

Comments by the Chairman of the D.A.C. on the
1968 Annual Review of Switzerland

The first examination in depth of the Swiss development assistance efforts and policy, though necessarily somewhat exploratory, has been of particular interest to the Members of the Development Assistance Committee. The Committee was impressed by the detailed presentation of the Swiss program and by the explanations given by your representatives during the review. In a sense, the Swiss situation is unique among D.A.C. countries. Switzerland reaches and even exceeds in most years the one per cent of national income target, but this is achieved by almost exclusive reliance on private capital flows. Thus, Switzerland is the country with the highest percentage of private capital flows in relation to national income among D.A.C. Members, while at the same time it ranks as by far the lowest contributor of official aid on a national income basis.

The major issue which concerned the Committee was clearly the volume of the Swiss official assistance program. While gross official disbursements have gradually expanded during the last few years, net official disbursements have remained more or less static at around \$3 to \$4 million, corresponding to not more than 0.03 per cent of Swiss national income or to 2.7 per cent of the total Swiss flow to developing countries in 1967. While the Committee fully recognized Switzerland's tradition of economic liberalism in matters of development, it was pointed out that certain essential requirements by less-developed countries could only be met by official assistance at soft terms. Responsibility for satisfying these requirements must be increasingly shared by all industrial countries, irrespective of the level of their private flows to less-developed countries. Even though there are no agreed targets for official aid alone, it is apparent that the Swiss record in this respect is still well below the level which is required and which could eventually be expected from a country with a high per capita national income.

The Committee has been somewhat encouraged by the forecasts at the review meeting on the prospective growth of the program in 1968 and 1969. In particular, it has noted that the introduction of official bilateral credits constitutes a major innovation in Swiss aid policy. It is greatly to be hoped that a faster rate of expansion of net official flows can be achieved, but this will require adequate budgetary authorizations over the next few years. It is, therefore,



important that, when new requests for technical and humanitarian assistance as well as for capital flows are submitted to parliament, due account is taken of the need for a substantial strengthening of the official effort.

The Committee discussed the potential difficulties in such a course of action. It is unlikely that the balance of payments situation would prove an obstacle to an expansion of the program; on the contrary, the present large surplus in the overall current account should facilitate an expansion of official aid. Equally, budgetary problems do not appear to be more serious than those faced by most other D.A.C. countries. But, as your delegates pointed out, it has to be recognized that the relative smallness of the Federal budget as compared with local budgets and the absence of a tradition of public expenditures outside the Confederation represents a psychological hurdle which it will require serious efforts to overcome. In this respect, the Government might study the possibility of encouraging, to the extent possible, the Cantonal and other local authorities to share in the common aid effort.

This brings me to what appears to be a major obstacle to a rapid increase in official aid. Public opinion, although generally favourable towards promoting development in the Third World by way of traditionally liberal approaches, is apparently still rather reluctant to support a substantial strengthening of the public sector in the field of development assistance, outside emergency and humanitarian considerations. It is, I suggest, a task for the Swiss authorities to create here a wider understanding of the needs and thus to secure a greater public involvement. I hope that membership of the D.A.C., by facilitating a comparison of the Swiss program with that of other Committee Members, will be increasingly helpful to the Swiss authorities in this respect.

The present intentions for expansion of your assistance program may, as you have indicated, in large part take the form of mixed official-private export credits, similar to those accorded to India. While appreciating your reasons for expanding official aid by intensified collaboration with the private sector, the Committee was somewhat concerned about the impact which this might have on your future financial terms performance in relation to the recommendations of the D.A.C. I do not need to elaborate here on the D.A.C.'s concern about the deteriorating external debt situation of developing countries and the need to meet this, at least in part, by a softening of aid terms. A greater reliance on

mixed credits may make it very difficult to secure improvement in your future financial terms, unless you are prepared to extend the official part of these credits at very soft terms. The Committee appreciated the statement of the Swiss representative at the review meeting that you are fully aware of this situation.

I would also urge you to strengthen the selective character of these credits by concentrating on specially useful types of investments with a high "development effect", so as to make export credits more comparable to true development loans. While the utility of export credits for some purposes is not questioned, they very often reflect primarily commercial considerations which are not necessarily identical with the highest development priorities of recipient countries.

Apart from official loans and export credits, it is clear that there is scope for a progressive expansion in Swiss technical assistance (for which there is a large and rising demand), as well as for further contributions to multilateral agencies, which provide an increasingly appropriate channel for aid contributions - particularly for those donor countries which lack the necessary "on the spot" experience in developing countries. Apart from its intrinsic value, technical assistance is a particularly useful means for familiarizing wider sections of the public with the problems of development. With regard to multilateral contributions, the Swiss decisions to contribute to the International Development Association and to join the Asian Development Bank are particularly welcome; it is to be hoped that this kind of participation can be extended as opportunity permits.

In conclusion, I would assure you that both I and the Committee appreciate the special difficulties which face the Swiss authorities at this time and are encouraged by this first examination to hope that Switzerland will be able to share increasingly with other Members in meeting the urgent challenges of the development situation.

We are looking forward to the new progress in your program which the Swiss delegation will undoubtedly be able to report at the next annual review meeting.

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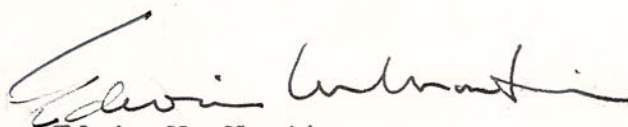
January 23, 1969

Dear Ambassador Caillat:

You may recall that at the end of the Annual Aid Review of Switzerland I said that I would prepare some comments on the Swiss program. I enclose such a statement.

The responsibility for these comments is entirely mine, although I have had the benefit of suggestions from the delegations which specially examined your program.

Sincerely yours,

Edwin M. Martin
Chairman

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