

**Ministry for Foreign Affairs**

## **Strategy for Sweden's global development cooperation on sustainable economic development 2022–2026**

### **1. Strategic objectives**

The objective of Sweden's international development assistance is to create conditions to improve the lives of people living in poverty and oppression. Development cooperation is based on the principles of aid and development effectiveness, the 2030 Agenda, the Addis Ababa Action Agenda and the Paris Agreement.

The strategy will apply to the period 2022–2026 and provide a total of SEK 4.3 billion for activities implemented by the Swedish International Development Cooperation Agency (Sida).<sup>1</sup> The strategy governs the use of funds under expenditure area 7 International development cooperation, appropriation 1:1 Development assistance, appropriation item 34 Sustainable development in the appropriation directions for Sida for each budget year.

Activities will contribute to the following objectives:

Employment, market development and trade

- Improved conditions for productive employment and decent work.
- Strengthening of women's economic empowerment.

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<sup>1</sup> Contributions within the framework of this strategy will be funded in line with the conditions for appropriation item 34 in the appropriation directions for Sida for each budget year.

- Improved conditions for sustainable and inclusive market and private sector development, and sustainable business.
- Improved conditions for sustainable and inclusive international trade.

Food security, sustainable agriculture, forestry and fishing, and social protection

- Improved conditions for food security, sustainable food systems, increased productivity and sustainability in agriculture, forestry and fishing, and strengthened ownership and tenure rights to land and natural resources.
- Improved conditions for universal social protection.

Domestic resource mobilisation, financial stability and digital transformation

- Strengthened domestic resource mobilisation through effective tax systems and reduced corruption.
- A resilient financial sector and increased financial stability.
- Inclusive, equitable and sustainable digital transformation.

## 2. Context

Nearly 700 million people are living in extreme poverty. The COVID-19 pandemic ended decades of global poverty reduction and the number of people in extreme poverty increased rapidly. Women and girls have been particularly hard hit. The post-pandemic economic recovery has been uneven, with low-income countries experiencing lower growth rates and employment growth. Yet productive employment and decent work are fundamental for both poverty reduction and gender equality.

World hunger also continues to rise, a trend that had begun even before the pandemic. Russia's invasion of Ukraine has further undermined global food security. At the same time, approximately half the world's population lacks access to social protection that can safeguard against loss of income and economic vulnerability. Involuntary migration and the number of displaced people have continued to rise due to conflict, economic insecurity and

climate change. Increased protectionism, trade barriers and reduced confidence in the multilateral system continue to challenge global trade. Low-income countries' share of global trade remains very low. Increased digitalisation provides major opportunities for sustainable and inclusive economic development and improved gender equality. The pace of digital transformation is generally high in all regions. At the same time, certain groups are being left behind, which increases the risk of digital inequality and gender inequality. Corruption is a major societal problem and an obstacle to development in many low- and middle-income countries. The capacity for national financial stability and resilience is low. Debt levels have increased, and the capacity for domestic resource mobilisation through tax collection needs to be strengthened. Most people living in poverty are located in rural areas and are dependent on agriculture, forestry and fishing. A sustainable increase in agricultural productivity is a prerequisite for achieving food security and support the transition to sustainable food systems.

Global economic growth has not, over time, been environmentally sustainable and climate-resilient; rather, it has come at the expense of human health, depleted natural resources, increased pollution and biodiversity loss. In light of this, and in accordance with the fundamental principles of the 2030 Agenda, this strategy aims to contribute to economic development that is socially, economically and environmentally sustainable, and promotes the transition to a resource-efficient and toxin-free circular economy within planetary boundaries.

### **3. Activities**

Sida shall carry out, monitor and report on activities in accordance with the Government's guidelines for Swedish development cooperation and humanitarian assistance strategies (UD2017/21053). The guidelines state that activities must be actively directed towards achieving the objectives and that actual performance must be monitored based on those objectives. The annual strategy report shall be comprehensive and include an account, analysis and assessment of the results of the activities in relation to the stated objectives. Performance information shall be used for decision-making, learning and accountability, and for ensuring transparency towards the general public. Monitoring shall produce reliable and useful performance information in both the short and long term by using both qualitative and quantitative information where possible. Performance monitoring shall primarily establish whether activities have made a difference, in what way

and for whom. Based on the existing conditions, monitoring shall establish the extent to which development cooperation has made a difference.

Sweden's development cooperation contributes to sustainable development based on the 2030 Agenda, the Financing for Development commitments in the Addis Ababa Action Agenda and the Paris Agreement. The strategy's activities are particularly relevant to the following sustainable development goals (SDGs) of the 2030 Agenda: no poverty (SDG 1), zero hunger (SDG 2), gender equality (SDG 5), decent work and economic growth (SDG 8), industry, innovation and infrastructure (SDG 9), sustainable consumption and production (SDG 12), life below water (SDG 14) and partnerships for the goals (SDG 17).

Sweden's development cooperation shall be relevant and effective. Global added value will be prioritised in implementation, but activities focused on a single region may also occur. Global initiatives shall consist of support that can contribute to influencing international normative policy development in the strategy areas. Support may therefore be given to organisations, networks or other actors that are standard-setters and thus play a key role in Sweden's priority issues. Internationally agreed principles on aid and development effectiveness shall be applied.

Productive employment and decent work are fundamental for people to be able to provide for themselves and to lift themselves out of poverty and avoid falling into poverty. Activities related to productive employment and decent work shall contribute to development in line with the ILO's Decent Work Agenda and greater respect for human rights in the world of work. Activities may also contribute to greater access to vocational education and training that respond to labour market demand.

To create new job opportunities, a favourable business climate and well-functioning markets are needed, along with transparent institutions and regulations, and more equitable and gender-equal access to financial services. Sustainable business means having a long-term sustainable business model that respects human rights, where social, economic and environmental sustainability are integrated into core activities and considered an essential asset for enterprises and investors. Activities related to sustainable and inclusive market and private sector development and sustainable business should promote mobilisation of additional engagement and financial

resources from other actors, including innovative collaborations and solutions. Activities should promote responsible business by strengthening opportunities for low- and middle-income countries to implement the UN's Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Activities should promote the transition to a toxin-free circular economy and green investments, and aim to ensure investments do not lock in systems that are dependent on fossil fuels.

Women's economic empowerment is both a goal in itself and an important aspect of other goals. Activities should target decent work opportunities, participation in trade, financial inclusion, access to social protection as well as access to markets and land rights.

Activities to help improve conditions for sustainable and inclusive international trade will promote opportunities for low- and middle-income countries to take part in international trade at both global and regional levels, and address various types of trade barriers. Activities will also contribute to environmentally and socially sustainable trade with respect to transport, value chains and production. Gender equality in trade will be promoted in line with Sweden's feminist foreign policy.

Food security and a transition to sustainable food systems require productive and sustainable agriculture, forestry, fisheries and aquaculture that also provide employment and livelihood opportunities and help increase gender equality and improve health.

Activities related to food security and increased productivity and sustainability in agriculture, forestry and fisheries should aim to promote responsible investments with opportunities for farmers, fishermen and small- and medium-sized enterprises to contribute to innovation, growth and job creation. Activities should also focus on strengthened resilience and sustainable use of natural resources, including protection of biodiversity.

Strengthened land rights create opportunities for long-term investments, diversification, harnessing of local knowledge and innovation in agriculture. Activities will promote strengthened ownership and tenure rights to land and natural resources for vulnerable groups, primarily women, indigenous peoples and local populations.

Social protection systems contribute to a more equitable and gender-equal distribution of welfare throughout life and are fundamental to women's ability to take part in the labour market on the same terms as men. Activities shall contribute to better conditions for everyone to gain access to social security and social protection floors, in accordance with the International Labour Organization's recommendation (2012:202). Universal social protection can be achieved in many different ways, with a combination of specific and broad-based measures, and implemented at a different pace based on the relevant context.

Domestic resource mobilisation is necessary to finance a country's long-term development. Moreover, effective tax systems serve a broader role for social development and can contribute to reduced inequality, increased gender equality and a green transition. Activities related to strengthened domestic resource mobilisation with effective tax systems and reduced corruption should support global normative development that combats tax avoidance, tax evasion and illegal financial flows, and better enables low- and middle-income countries to influence international tax frameworks. Activities can also contribute to capacity development and implementation of reforms that strengthen the tax systems of low- and middle-income countries with respect to transparency, efficiency and progressiveness.

An efficient and stable financial system with effective regulatory frameworks, institutions and markets is an important prerequisite for sustainable economic growth and financial inclusion. Financial instability and inadequate capacity to manage financial crises can erode the conditions for a country's economic development and contribute to increased poverty. To manage crises and other challenges, the financial sector needs to be resilient. Activities should focus on strengthening regulatory frameworks, capacity and central institutions.

For people living in poverty to be able to fully benefit from digitally-enabled access to information, education, job opportunities, markets and financial services, they need both adequate digital skills and access to a fast and reliable internet connection. Digital transformation offers major opportunities to support a green transition but the risk of increased energy consumption and other negative environmental effects needs to be managed. Digitalisation can strengthen activities and inclusion in all the strategy areas. This is of great importance, for example, in relation to trade, social

protection and domestic resource mobilisation, and can play an important role in combating corruption. Use of, and access to, digital services tend to vary between rural and urban environments and between genders. Activities shall promote equitable and gender-equal access to the internet and digital services.

Digitalisation and anti-corruption shall be taken into account in all activities. Sida shall also take account of migrants', refugees' and internally displaced people's human rights and opportunities to contribute to, and take part in, economic development in particularly relevant strategy areas, such as productive employment and decent work, private sector development and social protection.

Partnerships should be sought with a broad range of actors in the implementation. Active coordination and cooperation with activities of the EU should be pursued within the framework of the strategy. The opportunity for the Swedish resource base to contribute to implementation should be harnessed. This resource base comprises government agencies, the business sector, trade union organisations, universities and colleges, cultural actors and individual organisations with experience and expertise from various parts of society.

Synergies shall be sought between the different areas of the strategy and with other relevant strategies for Sweden's development cooperation and humanitarian aid. Particular emphasis shall be placed on coordination and synergies between the global thematic strategies for sustainable development. Potential synergies within the framework of Sustainable Transition through Economic Partnership (STEP) shall also be considered. Special consideration should be given to opportunities that contribute to the mobilisation of financing from the private sector within this strategy's prioritised areas. Support via multilateral organisations shall be consistent with Swedish priorities and approaches to cooperation with the multilateral organisations.