summarises Switzerland's contribution towards achieving MDGs 1 to 7 in developing countries. Chapter 5 highlights the main areas of action for Switzerland.

2. The Twofold Challenge

The MDGs and the Monterrey Consensus represent a painstakingly achieved, finely balanced consensus that obligates every country – including Switzerland. This new global framework presents a twofold challenge. Switzerland must a) allocate more resources to finance development and use these resources more effectively, and b) orient policy on the whole more towards the demands of poverty alleviation. At the international level, Switzerland is integrally involved in initiatives and processes related to these aims.

2.1. Aid Effectiveness

Scarcity of financial resources for development assistance on the side of developed countries as well as weak governance and development performance on the side of partner countries call for achieving greater aid effectiveness in order to reach the MDGs. The development community has addressed such challenges. In 2003, it committed itself in the Rome Declaration on Harmonization to take important steps to improve aid effectiveness. In 2005, it voiced concrete partnership commitments to implement these steps at the level of each country (Paris Declaration on Aid Effectiveness).

Progress and Achievements

In order to achieve the MDGs, donor countries are challenged to better target their ODA. The “Paris Declaration on Aid Effectiveness” sets commitments for both developing countries and donors addressing questions of partner countries’ ownership, alignment with country’s policies and priorities, harmonization of donor practices, result-orientation, and mutual accountability. Switzerland is fully committed to this agenda and will undertake proper measures for its implementation.

Internal coordination

Internal coordination mechanisms between the two main agencies entrusted with managing Swiss development assistance – SDC and seco – are continuously strengthened. Such mechanisms include annual and country programming, steering committees, consultations, as well as division of labour with respect to thematic areas and core competencies. Beyond this, the focus is being increasingly sharpened around the harmonization of procedures and practices, on a domestic level as well as with partner countries and other donors.

Alignment of policies

As regards the alignment with national priorities of partner countries, Switzerland strongly supports the Poverty Reduction Strategy (PRS)⁴ processes. Their implementation is crucial. Alignment strives, on the one hand, to take partner governments’ priorities into account and, on the other hand, to enrich the strategic planning of governments with knowledge, experience and competencies. This presupposes an intense policy dialogue, including civil society participation, and an effective donor coordination. Swiss budget and sector support operations (Sector Wide Approaches – SWAPs) take place in the context of poverty reduction strategies in selected countries such as Tanzania, Ghana and Mozambique (see Box 3). Country programmes, sector programmes and projects are analyzed and, whenever possible, reoriented to comply with PRS priorities.

4 The term “Poverty Reduction Strategy” (PRS) is used in this report as a generic expression which includes different types of national poverty reduction strategies. For further reading, see the High-level Statement approved by SDC and seco entitled “Switzerland’s Open Pledge to Supporting Strategies to Fight Poverty”, February 2004.

Box 3**Example: Improving Health by Supporting the Mozambican Health Sector**

Together with other donors, Switzerland is committed to supporting the Mozambican health sector and to further strengthening the government-led sector-wide approach. Aligning themselves with the national poverty reduction strategy and the health sector strategy, the aim is to improve the state of health of the population by improving health service delivery and access to formal health facilities, especially by women, children, and the rural poor.

Harmonization of donor procedures and practices

Switzerland actively took part in formulating the harmonization agenda. In particular, Switzerland has designed action plans and yearly objectives in order to harmonize Swiss procedures with those of other donors and to align Swiss aid delivery with partner countries' systems. With regard to its humanitarian aid activities, Switzerland is committed to the "Good Humanitarian Donorship Principles" launched in Stockholm in 2003, to improve harmonization among donors in various areas.

Challenges**Implementing best practices**

The international debate, and especially the work of the OECD/DAC expert working groups, has led to a detailed analysis of best practices related to harmonization and coordination, e.g. sectoral approaches, procurement practices, budget support, and capacity-building in public financial management. The immediate future should be dedicated to the implementation of these practices and of the commitments of the Paris Declaration. This may imply institutional changes and pose operational challenges too. Switzerland intends to overcome problems that may arise, e.g. partner countries' limited absorption and implementation capacities hampering the scaling-up of activities.

Putting knowledge to use

Switzerland has gathered rich knowledge and experience related to poverty reduction and particularly with regard to extreme poverty and hunger (MDG1; see Box 11 below). Switzerland puts strong emphasis on setting up a corresponding knowledge management system in order to foster institutional learning, to replicate and multiply successful approaches, as well as to scale up poverty reduction measures.

Using country systems

Switzerland is committed to progressively relying on country systems to the maximum extent possible. Together with partner countries, an adequate monitoring of performance, transparency and accountability of these systems is set up. Strong support is also given to capacity development.

Sharpening the focus

In regard to the MDGs, Switzerland will sharpen its priorities of development cooperation based on comparative advantages, as well as effectiveness and relevance. SDC has embarked on a respective learning process and will conduct a mid-term assessment of its strategy 2010 combined with a portfolio assessment in 2005. Seco has substantially reduced its partner countries and will further concentrate funds and human resources in these countries.

2.2. Policy Coherence for Development

The OECD has identified four types of policy coherence⁵:

- international consistency of policies. Untying aid is an important example of a step towards this type of coherence so that partner countries are not forced to spend development funds on donors' products and services;
- coherence of a government's policies, a "whole of government" type of coherence;
- coherence and coordination between the OECD and donor governments;
- coherence or alignment of rich countries' development policies with those of developing countries.

In an ideal world, all four types of policy coherence for development would be attained. This present report focuses on the "the whole of government" coherence. Policy coherence for development is firstly about doing no harm, i.e., ensuring that progress towards international development goals is not undermined by policies which relate primarily to other goals, and secondly about searching for potential synergies and win-win scenarios where policies can deliver progress towards development goals whilst securing other objectives as well.

The Swiss Government has a variety of institutional mechanisms in place which are designed to enhance policy coherence. These mechanisms help detect policy overlaps and facilitate

- recognizing the importance of policy coherence in a world of interdependent policy issues;
- understanding better the strength of relationships between different policy issues;
- specifying the policy impacts on developing countries;
- assessing the scope for enhancing policy coherence;
- improving policy coherence for development.

Conflicting policy interests are common in national and international policy-making. Most targets of MDG8 imply that industrialized countries take into account specific development policy goals when implementing other aspects of foreign and domestic policies. As this concern for policy coherence for development has only recently emerged, progress so far is uneven. Chapter 4 shows how the Swiss Government is dealing with conflicting policy interests. The Millennium Declaration and the MDGs provide an important framework which gives particular relevance to development policy in international and national policy-making. The elaboration of the present report is a good example of this. It has been jointly shaped by various departments of the Swiss Government and intends to further stimulate the policy coherence debate in Switzerland, both within and outside the government.

In 1994, the Swiss Government's policy "Guidelines North-South" made a first strong effort to improve policy coherence. The "Foreign Policy Report" (2000) renewed this commitment. The revised Federal Constitution (2000) explicitly defines the alleviation of global poverty as one of the five goals of Swiss Foreign Policy.

⁵ OECD, A comparative analysis of institutional mechanisms to promote policy coherence for development, 2004, pp. 11–12, available at <http://www.oecd.org/dataoecd/0/31/31659769.pdf>.

2.3. Switzerland and the Millennium Declaration

Switzerland puts strong emphasis on the commitments and targets set out in the Millennium Declaration in order to achieve the MDGs. Peace promotion, gender equality, human rights, democracy and the rule of law are set down in the Swiss Federal Constitution. They are also priorities of Swiss Foreign Policy.

Box 4

Millennium Declaration – Priority Areas of Switzerland

- Promoting human rights and good governance, including diplomatic initiatives; strengthening of international human rights institutions, bilateral human rights dialogues, and bilateral development cooperation with partner countries;
- Promoting gender equality and empowerment of women, including gender-sensitive peacebuilding and awareness of violence against women;
- Support to peace processes and initiatives, including know-how transfer and integration of non-governmental conflict actors; human security (inter alia as founding member of the Human Security Network), including the fight against landmines and the reduction of small-arms proliferation;
- Protection of common environment and principles of sustainable development

2.3.1. Millennium Declaration⁶ – Human Rights and Good Governance

Box 5

Millennium Declaration

- to create an environment which is conducive to development and to the elimination of poverty;
- to promote democracy and strengthen the rule of law, as well as respect for all internationally recognized human rights and fundamental freedoms;
- to strive for the full protection and promotion in all our countries of civil, political, economic, social and cultural rights for all;
- to strengthen the capacity of all our countries to implement the principles and practices of democracy and respect for human rights, including minority rights;
- to work collectively for more inclusive political processes, allowing genuine participation by all citizens in all our countries;
- to ensure the freedom of the media to perform their essential role and the right of the public to have access to information;
- to give full support to the political and institutional structures of emerging democracies in Africa

⁶ This selection covers objectives and targets which are not explicitly focussed on in the MDG-agenda.

The promotion of human rights and good governance as both a means and an end of poverty alleviation and human development is a priority of Switzerland's development policy and cooperation. A new federal law⁷ for measures in conflict transformation and the promotion of human rights underlines the political priority and provides more capacities in the area. Switzerland focuses on:

- standard-setting in human rights and international humanitarian law, as well as on the protection of human rights of particularly vulnerable groups (minorities; indigenous peoples);
- linking up globalization issues with international human rights policies (e.g. business and human rights; human rights and efforts to combat terrorism), and;
- strengthening mechanisms to protect human rights.

A wide range of programmes and projects are being implemented in partner countries, supporting both governments and non-governmental actors to improve governance at the local and national levels (see Box 6). The particular focus of country programmes is placed on a) legitimate, effective and accountable state institutions based on the rule of law and human rights and b) on more inclusive political participation of the civil society. Activities relate a) to decentralization processes, local governance and citizens participation, b) to the rule of law by improving the poor's access to justice and by an independent judiciary with a particular focus on inclusion of minorities, c) to improved access to information (including via the media), and d) to combating corruption.

Within the OECD/DAC Network of Governance (GOVNET), Switzerland is actively involved in elaborating policy guidance to integrate human rights in development cooperation⁸.

Box 6

Example: Rights Awareness and Legal Aid for Indigenous Communities in Bolivia

The promotion and protection of the human rights of indigenous people in Bolivia is essential for an enhanced economic, social and political inclusion of these groups. Together with the Ministry of Justice, Switzerland supports local offices in remote areas providing rights awareness and legal aid for indigenous communities. Poor and marginalized people increasingly rely on these services, a fact which is reflected in the steadily increasing case load. These grassroots' activities are linked up with capacity-building measures for local leaders. Further activities aim at sensitizing governmental bodies at the national level to issues of cultural diversity and the rights of indigenous communities.

Protecting and promoting human rights as well as promoting democracy and the rule of law are measures to realize the objectives of the Millennium Declaration and the MDGs. With regard to improved policy coherence, Switzerland will actively strengthen the mainstreaming of human rights in the work of the Federal Administration. Within the ongoing UN reform initiative, Switzerland is contributing to the reform of the UN Human Rights institutions (Commission for Human Rights; Office of the High Commissioner for Human Rights; Economic and Social Council).

7 Federal Law on Efforts to Support Civil Conflict Transformation and the Promotion of Human Rights of 19 December 2003, RS 193.9.

8 Switzerland is the lead agency of the GOVNET human rights task team.

2.3.2. Millennium Declaration – Gender Equality and Women’s Empowerment

Box 7

Millennium Declaration

- to promote gender equality and the empowerment of women as effective ways to combat poverty, hunger and disease;
- to combat all forms of violence against women and to implement the Convention on the Elimination of All Forms of Discrimination against Women

Switzerland is strongly committed to reducing gender disparities and discrimination, both as an aim and as a prerequisite for human development. Since the 1990s, gender has been integrated as a cross-cutting issue into the whole range of Swiss development cooperation activities, including humanitarian aid. The policy on gender equality adopted in 2003 should improve the opportunities for women and men to exercise equal rights and gain equal access to and control over development benefits. Gender is also an integral part of Switzerland’s human rights and peace promotion policy: As a member of the “Group of Friends of Resolution 1325”, Switzerland actively supports national and international measures to implement resolution 1325 of the UN Security Council on Women, Peace and Security (see Boxes 8, 14).

2.3.3. Millennium Declaration – Crisis Prevention and Peace Promotion

Box 8

Millennium Declaration

- to make the UN more effective in maintaining peace and security by giving it the resources and tools it needs for conflict prevention, peaceful resolution of disputes, peacekeeping, post-conflict peace-building and reconstruction;
- to take concerted action to end illicit traffic in small arms and light weapons;
- to encourage and sustain regional and sub-regional mechanisms for preventing conflict and promoting political stability, and to ensure a reliable flow of resources for peacekeeping operations on the continent (Africa)

With the “credit facility for measures of conflict transformation and promotion of human rights” (2004–2007), Switzerland has enlarged its capacities in peace policy, human rights’ promotion and conflict transformation. Within the conceptual framework of Human Security, security aspects (freedom from fear) are closely linked with development issues (freedom from want).

Switzerland plays an active role in international policy shaping in the areas of human security, de-mining, small arms, migration and, humanitarian policies. In 2004 and 2005, Switzerland chaired the Mine Action Support Group and the UN Working Group on Marking and Tracing of Small Arms and Light Weapons, and thus contributed to international standard-setting. Furthermore, Switzerland contributes to international peace missions by providing experts and financial contributions, and its army takes part in international peace-keeping operations. It also runs bilateral programmes of conflict transformation in numerous regions with the aim of transforming war-economies into peace economies.

Following the OECD/DAC guidelines “Helping Prevent Violent Conflicts”, Switzerland has set conflict prevention as a key element of its poverty alleviation strategy. Guidelines on peacebuilding measures are defined, helping to focus on the reasons for political violence and on the prevention of violent conflicts. Switzerland works in the OECD/DAC Network on Conflict, Peace and Development Cooperation to implement the DAC Guidelines on Prevention and Peace Building and to foster donor harmonization.

The following principles feature Switzerland’s crisis prevention activities:

- fostering the role of women in a gender-sensitive approach to peace building;
- using early warning instruments (see Box 9).

Box 9**Example: Early Warning Project FAST⁹**

FAST (German acronym for Early Analysis of Tensions and Fact-finding) is an early warning system for currently twenty-three priority countries and regions in Africa, Asia, Europe and Middle East with the objective to recognize impending or potential crisis situations, to start early action, and to prevent violent conflict. On a quarterly basis, the tool delivers a series of graphics for each country illustrating the course of tensions.

Switzerland’s cooperation programmes adhere to the “Do-No-Harm” approach which helps to understand the reasons for political conflict (causes, actors, dynamics). It permits a solid assessment of both the negative and positive effects of development activities. In conflict-prone areas, the development cooperation programmes strongly link the experience in local community building with local peace building activities.

As part of the ongoing UN reform initiative, Switzerland strongly supports the creation of a UN Peace Building Commission to strengthen the United Nation’s capacities in conflict transformation and peace building.

9 Swiss Peace Foundation (www.swisspeace.org).

2.3.4. Millennium Declaration – Protection of Common Environment

Box 10**Millennium Declaration**

- to combat climate change by mitigating emissions of greenhouse gases;
- to intensify efforts for the management, conservation and sustainable development of all types of forests;
- to press for the full implementation of the Convention on Biological Diversity in order to achieve a significant reduction in the rate of loss of biodiversity by 2010;
- to press for the full implementation of the Convention to Combat Desertification;
- to minimize significant adverse effects of chemicals on human health and the environment by 2020;
- to stop the unsustainable exploitation of water resources;
- to ensure environmental sustainability and reverse the loss of environmental resources;
- to ensure greater policy coherence and better cooperation in the field of the environment between the United Nations, its agencies, the Bretton Woods Institutions and the World Trade Organization, as well as other multilateral bodies

The protection of our common environment as the natural resource base of economic and social development is one of the major goals of the Swiss Foreign Policy. In order to pursue this goal, Switzerland uses a range of complementary and mutually supportive instruments such as implementing ambitious environmental policies at the national level, supporting relevant activities at the bilateral level, and promoting the adoption and implementation of coherent, comprehensive, effective and efficient policy frameworks at the multilateral level. Therefore, Switzerland cooperates actively in the relevant environmental institutions.

3. Switzerland's Contribution to MDGs 1–7

3.1. Eradicate extreme Poverty and Hunger (MDG1)

Target 1 of MDG1 calls to halve, between 1990 and 2015, the proportion of people in developing countries whose income is less than 1 dollar a day. Today, the only region to have met target 1 of MDG1 is Eastern Asia. In addition, South-Eastern and Southern Asia and North Africa are on track. There is weak progress in sub-Saharan Africa where poverty rates are highest, and minimal improvement in Latin America and the Caribbean. Extreme poverty is increasing in Western Asia and the CIS.¹⁰

Poverty reduction – understood in a multi-dimensional way – is the core mandate and overarching goal of Swiss bilateral and multilateral development assistance. Various instruments of cooperation are applied: projects, programmes, general and sector budget support. The collaboration with partners of strategic importance is of utmost importance in order to realize country-owned strategic priorities. Efforts are made towards stronger programme approaches and systemic interventions. The bilateral programmes place a strong focus on advocacy, participation, empowerment and capacity building targeted to disadvantaged and marginalised groups. Switzerland plays an active role at the local, national and multilateral levels to improve the aid efficiency.

The programmes in governance, gender, conflict prevention, and in rural development address the structural causes of poverty. The access to productive resources, services, information and technologies (including ICT), to institutions and to decision-making are means of reducing poverty. Budgetary support, economic infrastructure projects, investment and trade promotion are carried out in the pro-poor growth perspective.

Increased mobilisation of domestic resources is of utmost importance to enable the developing countries to achieve the MDGs. Switzerland therefore is strengthening the capacity for better fiscal policies and the mobilization of private sector resources.

Target 2 of MDG1 resolves to halve by 2015 the proportion of people in developing countries who suffer from hunger. At the present rate, this goal will not be met. Whereas this proportion has fallen in Latin America and the Caribbean putting it on track to reach the target, Eastern and South-Eastern Asia and Southern Asia are making progress, although not sufficient to ensure that the target will be met. There is little or no change in other regions where hunger still remains high and is even increasing, such as in Africa, Western Asia and CIS countries of Asia.¹¹

¹⁰ Millennium Project: Investing in Development – A Practical Plan to Achieve the Millennium Development Goals, 2005, Chapter 2.

¹¹ Millennium Project: Investing in Development – A Practical Plan to Achieve the Millennium Development Goals, 2005, Chapter 2.

Switzerland is fully committed to addressing the issue of global hunger, as confirmed at the World Food Summit (2002). Given the fact that 70 % of people suffering from hunger depend on agriculture, Switzerland's cooperation programmes give high priority to supporting small-scale farmers and herders and to generating income in rural areas. National and international agricultural research, appropriate rural technologies¹², market development, and support to farmers' organizations continue to be strongly supported. Switzerland is very committed to addressing hunger in emergency situations (notably, but not exclusively, through the UN World Food Programme).

Box 11**Example: Metal Silos for Better Food Security**

In 2003, Switzerland's support to the Regional Programme POSTCOSECHA, a high-profile effort to decrease the vulnerability of rural livelihoods through reduction of post-harvest losses of grain in Central America and several other countries in the Caribbean and South America, came to an end. The POSTCOSECHA technology, based on a decentralized fabrication of family-size, affordable metal silos used for safe on-farm storage of harvested grain, had reached levels of impact (about 400 000 families). Today, managing poverty-relevant knowledge gathered in various fields of development cooperation, Switzerland is improving its knowledge management in order to facilitate intercontinental knowledge transfers and to respond to the demand for affordable and efficient on-farm storage technology for grain in African countries.

Switzerland played a key role in the elaboration of the "Voluntary Guidelines on the Right to Food"¹³ leading up to their adoption by the FAO¹⁴ Council (November 2004). Switzerland is also an early signatory to the "International Treaty on Plant Genetic Resources for Food and Agriculture", and has actively promoted the establishment of the Treaty's key funding mechanisms (Global Crop Diversity Trust). In addition, Switzerland has contributed approximately CHF 350–400 million to international agricultural research in recent decades. The Consultative Group on International Agricultural Research (CGIAR), which makes available the latest in scientific agricultural research, has a key role to play in poverty alleviation, improved food security, and health.

12 Appropriate rural technologies such as post-harvest technologies and soil and water conservation technologies.

13 Voluntary Guidelines to Support the Progressive Realization of the Right to Adequate Food in the Context of National Food Security.

14 Food and Agriculture Organization of the United Nations.

3.2. Achieve Universal Primary Education (MDG2)

MDG2 (target 3) aims to ensure that, by 2015, all boys and girls in developing countries will be able to complete a full course of primary schooling. All regions – apart from CIS Europe where the situation is worsening – have experienced improvements in their enrolment rates, and Northern Africa, Eastern Asia, Latin America and the Caribbean, and the CIS countries of Asia are on track to reaching the goal. Sub-Saharan Africa, South-Eastern, Southern, and Western Asia as well as Oceania are progressing, but remain short of meeting the goal, and the majority of children out of school are still girls.¹⁵

In 1997, Switzerland ratified the “International Convention on the Rights of the Child”. Switzerland considers everyone’s right to education both as an end in itself, as well as a means to cultural, social, economic and political development, and a powerful tool to reduce social inequities and exclusion.

Bilateral programmes

Switzerland’s bilateral programmes strongly focus on skills development, technical and vocational education training, as well as basic youth and adult education. Forms and modalities of support in education vary from one country to another, depending on specific national priorities and on Switzerland’s capacities and comparative advantages to support partner countries. Switzerland’s support always aims to improve both the access to basic education and its quality. It covers innovative educational initiatives to improve the economic, social and cultural relevance of education services and to reform education policy.

Multilateral programmes

Switzerland’s general budget support and debt alleviation help reallocate budgetary resources to priority social sectors such as education. In addition, projects in public expenditure management, taxation, and debt management help to improve the effectiveness of public finance and mobilize additional domestic resources for poverty reduction and education in particular.

Switzerland channels funds for basic education through multilateral institutions (UNICEF; UNESCO) and through its bilateral country programmes. It is also making efforts to take MDG2 into account in planning the activities it will carry out in the framework of the UN Decade of Education for Sustainable Development 2005–2014.

¹⁵ Millennium Project: Investing in Development – A Practical Plan to Achieve the Millennium Development Goals, 2005, Chapter 2.

Box 12**Example: Non-formal Education in Burkina Faso**

The National Forum regrouping all actors related to non-formal education in Burkina Faso is considered a success story in the area of non-formal education. The Forum strongly supported by Switzerland builds upon many years of field experience. In the process of strategic and institutional orientation, the Non-Formal Education was integrated into the Development Plan of Education and into the Fund for Literacy and Non-Formal Education. The latter is an association including service providers of literacy and non-formal education programmes, local governments and the central state, private sector representatives and donors. The Fund mobilizes resources to finance literacy and non-formal education programmes, training of trainers, production of didactic material. It fosters innovation and experimentation in education.

Switzerland also promotes and supports initiatives to increase access to quality education and life skills, e.g. through the use of ICT (see Box 13).

Box 13**Example: Community Multimedia Centres**

Switzerland has recently begun collaborating with the United Nations Educational, Scientific and Cultural Organization (UNESCO) to set up 150 community multimedia centres (CMC) in marginalized communities in Mali, Mozambique and Senegal, providing tens of thousands of people – many with low literacy skills – with access to online information.

3.3. Promote Gender Equality and Empower Women (MDG3)

Progress towards **MDG3 (target 4)** is measured with the help of indicators related to gender equity in literacy and learning opportunities, to women's employment in the non-agricultural sector, and to women's participation in political decision-making. Whereas there has been some improvement as far as the low wage-employment rates of women and representation of women in national parliaments are concerned, good progress is being made with regard to gender equality within the educational sector (with the exception of sub-Saharan Africa, Southern and Western Asia, and Oceania).¹⁶

Switzerland ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) in 1997, and is strongly committed to reducing gender discrimination and disparities both as an aim and as a prerequisite for sustainable development – and as an objective within Switzerland as well. With this understanding, gender has been integrated as a cross-cutting theme into the full range of Swiss development assistance activities, including humanitarian aid, since the 1990s.

In the 10-year Review and Appraisal of the Beijing Declaration and Platform for Action and in the Outcome Document of the 23rd Special Session of the UN General-Assembly (Beijing+10)¹⁷, Switzerland reaffirmed its commitment to the Beijing Platform for Action, as well as the Cairo Programme of Action. It underlined that both agendas are complementary. Their realisation is crucial for achieving the objectives of the Millennium Declaration and the MDGs. Switzerland also fosters gender equality and women's empowerment through specific bilateral programmes (e.g. specific projects ensuring women's access to education, facilitating women's access to micro-credit, or increasing their political participation and representation) as well as through multilateral contributions (e.g. support to the Women's World Banking and to the UN Development Fund for Women).

Box 14

Example: Gender and Peace Building

At the invitation of the Swiss Foreign Minister in November 2004, some 400 peace women from around the world met for a conference on Women Defending Peace. An action plan was adopted to create a global coalition of women peace activists and to promote greater involvement of civil society and especially of women in peace processes, to protect women from violence and human trafficking, and to combat impunity more effectively.

¹⁶ Millennium Project: Investing in Development – A Practical Plan to Achieve the Millennium Development Goals, 2005, Chapter 2.

¹⁷ "Beijing + 10" took place in the context of the 49th session of the Commission on the Status of Women (CSW) in March 2005 in New York.

Switzerland is also committed to promoting gender issues in economic cooperation as well as in investment promotion, trade and infrastructure development. These areas contribute directly or indirectly to gender equality and women's empowerment. Actions are being taken to ensure that gender issues are being taken into account at the different stages of infrastructure development projects. In the specific context of credit liberalization and privatization, Switzerland is taking more action to ensure that women and men benefit equally from the opportunities. If needed, it seeks to provide market-based incentives, guarantee mechanisms or credit lines to financial intermediaries in order to reach out to female entrepreneurs.

Last but not least, Switzerland is very much involved in the UN Year of Sport 2005 to promote sport as a way to overcome gender stereotypes and to strengthen social life.¹⁸

¹⁸ Sport for Peace and Development – SDC Involvement in the International Year of Sport 2005.

3.4. Reduce Child Mortality by Two-Thirds (MDG4)

MDG4 (target 5) envisages a reduction, between 1990 and 2015, of the under-five mortality rate in all developing countries by two-thirds. Progress is too slow in reducing child deaths. While being on track in Northern Africa, South-Eastern Asia and Latin America and the Caribbean, progress has been weaker in Eastern and Southern Asia and negligible in Western Asia, Oceania and the CIS countries of Europe. Child mortality remains very high in sub-Saharan Africa and is increasing in CIS Asia.¹⁹

In order to achieve the MDGs directly related to health (MDGs 4–6), Switzerland puts strong emphasis on a holistic approach since major determinants of health status also lie outside the health sector. Within the health sector itself, the main objective of health programmes is to reduce inequities by strengthening broad-based pro-poor health systems and by rendering them more responsive to the needs of the poor. Switzerland is strongly involved in public health issues, focusing on health promotion, prevention and care. Main modalities are: policy dialogue, bilateral and multilateral support to national priority-setting and programmes, and health research. Bilateral support to family health programmes in several countries in the South, in Eastern Europe and Central Asia has shown significant results (see box 15). To help reduce child mortality, Switzerland also contributes to relevant multilateral institutions such as UNICEF and WHO.

Box 15

Example: Insecticide-treated Bed Nets in Tanzania

A large-scale programme for the social marketing of insecticide-treated bed nets for malaria control in Southern Tanzania (KINET) is considered as a successful approach to reduce malaria deaths. KINET was funded by Switzerland and implemented by the Swiss Tropical Institute (STI). After four years' duration (1996 to 2000), 50 % of the infants in the project region were using a treated net. Child mortality due to malaria was reduced by more than 25 %. The KINET experience has paved the way for a much larger national-level social marketing programme. It has mounted a successful bid for GFATM to support the national insecticide-treated nets initiative.

¹⁹ Millennium Project: Investing in Development – A Practical Plan to Achieve the Millennium Development Goals, 2005, Chapter 2.

3.5. Reduce Maternal Mortality by Three-Quarters (MDG5)

MDG5 (target 6) commits the international community to reducing, by three-quarters between 1990 and 2015, the maternal mortality rates in all developing countries. Trends indicate very high rates of maternal deaths and no change in sub-Saharan Africa and Southern Asia, as well as high rates and no change in South-Eastern Asia and Oceania. Some progress is being made in other regions, with Eastern Asia and the CIS on track to reaching the goal.²⁰

Over the last years, Switzerland has increased its multilateral contributions for sexual and reproductive health, including HIV/AIDS prevention, to UNAIDS, the United Nations Population Fund (UNFPA), and the International Planned Parenthood Federation (IPPF). Moreover, it contributes to the WHO global research programme on maternal and reproductive health. Switzerland is implementing specific programmes to improve maternal health, e.g. in Southern and Eastern Africa, Central Asia and Ukraine (see box 16).

Box 16

Example: Improving Perinatal Health Services in Ukraine

The Ukrainian-Swiss Perinatal Health Programme has been set up to improve the perinatal health situation of the population of five Ukrainian Oblasts by improving access to as well as the quality of preventive, curative and public health perinatal services. The programme has several components that include training for clinicians, public health and management training for administrators, improved information and communication systems, and modern clinical engineering services. Several disease prevention and health promotion campaigns at the regional level back the programme.

3.6. Combat HIV/AIDS, Malaria and Other Diseases (MDG6)

Target 7 of MDG6 requires the international community to have halted by 2015 and begun to reverse the spread of HIV/AIDS; **Target 8**, to have halted and begun to reverse the incidence of malaria, tuberculosis and other major diseases. The HIV/AIDS pandemic continues unabated in the majority of countries of sub-Saharan Africa, where women are overly affected. The prevalence of HIV in the Caribbean remains high. In Eastern and Southern Asia, Oceania, and the CIS the disease is spreading. Malaria is an additional factor which continues to kill mainly children and undermine sub-Saharan African's development potential. Tuberculosis infections are on the rise, in particular in sub-Saharan Africa, Oceania, and the CIS.²¹

Switzerland applies a broad-based approach to health and refrains from vertical funding for specific illnesses. Along these lines, it is strongly committed to mainstreaming HIV/AIDS at the policy-level and in its programmes and projects. Given the magnitude of the impact of the HIV/AIDS epidemic, Switzerland works in collaboration with partner countries as well as with international organizations and networks to specifically fight the disease. Locally-adapted measures (e.g. capacity-building and prevention) target the most vulnerable population groups with the aim to decrease the risk of transmission and vulnerability, and to limit the psychosocial and economic impact of HIV/AIDS. Particular efforts are made to involve civil society and people affected by HIV/AIDS and to address gender issues.

Box 17

Example: Youth Education in South Africa

Switzerland supports the MiET's (Media in Education Trust) programme "Learn about healthy living" in South Africa. MiET elaborates and distributes learning materials for schools in marginalised communities and provides training for teachers. It also works in the field of health promotion, particularly with regard to HIV/AIDS prevention in order to stop the spread of HIV/AIDS, to do away with the HIV/AIDS stigmatization and to support HIV/AIDS affected persons. The project makes contributions to the South African school curriculum.

Switzerland is strongly involved in operational research regarding HIV/AIDS-related transmissible diseases and other diseases through the International Union Against Tuberculosis and Lung Disease (see Chapter 4.2.6).

Switzerland is one of the founders of the non-profit organization "Medicines for Malaria Venture" (MMV). Through public-private partnerships, this NGO is funding and managing the discovery, development and registration of new medicines to treat and prevent malaria in disease-endemic countries.

Tobacco is the second major cause of death (about 5 million deaths a year, with an estimated annual net cost of USD 200 bn in treatment and lost productivity). In 2004, Switzerland signed the WHO Framework Convention on Tobacco Control to curb tobacco use²².

²¹ Millennium Project: Investing in Development – A Practical Plan to Achieve the Millennium Development Goals, 2005, Chapter 2.

²² WHO (www.who.int).

3.7. Achieve Environmental Sustainability (MDG7)²³

The situation with regard to environmental issues in developing and transition countries is severe. The loss of forest, in particular tropical forest, continues in many regions of the world and is threatening biodiversity. Access to improved drinking water and sanitation is increasing in many regions, albeit not everywhere sufficiently to meet the target, and more so in urban than rural areas.²⁴ **MDG7 (targets 9–11)** aims at improving the world's environmental record.

Switzerland is strongly committed to promoting an institutional framework that advances the protection of our common environment as the natural-resource base of economic and social development. On the occasion of the 23rd session of UNEP's Governing Council, Switzerland re-affirmed its commitment to strengthening international environmental governance. In this regard, Switzerland has actively contributed to the strengthening of the existing international cluster for chemicals and waste policy, thus ensuring synergies, coherence and close cooperation between the relevant international institutions and processes.

Switzerland accords high priority to a sustainable use of natural resources. The principle of environmental sustainability enshrined in the Swiss Foreign Policy, is a fundamental pre-condition and building block of pro-poor development. This orientation was confirmed by the Johannesburg Plan of Implementation 2002. Beyond the narrow environmental targets of MDG7, Switzerland puts emphasis on the wider linkages between poverty and environment, on the sustainability of food security systems, and on global environmental change. Switzerland calls for the integration of environmental planning into poverty reduction strategies elaborated at country level. Economic growth programmes should respect natural resources. Bilateral and multilateral programmes as well as research partnerships promote a more sustainable use of natural resources and agro-biodiversity. The Global Environment Programme promotes the sound management of chemicals and air quality strategies in urban areas.

For Switzerland, dubbed Europe's "water reservoir", water-related issues have always been a priority area of development cooperation. Consequently, Switzerland pays particular attention to target 10 of MDG7 which calls to halve, by 2015, the proportion of people in all developing countries without sustainable access to safe drinking water and basic sanitation. In particular, Switzerland played a key role in the elaboration of the concept of "Integrated Water Resources Management". This is now promoted internationally through the World Water Council and the Global Water Partnership. The concept led to a more holistic approach regarding affordable and sustainable access to safe water and sanitation for the poor as well as access and efficient use of water for poor farmers. This is crucial for tackling the linkages between poverty, ill-health and environmental degradation. Switzerland gives priority to "Water for People and Water for Food" as entry points for an Integrated Water Resources Management. In 2003, Switzerland implemented special programmes during the "International Year of Fresh Water".

²³ While Chapter 4.1. focuses on the Swiss performance with regard to MDG7 at the global level and in Switzerland, this chapter looks into how Switzerland supports developing countries' efforts in ensuring environmental sustainability.

²⁴ Millennium Project. 2005: Investing in Development – A Practical Plan to Achieve the Millennium Development Goals, 2005, Chapter 2.

Sanitation and hygiene are seen as an opportunity for small and medium-sized entrepreneurs to deliver innovative solutions. Public funds are still needed for hygiene campaigns, sanitation promotion, and investments with high return for society at large. The cornerstone for scaling-up of activities is a pro-active public health policy that puts sanitation and hygiene high on the political agenda and promotes an enabling framework (markets for sanitation and hygiene).

The sustainable development of mountain regions is another priority. As an alpine country, Switzerland has vast experience in sustainable mountain development and is engaged in partnerships with mountain countries such as Bolivia, Nepal, Bhutan, as well as in Central Asia. The respective focus is on the protection of natural resources and the preservation of biodiversity. Switzerland is a strong supporter of the "Mountain Partnership", a partnership initiative launched at the World Summit on Sustainable Development in Johannesburg, to improve and strengthen cooperation between the main actors in mountain development.

Switzerland has developed a comprehensive programme to encourage enterprises in developing countries to adopt environmentally-friendly technologies (see Box 18).

Box 18**Example: Cooperation in Ecological Refrigeration – ECOFRIG Project in India**

Since 2002, the Indian market leader in domestic refrigeration, Godrej Ltd., has fully switched to hydrocarbon (HC)-technology, a milestone in India's implementation of the Montreal Protocol to protect the Ozone layer. An Indo-Swiss-German collaboration in ecological domestic and commercial refrigeration strongly contributed to this success through know-how transfer.

An integrated risk management approach to improve the resilience of the vulnerable populations has served as conceptual framework for national and regional prevention programmes in Central America (post-Hurricane Mitch), as well as in Turkey and Iran after major earthquakes or other sudden-onset natural disasters. Similarly, Switzerland has assumed a lead role in the preparation and – with the adoption of the "Hyogo Framework for Action 2005–2015" – the successful conclusion of the World Conference on Disaster Reduction (Kobe, January 2005).

3.8. Cross-Cutting Issue: Scientific, Technological and Research Partnerships

Any strategy to meet the MDGs requires a special global effort to build scientific and technological capacities in the poorest countries, both to help drive economic development and to help forge solutions to developing countries' own particular challenges regarding, e.g. disease, climate, agriculture, energy, environmental degradation and social transformation. A focus should be on strengthening institutions of higher education.

Scientific knowledge is the fundamental basis of technological and social development in developing countries too. Improved knowledge also considerably contributes to economic development. Establishing their own research agendas in response to specific challenges, and promoting their own scientific competencies will make developing countries less dependant upon industrialized countries.

In recent years, the relationship between development agencies and Swiss research institutions has made a great leap forward in terms of focus and intensity. On one hand, Switzerland adheres to its global responsibility to offer knowledge and know-how for development issues, while paying due attention to local knowledge and local ownership. The main objectives of scientific cooperation are a) the strengthening of research capacities in developing countries, e.g. in the areas of food security and health, and b) the generation of results relevant for development. On the other hand, Switzerland also aims at strengthening its own scientific capacity in development issues, which will become increasingly important with globalisation.

Box 19

Example: National Centre of Competence in Research (NCCR) North-South

To date, in terms of bilateral research partnership programmes, the largest breakthrough has been the launching of the National Centre of Competence in Research (NCCR) North-South, a programme jointly borne by the Swiss National Science Foundation (SNSF) and SDC. The NCCR North-South is oriented towards mitigation of syndromes of global change as a precondition for achieving sustainable development. The NCCR North-South takes a participatory approach: Over 100 research projects in nine regions on four continents, primarily at the level of PhD studies, are carried out in partnership between Swiss and regional, national or local institutions.

In addition, Switzerland helps to strengthen international research efforts in key areas. In particular, it is involved in the Consultative Group on International Agricultural Research (CGIAR) and its research centres, in the Global Forum for Health Research, and in the United Nations Research Institution for Social Development (UNRISD). This multilateral leg gives Switzerland a voice in international debate, and facilitates the exchange of knowledge and researchers.

4. Switzerland's Contribution to MDG7 and MDG8

4.1. Environmental Sustainability (MDG7)

4.1.1. Environmental Resources

In order to ensure environmental sustainability, **target 9 of MDG7** (see Box 2) aims at reversing the loss of environmental resources, e.g. forests, biological diversity, energy, clean air and water, at the global and national level.

Indicators	1990	1995	2000	2002/03
Proportion of land area covered by forest [%]	28.0	29.9	30.0	31.0
Ratio of surface area protected to maintain biological diversity to overall surface area ²⁶ [%]	0.4	0.92	2.92	2.92
Total energy consumption [TJ]	1026 290	1075 530	1132 350	1168 950
Energy consumption [kg oil] equivalent per 1995 \$1 GDP	0.0814	0.0822	0.0788	0.08
CO ₂ -emissions [mio. t. according to Kyoto Protocol]	53.14	51.96	52.35	52.25
Consumption of ozone-depleting CFCs ²⁷ [ODP tons]	2838	282	0	0
Public waste water treatment [% of households served]	90	93.5	95.5	95.5
Number of CDM ²⁸ projects commissioned [#]	0	0	0	0
Settled area [m ² per capita of population]	381.8 ²⁹	396.8 ³⁰	n.a.	n.a.

Progress and Achievements

Global environmental regime

Switzerland takes an active role in international environmental organizations and processes, such as the United Nations Environment Programme (UNEP), multilateral environmental conventions (e.g. the Convention on Biological Diversity and its Cartagena Protocol to promote bio-safety or the Stockholm, Rotterdam and Basel Conventions for the management of chemicals and wastes), and the Global Environment Facility (GEF). Switzerland is also a party to the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol, and supports international efforts to mitigate climate change. Equally, it is signatory to and active member in the Convention of Biodiversity (UNCBD) and the Convention to Combat Desertification (UNCCD). Switzerland is also among the most important donors of the International Tropical Timber Organization (ITTO) with the main objective to promote trade from sustainably managed forests.

25 Source: Swiss Agency for Environment, Forests and Landscape; Swiss Federal Office of Energy; International Energy Agency.

26 Included are areas with a stringent protection standard, such as national parks and areas covered by national habitat-inventories (e.g. wetland sites).

27 Chloro-fluoro-carbons.

28 Clean Development Mechanism. Together with the Emissions Trading and the Joint Implementation, the CDM is part of the flexible mechanisms of the Kyoto-Protocol.

29 Values for 1979/85.

30 Values for 1992/97.

As regards the implementation of the environmental policy in Switzerland, the following achievements are highlighted:

Forestry

Some progress in reversing the loss of environmental resources has been made. The proportion of land area covered by forest is growing steadily (see Table 1), mainly in mountain areas, and largely due to farm land being given up. Today, approximately one-third of the land area is covered by forest.

Biodiversity

In order to maintain and protect biological diversity, Switzerland has increased the size of its protected zones over the past ten years. During the same period, direct payments for the ecological services of agricultural producers have been made. To protect existing biodiversity from risks that may be posed by genetically modified organisms (GMOs), a restrictive regulation has been developed for the cultivation and use of GMOs and their products. The Swiss regulation for the implementation of the Cartagena Protocol to promote bio-safety entered into force at the beginning of 2005. As a consequence, Switzerland continues to request that international food aid purchased through its contributions to the UN World Food Programme be preferably GMO-free.

CO₂-emissions

Total energy consumption increased by almost 14 % between 1990 and 2002. Nevertheless, energy intensity and CO₂ emissions slightly decreased during this period (Table 1). In order to reduce the CO₂ emissions, the Swiss CO₂ law (2000) provides the basis for national implementation of the UN-FCCC. As reductions in emissions since then have not met the targets set in the CO₂ law, it was decided to implement the CO₂ tax on heating fuel foreseen in the CO₂ law, as well as to introduce a new levy on motor fuel. Regarding air pollution, the implementation of the Ordinance on Air Pollution Control (1985) has generally resulted in major improvements.

Water protection

In the area of water protection, Switzerland has implemented comprehensive and effective legislation for several decades with the general objective of maintaining or restoring the natural water cycle. Groundwater protection and the construction of water and sewage infrastructure are major elements of Swiss policy. At present, the percentage of people connected to sewerage and waste water services reaches a total of over 95 %. The quality of services delivered by the water and sanitation sector to the Swiss population is generally very high.

Land use

Land is one of the most important resources for humans, plants and animals. Construction of housing settlements, roads and industrial facilities inevitably leads to a loss of agricultural land – a process that is virtually impossible to reverse and which therefore also affects future generations. Between the mid-1980s and the mid-1990s, built area per capita increased by almost 4 %, and by more than 13 % overall, while the population grew by approximately 8 % in the same period. Hence, land use for the purpose of settlement is increasing at a disproportional rate.

Hazardous chemical substances

The use of hazardous chemical substances has been prohibited or restricted by Swiss environmental authorities since 1986. This work continues as new products are put on the market, and the assessment of the risks involved develops. A major revision of the regulations concerning chemical products and their harmonization with EU legislation will enter into force in 2005.

Disaster management

Disaster reduction is another important field of activity. In the context of the UN International Decade for Disaster Reduction (IDNDR), the Swiss Federal Council founded the national advisory commission PLANAT. This Commission serves as a platform for natural disaster prevention (see Box 20).

Box 20**Example: Reducing Disaster Risk in Switzerland³¹**

Created in 1997, PLANAT is responsible for coordinating concepts in the field of protection against natural hazards in Switzerland such as floods, storms, landslides or avalanches. The main objective of this national platform is a paradigm change from pure protection against hazards to an integrated and holistic management of risk, thereby equally applying measures of preparedness, response and recovery (reconstruction). PLANAT consists of specialists representing the Federal Administration, the cantons, research, professional associations, the private sector and major insurance companies.

Challenges**Biological diversity**

Despite efforts to maintain and protect biological diversity, Switzerland continues to suffer some losses. Many species – particularly in the densely inhabited lowlands – lack the natural or near-natural habitats to ensure their long-term survival. More efforts are needed to preserve biodiversity in those areas. In addition to classical investment in protected areas, biodiversity and landscape protection has to be an integral part of policies for agriculture, forest management, environmental impact assessment, and spatial planning.

CO₂-emissions

Additional efforts are required if Switzerland is to meet the target it has set for itself in the CO₂-law, i.e. a reduction of CO₂-emissions from the use of fossil fuels by 10 % in 2010, compared to 1990 (Switzerland's Kyoto target requires a 8 % reduction.). Moreover, subsidiary targets for combustibles (minus 15 %) and transport fuels (minus 8 %) have been set and not yet met. A package of measures will be introduced consisting of a CO₂-levy (non-fiscal tax) on heating fuels and of a contribution raised from motor fuels. These are designed to help Switzerland achieve its CO₂-goals and its Kyoto commitments. Switzerland is also preparing the implementation of the flexible mechanisms under the Kyoto Protocol by developing regulations and setting up a national registry which should be operational by the end of 2005.

Electricity

Limiting the growth of domestic electricity consumption to 5 % (2000–2010), maintaining the level of domestic hydro-electricity production, and increasing the share of renewable energy in total electricity generation are further and complementary measures of the Swiss national energy policy.

Water Protection

In the area of water protection, one of the remaining problems is the large number of residual persistent chemical substances which are not retained in waste water facilities. Acting as endocrine disruptors, these substances negatively impact on aquatic life and the reproductive behaviour of fish stock.

Land use

Continuing exploitation of the land presents a central challenge in terms of sustainability. On the one hand, soil conservation is an inescapable long-term requirement, even in countries such as Switzerland, in light of continuing population growth and global soil degradation. At the same time, high rates of energy consumption and resource consumption are bound to accompany the development of dispersed settlements that are responsible for land exploitation.

4.1.2. Principles of Sustainability

In order to ensure environmental sustainability, **target 9 of MDG7** (see Box 2) aims at integrating the principles of sustainable development into country policies. The principles have been confirmed by the 2002 World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa.

Progress and Achievements

The Swiss Federal Constitution makes several references to sustainable development. Switzerland consequently makes specific efforts to foster sustainable development (Article 2, Paragraph 2) and to integrate it into all laws, programmes, strategies, and projects. In addition to this overall formulation, the Constitution also refers to ecological aspects of sustainable development (Article 73) which, furthermore, is mentioned in the article dealing with agriculture as well (Article 104, Paragraph 1). Different specific aspects of sustainable development can also be found in the constitutional provisions relating to water (Article 76) and forests (Article 77). Key elements of sustainable development are also embraced by Swiss Foreign Policy.

At the international level, Switzerland played an active part in the WSSD and is currently focusing on following up the commitments made in the Johannesburg Plan of Implementation (JPOI).

At the national level, the Swiss Sustainable Development Strategy of 1997 was completely overhauled in 2002 in the run-up to the WSSD. The new Sustainable Development Strategy 2002 lays down the content and procedural framework for Switzerland's sustainable development policy and aims to integrate the principles of sustainable development into as many policy areas as possible, such as through a newly developed tool for conducting sustainability impact assessments of the Government's projects, activities and draft legislation. The Sustainable Development Strategy includes a total of 22 measures in ten fields, many of which also address the international level and cover to a large extent the Johannesburg Plan of Implementation.

Challenges

A 2004 interim status report revealed that the implementation of the Swiss Sustainable Development Strategy 2002 is largely going according to plan, but that certain programmes might be cut back owing to budget restrictions.

The measures proposed in the Strategy cannot be implemented without intensive interdepartmental and interagency co-operation. Thus, within the Federal Administration, the co-operation on cross-cutting tasks has to be intensified and a uniform understanding of the concept of sustainable development promoted. To ensure that the principles of sustainable development are integrated into government policies and projects, the sustainability impact assessment of measures should be applied regularly.

To make sustainable development effective, policy makers and stakeholders from the private sector and civil society have to be involved on a larger scale in matters regarding the implementation of the Strategy. Since a great deal of practical efforts towards sustainable development has to be made at the local level, the active support of local Agenda 21 is also very important.

At international level, as far as targets and the Strategy are concerned, Switzerland fulfils the requirements of the JPOI. There is, however, a need for action at the level of implementation. In this regard, due to the current budget restriction, a major effort has to be made to raise the awareness of the Swiss parliament and the public about the validity of the proposed measures in order to maintain the financial means necessary for their implementation.

The efforts made in order to promote sustainable consumption and production patterns at national as well as at international level have to be maintained and even intensified. With regard to the commitments set out in the Millennium Declaration, Switzerland also faces a variety of challenges, including:

- to further reduce its greenhouse gas emissions;
- to halt the loss of biodiversity;
- to promote the development and implementation at the national and international level of a regime that ensures the sharing of benefits arising from the conservation and use of genetic resources;
- to promote the development and use of integrated water management plans;
- to contribute effectively to a further strengthening of international environmental governance;
- to formulate environmental goals that contribute to the implementation of the MDG-targets;
- to further integrate – as a cross-cutting issue in the full range of Swiss development assistance – the protection of the environment as the natural basis of economic and social development.

4.2. Develop a Global Partnership for Development (MDG8)

4.2.1. Open Trading System

Target 12 of MDG8 (see Box 2) aims to remove barriers to trade for developing countries, particularly in agriculture and other labour-intensive sectors such as textiles where poor people in developing countries primarily work, but which, today, confront the greatest trade barriers. Removing such barriers to trade will benefit poor countries in terms of increasing economic growth and achieving the MDGs, and is the focus of the Doha round of trade negotiations at the WTO.

Indicators	2000	2003
Proportion of imports³³ from developing countries , admitted free of duties [% of duty free trade]	53	53
Proportion of imports³⁴ from LDCs³⁵ , admitted free of duties [% of duty free trade]	64	62
Average tariffs imposed by Switzerland on:		
a) agricultural products		
• from developing countries (excluding LDCs)	8,7 %	11,9 %
• from LDCs	n.a.	6,8 %
b) textile products		
• from developing countries (excluding LDCs)	0,8 %	1,0 %
• from LDCs	0,0 %	0,0 %
c) clothing products		
• from developing countries (excluding LDCs)	3,0 %	3,0 %
• from LDCs	0,0 %	0,0 %
Domestic agricultural support³⁶ as percentage of GDP ³⁷	0,92 %	0,90 %
Volume of domestic agricultural support [CHF billion]	3,7	3,9
Agricultural producer's support by Switzerland [CHF billion]	7,6	7,5
• of which direct payments with eco-conditionality	2,2	2,5
Volume of trade-related ODA³⁸ , in absolute terms [CHF mio]	23	42

32 Source: Federal Customs Administration, Swiss Office for Agriculture, OECD.

33 By value and excluding arms and oil.

34 By value and excluding arms and oil.

35 Least Developed Countries.

36 Internal support schemes.

37 Gross Domestic Product.

38 Excluding trade finance.

Progress and Achievements

Switzerland has a strong interest in an open international trading system and is actively engaged in ensuring that developing countries, and particularly LDCs, benefit from international trade and liberalization in the ongoing multilateral trade negotiations³⁹. With this in mind, in 2005 the Swiss Government approved a new comprehensive policy on foreign economic affairs which explicitly seeks coherence by considering poverty reduction and sustainable development as part of its international trade strategy.

Preferential market access – agriculture

Manufactured and industrial goods from developing countries can be imported duty-free into Switzerland, with the sole exception of textiles. In 2003, the proportion of Switzerland's imports of goods from developing countries admitted free of duties was 53 % for developing countries and 62 % for least developed countries (see Table 2).

Unlike most other OECD countries, Switzerland has not established textile and clothing quotas for imports from developing countries. Its general tariffs for textiles are presently at a moderate average of 8 % for man-made filaments and 10 % for knitted or crocheted fabrics. Under the Generalized System of Preferences (GSP), these tariffs have been reduced by half for developing countries and to zero for LDCs. Tariffs on footwear average 3.3 %, but have been eliminated for all developing countries.

Switzerland pursues an agricultural policy characterised by support for differentiated open markets in the context of an ongoing agricultural reform process. Historically, Switzerland has experienced difficulties, particularly at times of war, in achieving an adequate food security. For this reason, policies until the early 1990s tended to favour a high degree of food self-sufficiency by creating strong barriers to market access and subsidizing local production and agricultural exports. This led both to high domestic prices and a considerable fiscal burden. Since the early 1990s, agricultural policy has been undergoing a process of reform with step-by-step reduction of tariffs resulting from implementation of the Uruguay Round. The measures necessary to promote sustainability range from a rapid reduction in price supports to a system of direct payments unrelated to production and in conformity with WTO indications. Switzerland thus remains a substantial net importer of agricultural products. As the overall average of self-sufficiency reaches only about 60 %, out of season tariffs are low on imports of vegetables and fruit. Agricultural products from other than temperate zones are normally imported without restrictions.

This is why preferences in agriculture are of a more limited value to developing countries: Developing countries are entitled to substantial tariff reductions for tropical fruit and vegetables, seafood, and fish, but are bound by general import quotas where they exist (on 28 agricultural products). In addition, a special quota for developing countries was created for sugar cane and another special quota only for LDCs for oilseeds and oil products. LDCs – under a scheme comparable to the "Everything but Arms" initiative of the EU – have also benefited from gradual reductions of all tariffs since 2002. Their import tariffs in Switzerland now run from 25 % to 45 % of the MFN tariff and are scheduled to be gradually reduced to zero rates starting from 2007.

³⁹ Henceforth, the term developing countries is also used to include ODA recipient countries in Eastern Europe and the CIS.

Task Force WTO Trade and Development

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 and trade issues. The Task Force is responsible for the Swiss participation in the WTO negotiations when development issues are discussed as, e.g. on "special and differential treatment" of developing countries. It prepares positions such as those on food aid, tariff escalation, agricultural quota management, and tariff reduction formulas that take into account the countries' specific development challenges.

Trade-related technical assistance

The Doha Ministerial Declaration also includes firm commitments on the side of industrialized countries to provide technical cooperation and capacity-building to poor countries in trade matters. Switzerland's trade-related technical cooperation (that started over 20 years ago) has three objectives:

- Strengthen the integration of developing countries into the world trading system by supporting trade reforms, enhancing the capacities of SMEs to export (supply-side), and improving market access;
- Ensure the active participation of developing countries in multilateral trade negotiations by supporting their efforts to accede to the WTO, identifying their interests, and by negotiating and implementing trade agreements;
- Focus on sustainable trade by promoting the integration of environmental and social standards, as well as enhancing coherence between trade rules and conventions from international environment and social-oriented organizations (Kyoto Protocol, Biodiversity Convention, ILO, etc.).

Switzerland's trade-related technical cooperation has five main components:

- **Trade policy support** to government officials in capitals and in Geneva (WTO accession, intellectual property, competition, government procurement, trade reforms). In 2004, Switzerland also became a member of the Advisory Centre on WTO Law, which provides support to developing countries in dispute settlement procedures.
- **Facilitating access to the Swiss market** and to markets of neighbouring countries: The Swiss Import Promotion Programme (SIPPO) supports Small and Medium-sized Enterprises (SMEs) in selected developing countries in gaining access to the Swiss and EU markets. This includes promoting tariff reduction (Generalized System of Preferences, GSP) and labels in Switzerland.
- **Increasing the efficiency of trade operations and of supply-side capacities:** Switzerland assists SMEs to enhance their competitiveness and export capacities (marketing, market research, quality management), strengthens capacities in the field of standards (technical regulations, laboratories), and contributes to the reduction of internal obstacles to trade (customs modernization, regulations).
- **Trade, environment and social standards:** Switzerland supports efforts of partner countries to comply with international environment and social conventions in relation to trade aspects (e.g. through Cleaner Production Strategies within Corporate Social Responsibility or through fair trade programmes such as promoted by The Max Havelaar Foundation).
- **Commodities:** Switzerland is actively involved in the main international organizations dealing with raw materials⁴⁰, promotes sustainable production (multi-stakeholder approaches), and supports partner countries' efforts to diversify their economic structure basis and introduce price risk management in order to reduce their dependency on raw materials.

⁴⁰ These include the International Coffee Organization/ICO, the International Cacao Organization/ICCO, the International Sugar Organization/ISO, the International Tropical Timber Organization/ITTO, the International Cotton Association/ICAC, and the International Jute Study Group/IJSG.

Since the Doha WTO Ministerial Conference in 2001, Switzerland has extended its activities to new fields, namely intellectual property rights, public procurement, competition law, and technical standards (see Box 21). Comprehensive bilateral programmes for trade support have been initiated with Bolivia, Peru, Mozambique, Tanzania, Viet Nam, Serbia and Kyrgyzstan. Together with other countries, Switzerland participated in the support of the "Cotton Initiative" launched in 2003 at the WTO by West African countries. The Initiative aims at obtaining a substantial reduction of trade-distorting domestic support and export subsidies for cotton. Switzerland also took an active part in funding and coordinating the Integrated Framework, an initiative by both multilateral and bilateral agencies to provide sustainable and coordinated support to the trade sector in LDCs.

Box 21

Example: New Fields of Cooperation since Doha

In Viet Nam, Switzerland has established a comprehensive bilateral programme to assist the country in fulfilling the obligations set forth in international treaties on intellectual property including the agreement on Trade Related Aspects on Intellectual Property Rights (TRIPS) under the WTO. Both in Tanzania as well as in Mozambique, Switzerland has also initiated projects to strengthen standardization institutions and facilitate international accreditation. Further, a regional programme has been set up for selected Latin American countries to support their respective national institutions in charge of competition and consumer protection policies. And in Ghana, Switzerland has launched an initiative to support the implementation of government procurement measures.

Challenges

WTO negotiation and Development Round

The two main development challenges confronting the negotiations of the Doha Round are (i) to provide developing countries with better access to industrialized and developing markets for goods and services of interest to them; and (ii) to define the extent of "special and differential treatment". Switzerland hopes that the Doha Round will bring about major progress on both fronts and actively pursues these goals in order to achieve as many synergies as possible between its trade and its development policies and interests.

Agriculture

At a level that exceeded 74% as recently as 2003, Switzerland had one of the highest agricultural subsidy rates in the world. It is prepared to follow through on the "July Package" (2004) at WTO by eliminating, with the passage of time, the remaining export subsidies, as well as substantially reducing price and other production-related domestic subsidies. Switzerland is also prepared to increase access to its domestic market for agricultural commodities and processed products by reducing tariffs and increasing import quotas. However, the reduction of border protection has to ensure that the multifunctional benefits of agriculture – namely its socially beneficial environmental features – be continued and take into account the politically and socially acceptable speed of change in competitive pressure and specialization of production that will confront poorer segments of Swiss farmers.

Preferences

The Government of Switzerland is committed to develop its non-reciprocal tariff preferences for developing countries. In 2006, it will present proposals to its Parliament to implement the final stage of zero-tariff, zero-quota preferences to LDCs. In that context, it will examine the feasibility of simplifying rules of origin. At the same time and in function with the expected negotiating results of the Doha Round, Switzerland will also reform its scheme of GSP preferences. Switzerland also intends to propose that industrialized countries adopt common guidelines for GSP and special LDC preferences to increase the predictability and non-political character of preferences.

Industrial sector

In the industrial sector, Switzerland will continue to promote the use of tariff reduction formulas for developing countries that induce more trade between developing countries and acknowledge that the level of admissible border protection should depend on the development stage of a country.

Services

Switzerland promotes the development of the service sector in poorer developing countries through support in creating regulatory frameworks and public-private partnerships in infrastructure, sector development in tourism, and in a wider use of internet technologies. It is planning to help poorer developing countries in assessing the potential and the development of specific service sectors, an analysis that would strengthen the negotiating position of such countries at WTO.

Intellectual property rights

Intellectual property rights are another focus of attention. In the development context, three areas are of concern: 1) Switzerland has made proposals at WIPO to authorize countries to include in their legislation an obligation, when patent applications are made, to indicate the source of genetic resources or traditional knowledge used; 2) an important element of the Swiss negotiating position in the Doha Round is to request that the higher standard of protection for the "geographical origin" of wines and spirits be extended to all other products, hence to traditional arts and crafts and other areas of traditional knowledge as well; 3) WTO Members agreed on the conditions necessary for essential drugs to be delivered at affordable prices through compulsory export licensing to developing countries that have no pharmaceutical manufacturing capacity. It is essential now to agree on the specific implementation modalities in order to make this decision operational (see Chapter 4.2.6).

4.2.2. Strengthening Financial Sectors

The Asian crisis in 1997 highlighted the significance of a sound financial system for economic and social development. Within months, seemingly solid economies fell into deep crises, associated with very high economic and social costs. **Target 12 of MDG8** (see Box 2) calls on governments to develop an open, rule-based, predictable, and non-discriminatory financial system – nationally and internationally.

Progress and Achievements

In the wake of the Asian crisis, Switzerland developed a strategy on how best to address financial sector weaknesses globally and in individual partner countries. It strongly endorsed the international initiatives to reinforce financial stability, notably further developing international standards and enhancing International Monetary Fund (IMF) financial sector surveillance. It has strengthened domestic regulation regarding systemic stability accordingly. As a result of this discussion, Switzerland also decided to increase its technical assistance support programme in the financial sector, both at the multilateral level and bilaterally. Switzerland, with its traditionally strong financial sector, is well positioned to do so.

Multilateral level

As a member of the IMF, the World Bank and the regional development banks, Switzerland strongly supports the activities of these institutions for enhancing financial sector stability and development. In particular, Switzerland has set up – together with the World Bank, the IMF, and four other bilateral donors⁴¹ – a joint technical assistance programme (see Box 22) to support growth and poverty reduction in low and middle-income countries through the promotion of robust and diverse financial sectors.

Box 22

Example: Financial Sector Reform and Strengthening Initiative (FIRST)

FIRST provides grants and advisory services for capacity-building and policy development in the areas of financial market regulation, supervision, and development. A key aim of FIRST is to provide assistance in following up recommendations of the World Bank/IMF-led Financial Sector Assessment Programmes (FSAP). FIRST also aims at reducing project duplication and increasing donor harmonization through a comprehensive information exchange platform. The programme was started in 2002 and gained full speed in 2003.

Besides FIRST, Switzerland continues to cooperate with the IMF on reform-oriented technical assistance programmes and, in 2003, started to support a multi-donor programme aimed at increasing local capacities to measure private capital flows in developing countries.

41 The UK Department for International Development (DFID), the Canadian International Development Agency (CIDA), the Ministry of Foreign Affairs of the Netherlands (MFA), and the Swedish International Development Co-operation Agency (SIDA).

Bilateral Level

Bilateral assistance to low and middle-income countries targeting the financial sector is provided by the competent government agencies (Seco within the Ministry of the Economy, and SDC within the Ministry of Foreign Affairs), as well as by the Swiss National Bank. Assistance projects cover a wide range of activities, including policy advice, capacity building, training, specialized technical assistance to finance ministries, central banks, commercial banks, stock-exchanges, financial intermediaries etc. with which medium-term partnerships are being established. Another dimension of Swiss development assistance is in the area of banking services for the poor and, more specifically, supporting the capacity-building and the financing of micro-finance institutions. The involvement of the Swiss private sector is to be noted, with the recent participation of some Swiss banks in the mobilization of resources and capacities to support micro-finance institutions in developing and emerging markets.

To tackle the problem of outflows of capital of illegal origin, Switzerland has over the years taken a broad range of measures to prevent its financial centre from being misused: measures to effectively combat money laundering and corruption, and countermeasures against embezzled assets of "politically exposed persons", etc. Switzerland also works closely with other countries to actively fight organized crime and terrorism. Banking secrecy provisions are no hindrance for providing mutual legal assistance in criminal matters, including cases that involve money laundering, terrorism and its financing, corruption and tax fraud. Switzerland can approve requests for mutual legal assistance from any foreign country where a relevant treaty agreement exists, or where the requesting country guarantees reciprocity. When cooperating closely with other countries, Switzerland makes sure that its investments are not being used for corrupt purposes.

Challenges

Global financial stability and the strengthening of developing countries' financial systems remain a challenge for achieving the MDGs. The World Bank and the IMF must continue to support developing countries in their efforts to reform their financial sectors.

Another major challenge remains the deficient access of a large part of the population to the financial market. Deposits are low due to mistrust in formal financial institutions, and access to financial market products for small and medium-sized enterprises remains very difficult. It is therefore crucial to find innovative ways to provide better and more efficient access to financial institutions and credit schemes for the poor segment of the economy. Swiss efforts in the area of microfinance as a contribution to economic growth will therefore continue, and the UN Year of Microcredit 2005 will provide the necessary momentum to further link up the financial markets of the developed countries with the financial needs of the poor.

Finally, effective financing for development depends on capital flows' not reversing out of recipient countries. General economic and political instability as well as criminal motives are important factors for capital flight. Switzerland is actively supporting its partner countries in addressing these causes. To tackle the problem at the other end, Switzerland has taken effective measures over the years to prevent its financial centre from being misused.

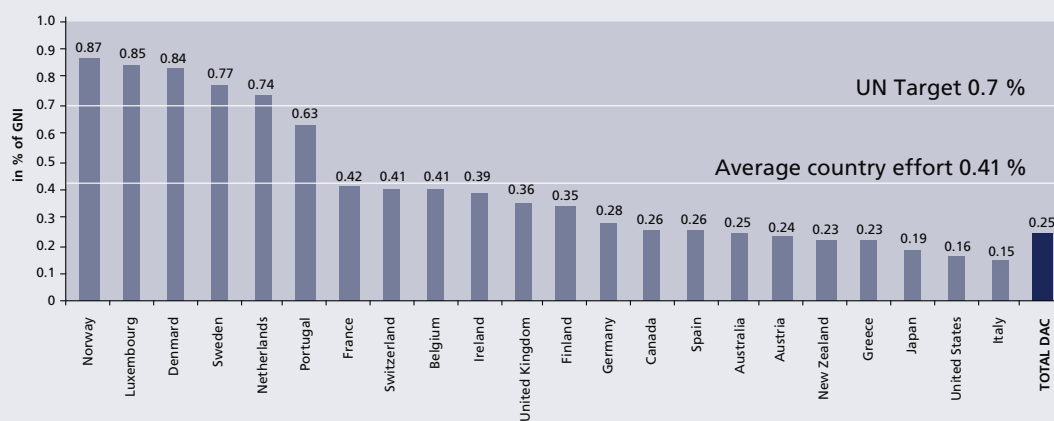
4.2.3. Official Development Assistance (ODA)

In order to help developing countries reach the Millennium Development Goals 1 to 7, **target 13 of MDG8** (see Box 2) calls for industrialized countries to provide more generous ODA, especially to LDCs.

Table 3
Official Development Assistance (ODA)⁴²

Indicators	1990	1995	2000	2002	2003
Net ODA provided, total, as percentage of GNI ⁴³	0,32	0,33	0,34	0,33	0,39
Net ODA to LDCs, as percentage of GNI*	0,14	0,11	0,10	0,08	0,12
Proportion of total bilateral, sector-allocable ODA ⁴⁴	n.a.	8,6	12,2	15,6	14,3
Proportion of ODA to landlocked countries ⁴⁵	20,8	19,3	18,5	18,5	18,5
Proportion of multilateral ODA ⁴⁶	26,5	28,1	29,5	18,6 ⁴⁷	27,3
Proportion of bilateral and untied ODA	78,5	91,3	93,6	95,1	96,4

Chart 1
Netto ODA 2004 – in percentage of GNI



Average country effort 0.41 %
UN Target 0.7 %

42 Source: OECD on-line database (Swiss notifications).

43 Gross National Income.

44 Provided to basic social services: basic education, primary health care, nutrition, safe water and sanitation; averages 1996–97, 1998–99, 2000–01, 2002–03.

45 includes imputed multilateral amounts.

46 Percentage total net ODA.

47 Exceptionally low due to delay in finalising the 1st promissory note for IDA 13.

Progress and Achievements

Background

Poverty reduction is explicitly stated as a responsibility of Switzerland in the Swiss Federal Constitution⁴⁸. The Millennium Declaration and the MDGs are the main reference frame for Switzerland's development assistance. The Swiss Agency for Development Cooperation (SDC) of the Federal Department of Foreign Affairs and the State Secretariat for Economic Affairs (seco) of the Federal Department of Economic Affairs are the main actors in Switzerland's cooperation programme with developing countries, delivering 77 % of Swiss ODA.⁴⁹

Current Situation

Recently, the mode of calculating ODA was modified. For the year 2003, the accounting approach applied for the calculation of debt relief and peace-building measures was adapted to conform to DAC criteria used by the majority of OECD/DAC member countries for this purpose. For 2004, a new element was introduced into ODA accounting procedure, i.e., the expenses borne by the Confederation for asylum-seekers from developing countries (according to the DAC listing) during the first year of their stay in Switzerland. In this way, Swiss ODA for the year 2004 stood at US\$ 1.4 billion, or 0.41 % of GNI, thus ranking Switzerland eighth among the twenty-two OECD/DAC donor countries (see Chart 1).

Country selection

Under Swiss ODA, priority is accorded to countries particularly relevant for achieving the MDGs⁵⁰. Particular emphasis is given to landlocked countries, as well as to rural areas and mountainous regions. Further criteria include the commitment of partner countries to economic reforms, human rights and good governance. Foreign policy considerations have also influenced country selection in as far as a significant share of ODA is provided to countries from which there has been a significant migration (South Eastern Europe and the Mediterranean area) to Switzerland.

In 2004, bilateral aid, including bilateral humanitarian aid, represented 74 % of total ODA. As for development assistance provided to LDCs, Switzerland, in 2003, allocated 0.12 % of its ODA⁵¹, falling just short of the target 0.15 % of ODA to which it committed itself at the 2nd United Nations Conference on Least Developed Countries in 1990 (and reconfirmed at the 3rd UN Conference on Least Developed Countries in 2001). The humanitarian aid of the Swiss Confederation, on the other hand, can be active worldwide. In 2003, it provided humanitarian aid in close to 60 countries where it helped populations who were victims of internal conflicts, floods, drought, or earthquakes.

Multilateral aid

In 2004, Switzerland allocated approximately 26 % of its ODA for contributions to multilateral institutions. This included funds and programmes that are part of the UN system, the international financial institutions (IFI) – i.e. primarily development funds in development banks – and other important multilateral institutions such as the Global Fund to Fight Aids, Tuberculosis and Malaria (GFATM). These contributions support the priorities being pursued by these institutions to achieve the MDGs. Switzerland has also committed itself to a focus on poverty within these multilateral institutions, as well as to a clearer multilateral division of labour and principles of allocation that better take account of the debt-carrying capacity of recipient countries. The amount of ODA allocated to multilateral institutions is below the OECE/DAC average. This raises the question of whether this portion of ODA should be increased in future.

48 See paragraph 54 of the Federal Constitution.

49 Spending by other federal offices, the cantons and communes is also included under activities recognized as ODA in the DAC statistical guidelines.

50 Countries with high or top MDG priority according to the 2003 UNDP Human Development Report.

51 Including imputed multilateral amounts (see Table 3).

Untying of aid

A further indicator for monitoring ODA is the proportion of bilateral ODA which is untied. In 2003, 96.4 % of Swiss ODA was untied. Switzerland supports broadening the scope of the OECD/DAC Recommendation on Untying Aid to the Least Developed Countries.

Challenges

The Millennium Project⁵² has estimated that to meet the MDGs, global ODA will need to roughly double from US\$69 billion in 2003 to US\$135 billion in 2006, rising thereafter to US\$152 billion by 2010 and US\$195 billion by 2015. Projecting that rich countries' income will grow over the next ten years, these figures confirm that the cost of meeting the MDGs can be covered within the 0.7 % ODA of GNI target. However, due to current shortfalls from that target, ODA volumes will need to rise beyond the commitments already made by donors in order for the MDGs to be achieved.

Under the terms of the Monterrey Consensus, ODA should rise to 0.7 % of GNI in the coming years in order to attain the MDGs. A number of donor countries (Denmark, Luxembourg, Norway, the Netherlands and Sweden) have already reached or exceeded this level. Belgium, Ireland, and Finland are intent on reaching this objective by 2010. Other countries such as France, Great Britain, Spain, and Germany have likewise announced that they will attempt to reach the goal of 0.7 % by 2015 so as to comply with the commitments they made at the Monterrey Conference on Financing for Development. At this Conference, Switzerland affirmed that it would increase its ODA to 0.4 % of GNI by the year 2010. Swiss ODA spending from 2006 to 2008 is programmed according to the financial budget in vigor until 2008, except for the financing of Swiss contributions to the cohesion of the extended EU. At that point in time, the Federal Council will reassess the situation and make its decision as to how the budget for Swiss development cooperation will unfold from 2009 on.

⁵² The UN Millennium Project is an independent advisory body commissioned by the UN Secretary-General to advise the UN on strategies for achieving the MDG. Jeffrey Sachs, Millennium Project: Investing in Development – A Practical Plan to Achieve the Millennium Development Goals, 2005.

4.2.4. Debt

In an effort to reduce the external debt of poor countries, **target 15 of MDG8** (see Box 2) envisages national and international measures in order to make debt sustainable in the long term.

Indicators	1991–2003
Cumulative bilateral debt relief (nominal value)	1133,3
Contribution to multilateral debt relief (incl. arrears financing, HIPC)	290,9
Commercial debt ⁵⁴	95,1
Complementary measures (incl. TA for debt management)	59,3

Indicators	1991	1995	2000	2003
Total debt-related expenditures [in mio CHF] ⁵⁶	11,9	54,5	37,3	49,8
Debt-related expenditures as a proportion of total ODA	1,0	4,3	2,5	2,9
Debt-related expenditures as a proportion of ODA to LDCs and HIPC	2,7	15,8	11,5	12,4
Debt forgiveness to LDCs and HIPC ⁵⁷ as a proportion of total debt forgiveness	n.a.	n.a.	100 %	100 %
Proportion of ODA provided to LDCs and HIPC	35,5	26,9	21,6	22,9
Debt service of HIPC as a percentage of				
a) exports of goods and services	n.a.	n.a.	14,3	10,0
b) government's revenues	n.a.	n.a.	22,5	15,2
c) GDP	n.a.	n.a.	3,5	2,5
Proportion of grants [% of total gross ODA]	94,7	97,9	98,8	99,0

53 Cumulative in million CHF.

54 Swiss contributions to commercial debt buyback operations conducted under the IDA Debt Reduction Facility.

55 Source: seco; IMF; OECD/IDS online.

56 Net ODA resources used for debt relief.

57 Twenty-seven HIPC that have passed the HIPC Decision Point.

Progress and Achievements

Already in 1978, Switzerland decided to provide its development assistance almost entirely in the form of grants rather than loans and, increasingly, also advocated for a partial cancellation of debts instead of a simple rescheduling of payments. But the most significant achievement resulted from the Swiss debt relief programme approved by the Swiss Federal Assembly in 1991 as a gesture of solidarity within the context of the 700th anniversary of the Swiss Confederation. This programme, endowed with funds amounting to CHF 400 million, has complemented debt relief operations; it has also built on innovative approaches ensuring in particular that money freed up by bilateral debt forgiveness directly benefits the poorest sections of society. These funds have today been completely allocated, with as many as forty-five countries benefiting from the programme. The earmarked funds contributed to reducing the external debt of poor countries by CHF 2 billion.

Since the mid-1990s, Switzerland has increasingly moved from bilateral debt forgiveness efforts towards internationally coordinated measures to reduce debt. Switzerland played a leading and active role in the debt forgiveness debate which, in 1996, helped to launch the HIPC initiative. Switzerland also supported several arrears-clearance operations (multilateral debt) and commercial debt relief (conducted under the IDA Reduction Facility) aimed at better integrating developing countries (e.g. Peru and Viet Nam) into the international financial system or at facilitating their access to the HIPC initiative, as in the case of, for example, the Democratic Republic of Congo. As a member of the Paris Club, Switzerland follows a progressive policy, for instance allowing for up to 100% bilateral debt cancellation for some Heavily Indebted Poor Countries (HIPC) that have reached the HIPC completion point. Today, the HIPC initiative constitutes the main thrust of Switzerland's debt forgiveness policy.

Switzerland's debt relief programme goes beyond mere debt cancellation. It has supported the UNCTAD Debt Management and Financial Analysis System Programme and has initiated a comprehensive multi-donor debt management capacity-building programme executed by Debt Relief International, London, in order to strengthen the skills of responsible partner authorities to better analyze their debt processes and to avoid future insolvency crises. Since 1987, Switzerland has also supported UNITAR's⁵⁸ training programme on the legal aspects of debt and financial management which aims at assisting developing countries to strengthen their capabilities in the field of debt and financial management. Switzerland has further granted balance of payments assistance to countries, such as Cape Verde and El Salvador, which have avoided severe indebtedness in the past, thereby helping them to further avoid the debt spiral. Such assistance aims at avoiding a situation where countries with prudent debt-management policies would receive less financial support than countries benefiting from debt-relief measures.

58 United Nations Institute for Training and Research (UNITAR).

Challenges

While Switzerland is making every effort at the international level to ensure that debt forgiveness programmes for the world's poorest countries continue, the problem of debt distress in low-income and medium-income countries needs to be addressed in a more comprehensive and forward-looking manner. Maintaining developing countries' debts at sustainable levels after debt relief is therefore the key challenge for the future. Having almost entirely cancelled its bilateral claims towards developing countries, Switzerland is in a good position to take an active stance in the international debate on the level and type of ODA (credits/grants) provided in the future, since this will have a direct effect on debt sustainability.

Switzerland therefore supports the new operational framework for debt sustainability (DSAs framework) brought forward by the Bretton Woods Institutions. However, the framework must still address a number of challenging methodological issues and ponder political and multilateral governance implications. It also reveals the need for the World Bank and the IMF to coordinate their efforts more closely, not only assuring joint leadership for the production of Debt Sustainability Assessments, but also coordinating DSAs with other multilateral institutions to preserve the coherence of the multilateral financial system. Switzerland will have to ensure strategic guidance related to these questions in the boardrooms of the Bretton Woods Institutions, and is called to contribute analytically to the design of the new framework. It will also assist partner countries in channelling back their assessment of the practicability of the DSAs framework into the international discussion.

Furthermore, as put forward in a recent report of the UN Secretary-General on external debt crisis and development⁵⁹, the fundamental challenge remains to ensure that future loans are channelled to the most productive sectors in order to generate fiscal revenue, to enhance export capacity, and to avoid dependence on new borrowing. In this context, a specific challenge will be to assist middle income countries to elaborate comprehensive debt strategies which take into account those countries' access to financial markets and contribute to an enhanced credit culture by incorporating the concept of long-term debt sustainability. Strong synergies should be further exploited between Switzerland's debt relief policy and both its trade and investment promotion activities in low and middle income countries, and its technical assistance programmes to support fiscal reforms and strengthen public financial management.

4.2.5. Productive Work for Youth

Today, 88 million young people – nearly half of the world's jobless – are currently unemployed. Youth also represent some 130 million of the world's 550 million working poor. Moreover, one billion people will become of working age within the next decade.⁶⁰ **Target 16 of MDG8** (see Box 2), therefore, commits rich countries, in cooperation with developing countries, to develop and implement strategies for decent and productive work for young people 15 to 24 years of age.

Productive work for youth as such is not a priority of Swiss development assistance. Rather, Switzerland focuses its attention on the development of the private sector and of labour markets, as well as on assisting people in general to become employable or undertake self-employment activities. As part of this approach, Switzerland advocates that youth should be given the necessary working and life skills enabling them to play an acknowledged role in economic and social development.

59 External Debt Crisis and Development – Report of the UN Secretary-General (A/59/219 of 13 August 2004).

60 International Labour Organization (ILO): Global Employment Trends for Youth 2004.

Country Level

Switzerland focuses on small and medium-sized enterprises which play a crucial role in creating new jobs, in particular for unskilled workers, and in helping spread the benefits of economic growth to low-income groups. In this context, Swiss strategic orientations towards skills development are directed towards meeting both young people's needs as well as the local labour market's demands. One such example is in South Africa where Switzerland, together with a group of Swiss companies, created the Swiss-South African Cooperation Initiative (SSACI), a trust fund sponsoring local NGOs in the field of skills development and job creation for unemployed youth (see Box 23).

Box 23

Example: Swiss-South African Cooperation Initiative (SSACI)⁶¹

In 2001, Switzerland joined hands with ten Swiss companies to improve employment opportunities for young people in South Africa through training projects. In the first eighteen months, 185 young people were trained, 110 had found jobs, and eight had formed their own small companies.

International Level

Switzerland intends to take an active part in the International Labour Conference (ILC) discussions in June 2005 on the topic of youth employment, a welcome occasion to – amongst other things – help clarify the roles of the private and public actors in order to facilitate the access of young people to the labour market.

4.2.6. Sustainable Access to Affordable and Essential Drugs

In order to prevent millions of men, women and children in developing countries from dying prematurely or suffering unnecessarily each year from diseases for which effective medicines or vaccines exist, **target 17 of MDG8** (see Box 2) calls for an increase in the proportion of population with access to affordable, essential, and good quality drugs on a sustainable basis.

Progress and Achievements

As a country with an important and highly developed pharmaceutical industry, Switzerland is in a position to help developing countries gain better access to essential drugs in harmony with the general principles of patent law.

Switzerland is committed to implementing the agreement reached in Geneva in August 2003 by WTO members aimed at making it possible for developing countries with insufficient or no manufacturing capacities in the pharmaceutical sector to import cheaper generics made under compulsory licensing.⁶² The revision of the Swiss patent law, presently in progress, provides for the introduction of compulsory licenses to export pharmaceutical products to such countries.

61 For further information, visit the website at www.ssaci.org.za.

62 Decision on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health of 30 August 2003 (WTO doc WT/L/540).

Switzerland considers access to essential drugs part of a global approach to improving access to basic health care services and strengthening health systems in developing countries. Therefore Switzerland

- supports numerous programmes and projects as well as budget support and sector-wide approach programmes (SWAPs) in the health sector of selected developing countries (see Box 3);
- supports the WHO Action Programme on Essential Drugs (DAP), the WHO Tropical Diseases Research Programme (TDR), and the WHO Stop TB Programme;
- is a founding member and a funder of the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) based in Geneva which aims at a major scaling-up of treatment for the three diseases;
- supports the Global Forum for Health Research (GFHR) in Geneva and its Initiative on Public-Private Partnerships for Health;
- supports new pilot projects of the International Union Against Tuberculosis and Lung Disease (IUATLD), an umbrella organization engaged worldwide in control programmes, prevention, operations, and drug research to combat tuberculosis, through non-earmarked funds;
- was actively involved in putting in place and is financially supporting the Medicines for Malaria Venture (MMV), a non-profit foundation based in Geneva focused on the discovery, development and registration of new medicines for the treatment and prevention of malaria;
- welcomed the establishment of the WHO Commission on Intellectual Property Rights, Innovation and Public Health (CIPRH), chaired by a former Federal Councillor;
- promotes services in charge of economic cooperation to explore modalities to facilitate access to affordable drugs in developing countries.

Box 24

Example: Drug Supply in Dar es Salaam

Switzerland has supported the Dar es Salaam Urban Health Project (DUHP) in Tanzania for over ten years. Objectives with regard to drug supply envision improved resource administration at all tiers including a reliable, efficient and sustainable drug management system, addressing both supply and rational use. The main pillars for a sustainable drug supply system have been found to be (i) involved and motivated pharmacy staff with a focus on skills, motivation and attitude; (ii) an efficient drug procurement structure providing drugs of good quality at affordable prices; (iii) a National Drug Policy as a framework for a more efficient, equitable and sustainable drug supply system; and (iv) a variety of internal and external components particular to the health system context.

Challenges

The recent Decision on the Implementation of Paragraph 6 of the Doha Declaration on the TRIPS Agreement and Public Health of August 2003 and the WTO General Council Chairperson's Statement can assist developing countries in fighting scourges such as AIDS. The international community, including Switzerland, is challenged to implement the said WTO decision, thereby taking into account both the specific concerns of developing countries (e.g. legal predictability, practical applicability, administrative simplicity, cost effectiveness) and those of the pharmaceutical industry (e.g. avoiding the diversion of low-priced copies of patented drugs destined for poor developing countries to wealthier markets).

By itself, however, this decision will not be sufficient to help the millions of ill and dying poor people. A significant increase in spending for primary health care systems is also required, as well as other ways of improving access to drugs (such as a reduction of custom duties on the importation of such products and the fight against corruption). Switzerland will continue to approach health issues in a holistic manner, with the reduction of inequities and the promotion of sustainable development as two of its guiding principles. Although Switzerland is currently engaged on many fronts, the total volume of ODA to the health sector is modest. Switzerland will also ensure appropriate harmonization of its health sector support with other donors, public and private, under the aegis of the beneficiaries.

4.2.7. Information and Communication Technologies for Development (ICT4D)

Access to information and communication technologies is not only a target of international development cooperation in its own right, but also – and perhaps most importantly – a tool for enabling developing countries to reach the Millennium Development Goals 1 to 7. **Target 18 of MDG8** (see Box 2) calls on governments, in collaboration with the private sector, to make available the benefits of new technologies, especially ICT.

Progress and Achievements

Switzerland is among the leading countries in the field of ICT for development (ICT4D). It is the Government of Switzerland's considered opinion that ICT can make a substantial contribution to the advancement of the MDGs by providing tools for cost-effective and timely tracking of progress towards the MDGs, and by facilitating scalable, inclusive and integrated approaches and collaboration between different stakeholders.

As host country to the 1st phase of the World Summit on the Information Society (WSIS) in Geneva in December 2003, Switzerland contributed substantially to placing the issue of access to and use of ICT4D high on the political agenda of the international community. In conjunction with the WSIS, Switzerland also co-organized and funded the "ICT4D Platform" to showcase existing initiatives and projects, discuss challenges, solutions and approaches, build synergies, and create new forms of cooperation. It was the largest-ever event to discuss the role of ICT4D in development policy. Within this framework, Switzerland co-organized the annual high-level symposium of the InfoDev-Programme together with the World Bank, and an inter-active workshop on e-business together with the International Trade Center. Switzerland was also a key supporter of the World Electronic Media Forum with a special emphasis on the development dimension.

Switzerland's multilateral engagement additionally includes the Global Knowledge Partnership (GKP) as well as Communication for Development (C4D) and ICT for Education (ICT4E). Switzerland supports the UNESCO Community Multimedia Centres Scaling-Up Initiative in Mali, Mozambique and Senegal (see Box 13).

Box 25**Example: Global Knowledge Partnership (GKP)**

Switzerland supports GKP as a new type of multilateral initiative and has been chairing the Executive Committee since 2001. This first global ICT4D multi-stakeholder network promotes broad access to and effective use of knowledge and information as tools for equitable sustainable development. GKP is a strategic partner of Switzerland in gathering lessons learnt from innovative projects, and exchanging views on how best to put ICT to use for poverty reduction and the MDGs. GKP also represents a considerable advocacy platform for international processes such as the WSIS and the Millennium+5 Summit.

Furthermore, Switzerland focuses on the promotion of e-business in favour of SMEs in developing countries. This includes the co-financing of multilateral programmes (World Bank InfoDev and the e-bridge programme of the ITC⁶³), the financial participation in ICT targeting international risk capital funds, and the financing of bilateral ICT projects (see Box 26).

Box 26**Example: The Internet Platform TRADO**

In 2002, Switzerland and Jordan joined hands to create an Internet platform for IT companies. At the website address www.trado.org, suppliers and customers can interact in real time and develop commercial activities in the two markets. During the WSIS, agreements were signed with six other countries, increasing the number of companies registered with TRADO to 400.

Challenges

Switzerland believes that access to relevant knowledge and people-centred communication are crucial elements for poverty reduction and for reaching the MDGs. It will therefore continue to play a leading role in the global ICT4D debate and related action.

Switzerland will continue to inform about and promote the role of ICT4D, also vis-à-vis sometimes sceptical members of the development community. ICT4D is not a new and fashionable tool. It is about a paradigm shift changing the way people interact and do business. ICT – applied properly – can be a powerful tool to redress imbalances by building the capacity of individuals to access the information and knowledge they need to unlock their own development potential, be it in the political, economic or social spheres. In this regard, Switzerland will continue to encourage increased cooperation between the development community and technology-centred organizations and processes.

Switzerland will again – together with Tunisia – be host country to the 2nd phase of the WSIS to be held in Tunis in November 2005 where the international community will be given the opportunity to progress and find further solutions with regard to ICT-related issues.

4.3. Non-ODA Resource Flows

4.3.1. Migrants' Remittances

The enduring impact of globalization has provided for a broader interest in the phenomenon of migration. Around 175 million people (mainly migrant workers) live outside their country of origin⁶⁴ and send a considerable share of their earnings back home. The global flow of remittances has been growing fast and steadily in the last decade. In 2003, it amounted to US\$93 billion, the second-largest financial flow to developing countries after FDI, and more than double the size of ODA.⁶⁵

Progress and achievements

In 2001, Switzerland ranked fifth among those countries to be the top sources of workers' remittances to developing countries with an annual flow of US\$8.1 billion (other major sources being the United States and Saudi Arabia, followed by Germany and Belgium)⁶⁶.

In the wider context of the discussion on financing for development, the question of remittances deserves to be taken into consideration. Such flows – informal or not – represent a major source of income, subsistence or investment for millions of households in developing and emerging economies. Remittances cannot substitute for ODA, but they represent a powerful private instrument to strengthen the development process.

In general, the scope of remittances is, to a certain degree, influenced by the respective immigration policies – regarding both legal and irregular migration – of the countries of destination. Both the Swiss Aliens Act and the Swiss Asylum Act are currently under revision. Switzerland's immigration policy will, however, remain rather restrictive with regard to developing countries.

In 2004, the Swiss government approved measures on migration, return, and innovative concepts of collaboration with developing countries ("migration partnerships"), which cover all relevant aspects of migration, including remittances. The concepts are in line with Switzerland's engagements in the context of multilateral processes such as the Berne Initiative. Thus, the International Agenda for Migration Management⁶⁷ includes statements such as: "Humane and orderly management of migration benefits both States and migrants" and "There is a close relationship between migration and development; properly managed, that relationship can contribute to the development of States and their populations".

Switzerland, together with Sweden, initiated the Global Commission on International Migration whose report to the UN Secretary-General (October 2005) will address, among other things, the links between migration and development including the remittances of migrant workers.

Switzerland is currently considering pilot measures in South-Eastern Europe to optimise the development potential of remittances. This would be done by strengthening the local financial sector and supporting productive investments in small and medium-sized enterprises.

64 International Organization for Migration (IOM): World Migration 2003.

65 World Bank: Global Development Finance 2004 – Harnessing Cyclical Gains for Development.

66 World Bank: Workers' Remittances – An Important and Stable Source of External Development Finance; World Bank, 2003.

67 "The Berne Initiative", 2004.

Challenges

In taking a deeper look into migrants' remittances as a source for reaching the MDGs, Switzerland will keep the following issues in mind:

- The large amount of remittances should not disengage governments from their responsibility for implementing social and economic reforms;
- Remittances can lead to a culture of dependence, stifle local initiatives, and encourage the migration of qualified people (brain drain); and
- The source of remittances may be illegal and linked to organized crime.

Specifically, Switzerland has identified some possible fields of intervention: 1) at the government-level, making use of policy dialogue to promote market-based incentives for more effective financial intermediation; 2) mobilizing the diasporas in Switzerland so that they become informed on mechanisms and instruments aiming at facilitating the channelling of remittances.

Following the publication of the above-mentioned report of the Global Commission on International Migration, Switzerland will examine the report's recommendations with regards to such measures.

4.3.2. Foreign Direct Investment

Foreign direct investment is an important source of capital for developing countries. According to the World Bank, global FDI in 2002 stood at US\$ 631 billion, of which US\$ 147 (23 %) went to low and middle income countries.⁶⁸

Indicators	1990	1995	2000	2002	2003
Volume of FDI to developing countries as % of GNI	0.91	-0.08	0.42	0.24	n.a.
Volume of FDI to developing countries in US\$ mio ⁶⁹	2006	-243	1149	725	n.a.

Progress and Achievements

Switzerland is a major home country for FDI, ranking sixth in the world according to the latest UNCTAD statistics. While the bulk of private investment flows still goes to OECD countries, the share of outward FDI to developing countries has been on the increase in recent years.

In 2002, the capital stock held by Swiss investors in emerging and developing countries amounted to CHF98 billion⁷⁰, of which CHF32 billion was in emerging countries⁷¹ and CHF37 billion in developing countries. From 2001 to 2003, Swiss companies invested on average US\$725 million per year in developing countries (see Table 6). It is a fact, however, that small investments are often realized in developing countries and not reflected in the statistics.

68 World Development Report 2005 – A Better Investment Climate for Everyone, The World Bank, Washington, 2004.

69 3 year-averages for 1989–91, 1994–96, 1997–99 and 2001–03.

70 Book value. Source: Swiss National Bank, Monthly Statistical Bulletin November 2004.

71 Argentina, Brazil, Chile, Hong Kong, Korea (South), Malaysia, Mexico, Philippines, Singapore, Taiwan, Thailand.

Acknowledging the importance of private flows for the development of partner countries, Switzerland has established the promotion of private investment as an essential part of its development assistance. Three main areas of activity exist:

Improving the investment climate in developing and transition economies

A climate conducive to private sector initiatives, the introduction of transparent and predictable rules, and the establishment of sound institutions are important objectives of Swiss development assistance in the area of investment promotion. Switzerland has also established an extensive network of bilateral investment treaties. Under these treaties, the risk of investment in developing countries is considerably reduced. Switzerland is also actively engaged in promoting sound corporate governance principles, which are a prerequisite for attracting foreign investment, and their effective implementation in numerous developing and transition economies.

Box 27

Example: Swiss Development Assistance in the Area of Investment Promotion

Swiss support to the Foreign Investment Advisory Service (FIAS) of the World Bank and IFC aims at identifying the essential attributes of a sound investment environment and advising countries on reaching their potential for attracting FDI. FIAS works only at the request of governments, on topics identified by the government and agreed to by both parties. This ensures the relevance of the assistance and lays the basis for an active partnership. The Service offers much more than one-way advice and written reports: Through interactive workshops and roundtable meetings that often include business executives and other stakeholders, it helps governments chart technically and politically practical paths towards change. In Africa, the following examples illustrate the activities of FIAS.

Burkina Faso: In April, an FIAS team assisted the Minister of Finance in analysing options to streamline company registration procedures. This work was the result of a previous joint FIAS-WB mission where administrative impediments were identified as being a key obstacle to investment.

Tanzania: FIAS recently provided assistance to Tanzania regarding FDI and competition policy. This project was a pilot for FIAS and proved very successful, assisting the government in identifying constraints to the development of competitive structures in the economy and mechanisms on how to analyse and handle such issues.

Promoting private investment flows from Switzerland to developing countries

The availability of information on investment conditions in emerging markets is generally low, especially for small and medium-sized enterprises. The Swiss Government has mandated the Swiss Organization for Facilitating Investments (SOFI) to fill this important information gap and to promote private investment flows from Switzerland to developing and transition economies. SOFI provides information on the political, economic and legal environment as well as investment opportunities in developing countries. It also promotes partnerships between Swiss companies and companies from developing countries.

Sharing investment risks

The Swiss Government actively promotes private investment to developing and transition economies by sharing the investment risk with the private investor through its Investment Risk Guarantee, a guarantee scheme under which certain risks of investments in developing and transition countries can be insured. Furthermore, the Swiss Government has established a credit facility under which loans are available to Swiss investors for start-up companies in developing and transition countries. More than forty projects have been financed under this facility so far. They would probably not have been realized without the facility as they would have appeared too risky to obtain access to bank finance.

Increasing the volume of FDI in developing countries is crucial for achieving the MDGs. In doing so, attention needs to be given to its social and environmental impact. The Swiss Government supports international initiatives such as the OECD Guidelines for Multinational Enterprises, the UN Global Compact, and the ILO Declaration of Principles concerning Multinational Enterprises and Social Policy which provide a framework for business enterprises with regard to human rights, social and environmental standards.

Challenges

The level of foreign investment to developing and transition countries remains comparatively low and is concentrated on a small number of countries and sectors. In 2002, low income countries received only US\$ 12 billion FDI⁷². Taking into account the return flow of capital into Switzerland (disinvestment), Swiss companies in 2003 invested for example only CHF 71 million in Africa, most of it going to only three countries⁷³. The main challenge for Swiss development cooperation in the area of investment promotion, therefore, is to increase the volume of investment flows to developing and transition countries, including low income countries. At the same time steps should be taken with a view to maximising the benefit of FDI for the poor, for example through the training of local staff and the strengthening of local small and medium-sized enterprises as suppliers to transnational corporations.

72 World Development Report 2005 – A Better Investment Climate for Everyone, The World Bank, Washington, 2004.

73 Egypt, Morocco and Nigeria; the figure does not include South Africa; Source: Swiss National Bank, Monthly Statistical Bulletin November 2004.

4.3.3. Swiss Civil Society Organizations (CSOs)

The non-profit sector is worth over US\$ 1bn a year globally.⁷⁴ CSOs play an important role in society. Their potential impact on sustainable development – both by way of their advocacy, private fundraising, and solutions to social problems – is regarded as a major factor in reaching the MDGs.

Indicators	1990	1995	2000	2002	2003
Volume of grants by civil society organizations (US\$ million) ⁷⁶	107	185	161	192	280
Grants by civil society organizations as % of GNI	0.05	0.06	0.06	0.07	0.08

Policy dialogue and operational cooperation with non-state actors such as NGOs, faith-based organizations, foundations, universities, research institutes and educational institutions has always been a key feature of Swiss ODA. Thanks to their broad-based anchoring and their advocacy work, these CSOs reach wide sections of the Swiss population, thus playing an important role in raising general awareness and in mobilizing public opinion. Amongst the well-known CSOs in Switzerland are Caritas and the Swiss Red Cross, as well as Doctors without Borders (Médecins sans Frontières) and Terre des hommes. Another successful NGO in the important and well-known area of fair trade is the Max Havelaar-Foundation, founded by Swiss NGOs with the assistance of the Swiss Government, with the objective to provide market access at fair and sustainable conditions for products grown by farming cooperatives and agricultural workers in disadvantaged regions.

Box 28

Example: Development Education

The Foundation "Education and Development" collaborates with cantonal authorities and other CSOs to promote and coordinate global learning in Swiss schools (sustainable development, environment, human rights, and North-South relations). The Foundation supports teachers in Switzerland at all levels in their daily work by giving them impulses for their lessons which are directed towards a viable development in a global society.

74 Sustainability, UN Global Compact, United Nations Environment Programme (UNEP): The 21st Century NGO – In the Market for Change, 2003.

75 Source: OECD database (Swiss notifications).

76 Development cooperation and development education.

In Switzerland, CSOs are also rather successful in raising private funds for development and humanitarian assistance as the figure of US\$280 million in 2003 (0.08 % of GNI) confirms (see Table 7). The same also holds true in comparison with other OECD/DAC countries. Over recent years, the volume of grants by Swiss CSOs has also risen faster than Swiss ODA.

In addition, in 2003, Swiss CSOs disposed of government grants amounting to CHF 60 million (US\$45 million). The Swiss Government also channels funding to developing countries through select international CSOs (e.g. the International Union for Conservation of Nature and Natural Resources, IUCN), as well as local developing country CSOs.

The Swiss Government, over the last few years, has also started to partner with private companies which – as part of their respective corporate responsibility programmes – contribute to achieving the MDGs. Such partnerships help to mobilize additional relevant development inputs such as funding, knowledge, equipment, communication channels, and supplies.

Challenges

Cooperation among different actors involved in development will be a major priority in achieving the MDGs. In addition to state and multilateral organisations, this includes organisations in civil society and the private sector. Cooperation of this sort requires a clear division of labour and positioning of individual actors. In cooperation with local partners, civil society organisations play a major role in terms of enabling citizens to take action on their own and in supporting civil society initiatives in different areas relevant to the MDGs. This is particularly important in countries where governance is undermined by a lack of political will among responsible authorities. In these circumstances, cooperation with civil society organisations is a particular priority.

In Switzerland, both the number of private donors and the average donation are increasing. Among other factors, the likely reasons for this are the fact that donations are being collected in a more professional way, and that the population is now older and better off than before. At the same time, many new organisations in Switzerland are currently soliciting donations for both domestic and foreign projects. This has intensified competition among these organisations and the concerns they represent, while also forcing them to take clear positions, make strategic partnerships, become more transparent, and be more accountable to those who make donations.

Switzerland is aware of the importance of the money raised by donations for development work, and aims to collaborate with the private sector and civil society to support and improve the conditions under which funds are collected for this purpose.

5. Areas for Action

In early March, 2005, United Nations Secretary General Kofi Annan issued a comprehensive report entitled "In Larger Freedom: Towards Development, Security and Human Rights for All." The programme of reform proposed in this document concerns the three global challenges of development, security, and human rights. Poverty alleviation and implementation of the Millennium Development Goals will be decisive in the creation of global security and the effective realisation of human rights.

In the present report, the Swiss Federal Council specifies the efforts that have been made by Switzerland to implement the Millennium Declaration and to achieve the Millennium Development Goals, and indicates how the country will meet its obligations to finance development under the terms of the Monterrey Consensus. Like other countries, Switzerland faces the challenge of providing resources to ensure that developing countries can achieve the development goals (MDG1 through MDG7) that are their responsibility. Simultaneously, Switzerland must make an effort to achieve the goals that are the responsibility of the industrialised countries. This applies in particular to the goal of establishing a Global Partnership (MDG8) and ensuring ecological sustainability (MDG7, target 9).

Switzerland has engaged in long-term partnerships with selected priority countries to address widespread poverty. Particular emphasis has been given in this respect to economic reforms, human rights, and good governance. Switzerland also helps to implement the MDGs through multilateral development cooperation. It has made significant contributions, for example, to reducing the debt of the poorest countries, and pursues a progressive debt relief policy in the framework of the Heavily Indebted Poor Countries Initiative (HIPC). In addition, Switzerland has provided significant input into the development of a structure of international environmental conventions, and observes the principles of sustainability within its own borders. It also recognised early the significance of information and communication technologies for development, and accordingly undertook to help disseminate and apply them in developing countries. Switzerland is also committed to using sport as a means to help achieve the MDGs, and has helped launch the UN International Year of Sport and Physical Education in 2005. And last but not least, thanks to the commitment of many non-governmental organisations, there is great awareness among the Swiss public of the development problems faced by the poor and poorest countries.

Although Switzerland has already made substantial contributions towards achieving the MDGs, the present report makes clear that the country still faces challenges in a number of areas. The following four areas of action constitute the core of this challenge, and should be considered in relation to the Millennium+5 Summit and, beyond that, as part of Switzerland's development agenda.

1. Coherence of National and International Policies with respect to the MDGs

- a) **Socially and environmentally acceptable trade policy that promotes development:** As a medium-size trading nation, Switzerland has a strong interest in an open system of global trade. As many countries as possible should profit from the beneficial effects of international division of labour. Switzerland has therefore gradually expanded market access for products from the poor and poorest countries, and also voiced support for elimination of export subsidies in the context of the WTO's Doha Round. With respect to agricultural commodities, however, obstacles still remain. Switzerland faces the challenge of making its own agriculture socially and ecologically compatible with the requirements of an open market, fulfilling ecological and multifunctional responsibilities, and maintaining production quality and fair compensation for production in the future, while simultaneously doing justice to the concerns of the poorest of the poor.

- b) **Global environmental issues:** Switzerland will continue its intensive national and international efforts to implement international environmental conventions. In cooperation with its partners in industrial and developing countries, it is working to improve protection of ecosystems, deal with progressive climate change, combat loss of biodiversity, better regulate the use of chemicals, reduce air pollution, and protect forest and water resources. Switzerland is thus committed to a coherent multilateral environmental regime, and supports strengthening and further development of such a regime.
- c) **International health hazards:** The setbacks to development caused by a massive outbreak of HIV/AIDS and by the global threat of contagious diseases have underscored the importance of international health policy in recent years. As a country with a highly advanced global pharmaceutical industry, Switzerland is in a position to help developing countries gain better access to essential drugs, in harmony with the general principles of patent law. Switzerland is therefore currently revising its patent laws, in accordance with the WTO agreement of 2003, in order to allow export of patent-protected drugs through compulsory licensing to developing countries that have insufficient pharmaceutical manufacturing capacity. The Federal Council will formulate an official message to this effect during the current year, and parliamentary action is expected in 2006.
- d) **Migration and development:** Switzerland is aware of the growing importance of migration as a source of additional resource flows and as an important instrument of knowledge transfer for developing countries. Switzerland launched the Bern Initiative in order to improve international management of migration, develop a coherent migration policy, and work towards controlled, legal migration, together with countries of origin and transit countries. It also actively participates in the Global Commission on International Migration (GCIM). Switzerland will examine the recommendations of the report of the Global Commission on International Migration (GCIM) also in light of their relevance to development measures. The GCIM will deliver its report to the Secretary General of the UN in October 2005. The proposals contained in the report will be important with respect to the High-level Dialogue in 2006.

2. Financing Development

- a) **Official Development Assistance (ODA):** In 2003, Switzerland earmarked 0.39 % of its GNI for ODA. Similar to numerous OECD/DAC member countries, on 18 May 2005, the Federal Council decided to modify the mode of calculating ODA. This modification is intended to more faithfully reflect the overall contribution of Switzerland to development cooperation. In this way, Swiss ODA for the year 2004 increased to 0.41 % of GNI. At present, five OECD/DAC member countries – Norway, Sweden, Denmark, the Netherlands, and Luxembourg – have already exceeded the UN goal of 0.7 % of GNI, in some cases by a clear margin. While Belgium, Ireland, and Finland expect to reach this goal by 2010, other countries such as France, Great Britain, Spain, and Germany have announced that they will attempt to reach this same goal by 2015 so as to comply with the commitments made at the Monterrey Conference on Financing for Development. At this Conference, Switzerland had affirmed that it would increase its ODA to 0.4 % of GNI by the year 2010. Swiss ODA spending from 2006 to 2008 is programmed according to the financial budget in vigor until 2008, except for the financing of Swiss contributions to the cohesion of the extended EU. At that point in time, the Federal Council will reassess the situation and make its decision as to how the budget for Swiss development cooperation will unfold from 2009 on.

- b) **New resources in the context of alternative financial mechanisms:** Attempts to increase ODA are being confronted by budgetary constraints, at least in the short term, and not only in Switzerland. Consequently, alternative financial mechanisms for development cooperation have been discussed at the international level for some time. These extend from global taxation of financial transactions, aeroplane fuel and the weapons trade, to the International Finance Facility (IFF), and down to voluntary taxation of computers, credit cards or air tickets. In principle, Switzerland refuses to consider the imposition of global taxes as well as suggestions for a global IFF as a means to finance the MDGs.
- c) **Additional debt relief:** Despite many bilateral, multilateral and international efforts, sometimes following the course of the HIPC Initiative, many developing countries remain heavily indebted. Current discussions are focusing on whether additional measures will be needed to reduce debt to sustainable proportions that do not endanger achievement of the MDGs. On the one hand, the new framework of international financial institutions (IFIs) should make it possible for the international community to focus increasingly on the debt-carrying capacity of recipient countries when making decisions about financing. Switzerland is committed to consistent application of this framework. On the other hand, numerous proposals have been made to relieve the debt which poor countries have to the IFIs. Switzerland is participating in discussions about further debt relief for developing countries.
- d) **Non-ODA resource flows to developing countries:** In addition to official development assistance, private resource flows play a central role in developing countries. These include foreign direct investments, remittances from migrants to their home countries, and donations from private development NGOs. Switzerland is aware of the significance of these resource flows and therefore intends to improve and support the conditions that make them possible, together with the private sector and civil society.

3. The Effectiveness of Development Assistance

In order to attain the MDGs by 2015, bilateral and multilateral donors must allocate development cooperation resources in a more focused fashion, and align their programmes consistently with the needs and priorities of recipient countries. The operational aspects of development assistance need to be simplified through greater harmonisation of practices and procedures among donor and recipient countries and among multilateral agencies. In particular, this involves harmonisation of financial management, monitoring-evaluation, and resource acquisition. Division of labour among different donors should be made as efficient as possible. These points were first included in a declaration at a conference in Rome in 2003. In early 2005 in Paris, progress was assessed and already formulated principles were further developed. Switzerland supports current efforts for better interaction among the different actors in development cooperation.

4. Promotion of Democracy and Human Rights

- a) **Promotion of democracy and human rights; institution building:** The agenda of market reforms must adequately take into account the institutional framework in which reform is to be carried out. Promotion of democracy and human rights is a central element in development, peace-building and security policy. Strengthening democracy through external support is a long and difficult process. Countries that have attained the necessary conditions, the so-called fast-track countries, should be given increased support.

- b) **Coherent assistance for fragile states, failing states, and states in recovery:** Long-term national and international security is virtually impossible without development and respect for human rights. Fragile states and disintegrating societies whose socioeconomic development is obstructed by political conditions are a source of international security risks. International support for fragile states and for transformation from wartime to peacetime economies, calls for particularly close coordination among actors involved in crisis situations.

5. Global Governance and Multilateralism

A growing number of problems can no longer be dealt with through bilateral approaches but only through international cooperation, given the ways in which they are connected at the international level. Switzerland recognises the central role of multilateral institutions in trying to find solutions to global questions of development. It participates in programmes to improve economic and social conditions, and in multilateral initiatives related to the environment, education, security, and health. It supports efforts to improve the efficiency and the effectiveness of multilateral institutions through reform. In this context, Switzerland considers it particularly important that developing countries have an adequate level of co-determination and participation in multilateral institutions.

These areas of activity can be regarded as part of Switzerland's development agenda in light of the Millennium+5 Summit. **However, they are also part of the steps towards implementation that must be defined after the Summit.**

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Abbreviations

AIDS	Acquired Immune Deficiency Syndrome
CDM	Clean Development Mechanism
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CFCs	Chloro-Flouro Carbons
CGIAR	Consultative Group on International Agricultural Research
CHF	Swiss Francs
CHR	Commission for Human Rights
CIDA	Canadian International Development Agency
CIPIH	WHO Commission on Intellectual Property Rights, Innovation and Public Health
CIS	Commonwealth of Independent States
CMC	Community Multimedia Centres
CPDC	OECD/DAC Network on Conflict, Peace and Development Cooperation
CSO	Civil Society Organization
CSW	Commission on the Status of Women
DAC	Development Assistance Committee of the OECD
DAP	WHO Action Programme on Essential Drugs
DFID	UK Department for International Development
DSAs	Debt Sustainability Analyses
DUHP	Dar es Salaam Urban Health Project
ECOSOC	Economic and Social Council
FAO	Food and Agriculture Organization of the United Nations
FAST	Early Analysis of Tensions and Fact-finding
FDI	Foreign Direct Investment
FIAS	Foreign Investment Advisory Service
FIRST	Financial Sector Reform and Strengthening Initiative
FSAP	Financial Sector Assessment Programmes
GDP	Gross Domestic Product
GCIM	Global Commission on International Migration
GEF	Global Environment Facility
GFHR	Global Forum for Health Research
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GKP	Global Knowledge Partnership
GMOs	Genetically Modified Organisms
GNI	Gross National Income
GOVNET	OECD/DAC Network of Governance
GSP	Generalized System of Preferences
HIPC	Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
ICAC	International Cotton Association
ICCO	International Cacao Organization
ICO	International Coffee Organisation
ICT	Information and Communication Technologies
ICT4D	Information Communication Technologies for Development
IDA	International Development Association

IDNDR	International Decade for Disaster Reduction
IFC	International Finance Corporation
IFF	International Finance Facility
IFI	International Finance Institutions
IJSG	International Jute Study Group
ILC	International Labour Conference
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
IPPF	International Planned Parenthood Federation
ISDR	International Strategy for Disaster Reduction
ISO	International Sugar Organization
ITC	International Trade Centre
ITTO	International Tropical Timber Organization
IUATLD	International Union Against Tuberculosis and Lung Disease
IUCN	International Union for Conservation of Nature and Natural Resources
JPOI	Johannesburg Plan of Implementation
LDCs	Least Developed Countries
MD	Millennium Declaration
MDGs	Millennium Development Goals
MFA	Ministry of Foreign Affairs of the Netherlands
MFN	Most-Favoured-Nation
MiET	Media in Education Trust
MMV	Medicines for Malaria Venture
MSF	Médecins Sans Frontières
n.a.	not available
NCCR	National Centre of Competence in Research
NGO	Non-Governmental Organization
OA	Official Assistance
ODA	Official Development Assistance
ODP	Ozone Depletion Potential
OECD	Organisation for Economic Co-operation and Development
OFCOM	Federal Office of Communications
OHCHR	Office of the High Commissioner for Human Rights
PRS	Poverty Reduction Strategy
SDC	Swiss Agency for Development and Cooperation
seco	State Secretariat for Economic Affairs
SIDA	Swedish International Development Co-operation Agency
SIPPO	Swiss Import Promotion Programme
SMEs	Small and Medium-sized Enterprises
SNSF	Swiss National Science Foundation
SOFI	Swiss Organization for Facilitating Investments
SSACI	Swiss-South African Cooperation Initiative
STI	Swiss Tropical Institute
SWAPs	Sector-wide Approach Programmes

TA	Technical Assistance
TB	Tuberculosis
TDR	WHO Tropical Diseases Research Programme
TRIPS	Trade Related Aspects on Intellectual Property Rights
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNCBD	United Nations Convention on Biodiversity
UNCCD	United Nations Convention to Combat Desertification
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNITAR	United Nations Institute for Training and Research
UNRISD	United Nations Research Institute for Social Development
WEMF	World Electronic Media Forum
WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WSIS	World Summit on the Information Society
WSSD	World Summit on Sustainable Development
WTO	World Trade Organization
WWB	Women's World Banking

