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#### DAC AID REVIEW OF SWITZERLAND

The Development Assistance Committee (DAC) of the OECD met on 19th October 1990 under the chairmanship of Mr. Joseph Wheeler to review the development assistance efforts and policies of Switzerland. The Swiss Delegation was headed by Mr. J-F. Giovannini, Deputy Director, Directorate for Development Co-operation and Humanitarian Aid and Mr. W. Jaggi, Head of the Development Division of the Federal Office for External Economic Affairs. The examining countries were Belgium and the United Kingdom.

Net disbursements of Official Development Assistance (ODA), which had risen steadily during the past decade, decreased by 2 per cent in real terms to \$558 million in 1989 (although it rose by 4 per cent in national currency). Expressed as a share of GNP they fell back from 0.32 per cent in 1988 to 0.30 per cent in 1989. This decline was due to a decrease in contributions to regional development banks caused by the timing of note deposits with these institutions. Contributions to other multilateral institutions and bilateral ODA disbursements increased in real terms.

The Committee noted that in spite of sustained growth the volume of Swiss ODA expressed as a share of GNP was still below the DAC average of 0.33 per cent (and substantially below the unweighted average [1] of 0.51 per cent), and was not expected to reach it before several years. It urged the Swiss authorities to adopt a volume target that was more ambitious than the weighted DAC average and more in keeping with the strength of the Swiss economy, the role played by Switzerland in international economic relations and the country's humanitarian tradition.

The Committee welcomed the continued high quality of Switzerland's aid effort. ODA is extended in grant form only. It is largely untied. The share in aid of the least developed countries and of other low-income countries is substantially above the DAC average. Bilateral aid is concentrated on agriculture, rural development and training. The shares of multilateral contributions in ODA and in GNP are close to the average for the DAC. They would be substantially above this average if account were taken of the sizeable volume of cofinancing with IDA of which Switzerland is not a member.

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1. The unweighted average gives the same weight to each DAC Member country.

The Committee noted that certain features of the Swiss aid programme were well adapted to promoting participatory development. Emphasis is given to associating users, including women, in the design and implementation of aid-financed activities, the respect of human rights is considered as one of the preconditions for the effective use of aid, and a substantial part of aid is channelled through Swiss and developing country non-governmental organisations. Growing attention is being paid to environmental considerations. Staff dealing with environmental matters has been strengthened and guidelines are being elaborated. The Committee noted with interest that development and environment was one of the two major topics taken up by the newly re-activated Inter-Departmental Committee on International Development Co-operation and Humanitarian Aid.

Programme aid accounts for a growing share of bilateral ODA. It is extended either in the form of cofinancing with IDA or by means of balance-of-payments assistance and sector aid to developing countries which are implementing structural adjustment programmes with the assistance of multilateral institutions. With a view to compensating developing countries for losses of export proceeds an autonomous system has been established whereby those losses are determined according to the Stabex system of the European Communities. This instrument is used taking into account the overall policy framework, the diversification efforts and the balance-of-payments situation of the recipient. The Committee noted with satisfaction that the criteria applied in the management of Switzerland's mixed credits programme met the developmental requirements set out in the "DAC Guiding Principles for Associated Financing and Tied and Partially Untied Official Development Assistance". The Committee also appreciated Switzerland's efforts to further improve this programme.

Switzerland's aid is widely spread relative to its size. About 60 per cent of bilateral ODA is extended to some twenty developing countries and the remainder takes the form of humanitarian aid, technical assistance and projects implemented by non-governmental organisations in other developing countries. The Committee felt that a somewhat greater concentration of Swiss aid, especially in a situation of tight administrative constraints, would enable improved programming and project preparation. The Committee encouraged the Swiss authorities to expand their efforts in the field of population.

Private flows to the developing countries, which had recovered strongly to \$1.8 billion in 1988, declined sharply and were negative (-\$771 million) in 1989 as a result of decreased net borrowing by developing countries on the Swiss capital market and of a reduction of assets of Swiss banks with developing country banking institutions. Grants by private voluntary organisations remain well above the DAC average both as a share of GNP and per head.

END-OF-TEXT