Policy Coherence for Development in a top commodity hub

The Swiss Government’s Background Report on Commodities 2013

by

Mr. Werner Thut
Senior Policy Advisor
Swiss Agency for Development and Cooperation

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.
By the organizers of the Forum, I have been invited to talk about the contribution of Switzerland's development cooperation to the current Swiss debate on commodities from a perspective of policy coherence for development (PCD).

Subsequently, I will briefly discuss three topics:

- **Policy Coherence for Development** – Switzerland’s approach
- **Background Report on Commodities** of 27 March 2013 – an exercise in PCD
- **Conclusions:** The *Report on Commodities* - a step towards more PCD?

The following considerations and views are strictly personal. Although I am currently a Senior Policy Advisor with the Swiss Agency for Development and Cooperation (SDC), I do not formally represent the SDC. Nor the Swiss Development Cooperation as such, which is actually a shared responsibility between the Federal Department of Foreign Affairs and the Federal Department of Economic Affairs, Education and Research. Since I will intentionally focus on the development perspective, the contribution represents even less of a Government position.

I. **Policy Coherence for Development** – the Swiss approach

*Policy Coherence for Development* (PCD) is an old – and still very often misunderstood – concept. OECD publications usually refer to the 1996 DAC Strategy “Shaping the 21st Century” when it comes to identify its origins.

In Switzerland, PCD has an even longer tradition.1 To understand its relevance and how it works, at least three features are important to know:

- Initial discussions of PCD issues go back to development policy debates of the mid-1970s which culminated in the **1976 Development Aid Act**. In the early 1990s, the Government and the Parliament further emphasized the need for more coherence between development goals and goals regarding other - non-aid - policies. In 1994, a path-breaking Government Report called **North-South Guidelines** stated that “a co-

---

1 For a discussion of Switzerland’s promotion of PCD over the years see [http://www.admin.ch/dokumentation/studien/detail/index.html?lang=de&studienid=199](http://www.admin.ch/dokumentation/studien/detail/index.html?lang=de&studienid=199)
herent policy towards the South ... beyond traditional dichotomies is required”; what is needed, as a first step, is “to highlight potential contradictions between short-term national interests and the longer term goals of Swiss development policy”.

- Since then, each major strategic Swiss development policy document touches on PCD issues, including the current Strategy 2013-2016. However, it has always been understood that there is no primacy of a development policy perspective over other policies. But, as a matter of due diligence, the Cabinet should take its decisions in an informed manner whenever it takes decisions which could affect developing countries. Policy coherence for development, therefore, is more than coordination of development-related activities. It is about conflicting interests and how to balance the interests at stake in each case. SDC’s task - and contribution - is to render discernible these challenges and to point at potential solutions at any relevant moment.

- This vision and related efforts to foster PCD are – and this is important – are part and parcel of the broader institutional and political setting of Switzerland. Part of this is that the Federal government usually represents all major segments of society, including all major political parties. Since decades, therefore, development perspectives are well represented at least as a minority position within the Cabinet. And secondly, any important decision by the Federal Council in legislative and budgetary matters requires an extensive formal process of public and private sector consultation.

This is the context which influences and guides also our daily work, be it in our operations or in policy development at headquarters:

- In our operations on the ground, we try to integrate different contributions of different line ministries in order to achieve a maximum impact, a minimum of contradictions, and an efficient use of the tax payer’s money.

- At headquarters, we participate - on a regular, almost daily basis - in decision-making processes. In this context, the inter-ministerial consultation process is absolutely key. Its purpose is to discuss and, if possible, eliminate differences among the federal offices on Government decisions before they go to the Cabinet for decision. This process provides SDC the opportunity to systematically comment issues that are not coherent with a development perspective. As a last resort, the process leaves open the possibility for ‘political escalation’ so that the conflicting interests or dissenting views can be arbitrated in the Cabinet. Provided that there is at least one Minister prepared to formally challenge a proposal submitted by another Minister.

What is the relevance of this concept and practice for our topic?

PCD as a concept under the given institutional conditions is highly relevant to SDC as it potentially allows shaping of the Government’s decisions in terms of problem perception, analysis, and decisions on action.

And this is what I would like to present in an exemplary fashion with the Background Report on Commodities

II. Background Report on Commodities of 27 March 2013 – an exercise in PCD

With an audience as informed as this one, there is probably not much need to explain in detail the relevance of the international commodity trade to Switzerland. As a matter of fact, Switzerland is one of the most important commodity trading centers in the world. In 2011 the
commodities industry made net receipts from merchandising of 20 billion francs, around 3.5 per cent of Switzerland's GDP.\(^2\)

Due to this importance and a growing international and national interest, the Federal Government in 2011 - actually against a formal decision of one of the two Chambers of the Parliament - tasked three Ministries to prepare a background report on commodities in Switzerland.

The report was intended to provide an understanding of the importance of the commodities industry in Switzerland. Based on an analysis of international economic and political conditions, it further outlines the challenges and consequences this entails for Switzerland.

On 27 March 2013, the Federal Government approved the Report.\(^3\) The report consists of two distinct parts:

- **An analytical part:** This analysis covers challenges to Switzerland’s competitiveness as a trading hub – but also risks and side-effects of extractive activities and commodities trade for commodity-exporting countries and global public goods. Moreover, the report addresses a number of policy issues: questions of trade and financial market regulation, tax matters, legislation against misuse (money laundering, corruption), as well as corporate and government responsibility.

- **17 policy statements** (“recommendations”): This part notably includes statements on - Transparency issues (7 statements)
- Corporate responsibility – Government responsibility (3)
- Attractiveness as a business location (2)
- Double taxation agreements (1)
- Development cooperation (1)

With this orientation, and despite its rather modest title, the document is the first comprehensive policy document on the topic by a Swiss Government. With its comprehensive approach and analysis, it is quite a remarkable report – also in international comparison.

At the same time, as independent observers commented, the statements are very different in nature. In fact, they

- Recall some tenets of Swiss trade policy and fundamentals on the role of state in regulating the private sector;
- refer to ongoing international processes, defining Switzerland’s positions and contributions;
- state the Government’s readiness to further examine certain topics and to report on potential need for legislative action;
- task certain ministries to take action at different levels

What has been the role of the Swiss Agency for Development and Cooperation, and what has been its practical contribution in the process of elaboration?

Obviously, the Report 2013 is the result of a joint effort of several ministries: Particularly engaged and formally responsible were the Federal Department of Economic Affairs, Education and Research, the Federal Department of Finance, and Federal Department of Foreign Affairs. In this over 12 month process, each player contributed - in line with their respective mandates, which themselves are derived from constitutional and legal provisions – to the analysis and the conclusions.\(^4\)

---

\(^2\) It is estimated that around 500 companies and some 10,000 employees are active in the commodities sector, which, in addition to trading, also comprises shipping, transaction financing, inspections services and product testing.


\(^4\) At the technical level, the following government bodies were competent: State Secretariat for Economic Affairs (Federal Department of Economic Affairs, Education and Research); State Secretariat for International Financial Matters (Federal Department of Economic Affairs, Education and Research);
Following the logic of a highly specialized public administration, views and inputs of the contributions varied and differed considerably, for instance with regard to

- perspectives on and perceptions of the challenges;
- relevant information and evidence brought to the table, as well as strategic outlook, relevant policy options and respective priorities.

**SDC was also part of this concert.** In line with its approach of PCD and its mandate, SDC’s contribution mainly aimed to

- promote a **comprehensive analytical perspective**, including development-related considerations such as
  - long-term effects on global natural resources and global public goods;
  - the development impact of current extractive & trade practices
  - the role and potential impact of our own regulatory framework
- inform the inter-ministerial discussion with regard to the ongoing international **development policy debate**.  

More specifically, SDC contributions mainly addressed

- transparency and accountability issues;
- the lack of capacities in developing countries;
- the importance of financial flows, apart from physical flows;
- the business practices of multinational enterprises and related standards.

III. **Conclusions: The Report on Commodities - a step towards more PCD?**

Of course, the big question for curious outsiders is whether efforts by SDC and other players to promote more policy coherence for development were successful or not.

On a number of occasions, **Government representatives** qualified the process as a good practice and learning experience for involved ministries.  

Likewise, the OECD **Development Co-operation Peer Review Switzerland 2013** considers that SDC and SECO have successfully promoted PCD. As indicators, the reviewers mention that the Federal Council has acknowledged concerns about the impact of the sector in Switzerland and in developing countries; moreover, work is under way to look at how Swiss policies can be made more development-friendly.

Not surprisingly, the civil society has a more critical view. The **Berne Declaration**, for example – a leading and influential Swiss NGO in the field of Commodities and Trade – considers the Swiss government report to be characterized by skepticism regarding transparency and an unwillingness to regulate. On a positive note, the Berne Declaration welcomes the Government’s more realistic approach which eventually allows the Government to acknowledge existing problems. Contrary to the Government, however, the NGO’s opinion is that there is an urgent need for legally binding regulations in a number of areas.

---

5 For a development perspective under Switzerland’s specific circumstances see [http://devpol.hypotheses.org/19](http://devpol.hypotheses.org/19)
6 For example FDFA State Secretary Yves Rossier in a meeting, on February 26, 2014, of the Advisory Committee on International Development Cooperation. For the Committee see [http://www.admin.ch/ch/d/cf/kjo/index_10169.html](http://www.admin.ch/ch/d/cf/kjo/index_10169.html)

My personal assessment is that the report is an important step forward. The Government’s approach is new in at least in two ways: (a) its analytical perspective and (b) its willingness to impartially reassess a number of important issues:

- Extractive activities and commodity trading are a real global challenge which needs to be addressed in public policies.
- Development perspectives are not limited to operations in developing countries but include the analysis of the Swiss regulatory framework. Global and national perspectives as well as long- and short-term considerations need to be reconciled.
- Emphasis is still on developing and implementing soft law instruments but this does not exclude a "smart mix" - a combination between regulatory measures and soft law instruments.

This does not necessarily mean that the processes under way now will lead to more policy coherence for development. But an important step has been taken towards it: The development perspective is now part of the political agenda within the Government as well as in the Parliament.

It can be said with certainty that the discussion is not likely to come to an end in the near future.

- Only a few days ago, a popular initiative against the speculation on agricultural products was successfully submitted so that there will be a popular vote at the federal level within the coming years.
- Almost at the same time, the Government approved a Status report on the implementation of recommendations.10

There will be many more opportunities for all Swiss stakeholders to further promote policy coherence for development.

Thank you very much.

April 4, 2014

---

9 See for a first preliminary assessment (of October 2013) the Blog article Moving towards Policy Coherence for Development http://devpol.hypotheses.org/19#comment-71

Where the 38 000-strong federal staff work
Organisational units in grey are mostly independent. Budget and staff information is therefore not included in the respective department figures.