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SWISS DEVELOPMENT ASSISTANCE EFFORTS

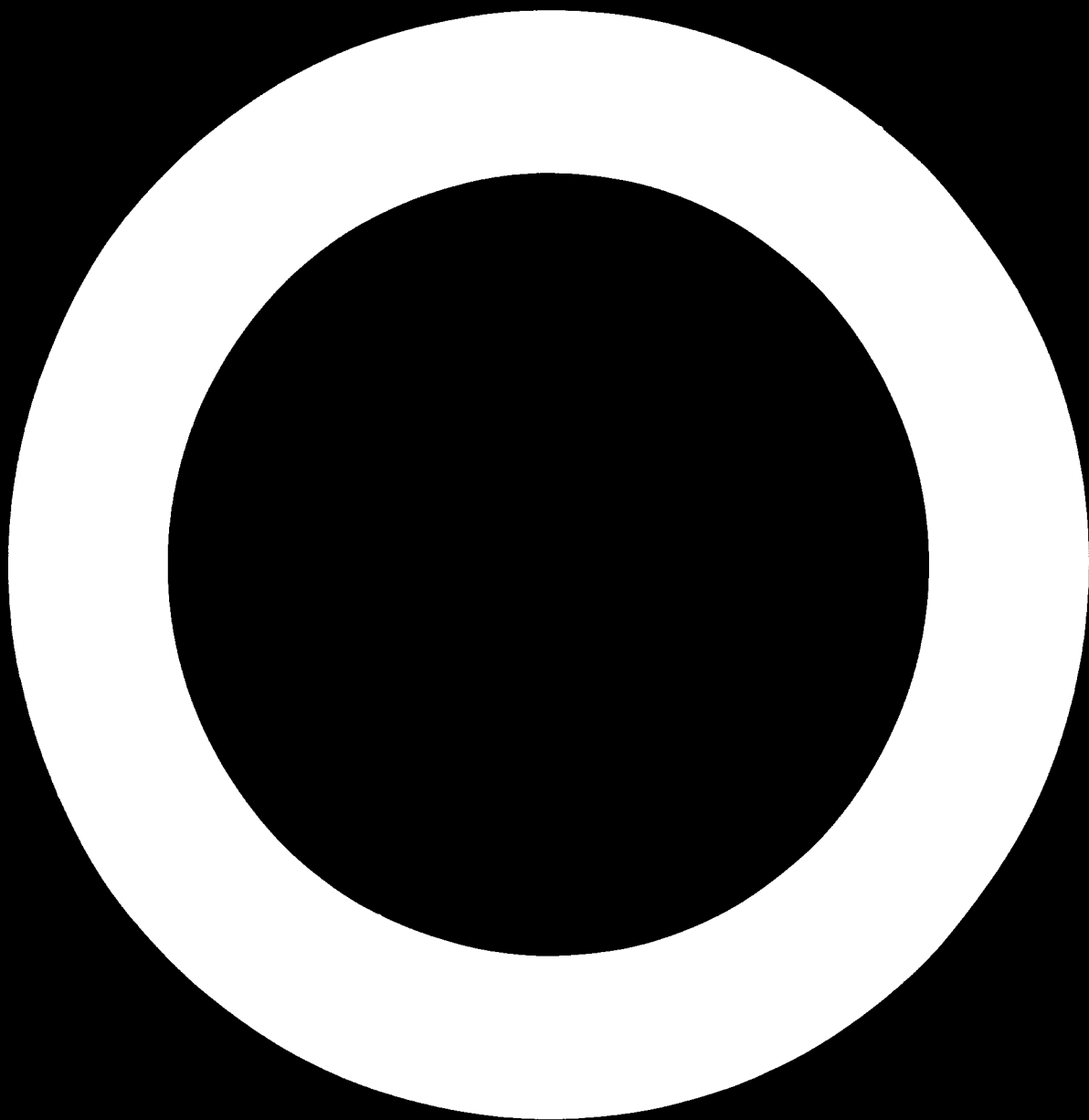
by

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Commissioner for Technical Co-operation

As part of a course of lectures on the efforts of developed  
countries for the benefit of the developing countries  
organized by the Vienna Institute for Development

We regret that some of the pages in the report have  
been lost and that they could not be kept in the proper  
order. We have tried to give the best possible  
copy. We would like to thank the master of the



## SWISS DEVELOPMENT ASSISTANCE EFFORTS

### I. ORIGINAL CHARACTER OF ASSISTANCE

By reason of its geographical position, its history, its institutions, and its politics, Switzerland has often represented a special case in the comity of nations. This is particularly true of the development assistance which I shall speak this evening, that is to say, Swiss development assistance efforts.

The original character of our assistance to third world countries has in fact recently been emphasized by the Development Assistance Committee (DAC) - which is part of the Organization for Economic Co-operation and Development in Paris - that is to say, by the international organization which, applying standard rules, periodically examines and compares the development assistance efforts of the industrialized countries. If one considers the average efforts of the other developed countries that are members of DAC, it can be seen that in 1966/67 the breakdown between the two main elements that constitute it - official and private contributions - was 62 per cent to 38 per cent. In Switzerland, this breakdown is very different, which is shown by the fact that in 1968, for example, the private sector was responsible for 88 per cent of our total efforts and the Confederation for only 12 per cent. Accordingly, Switzerland is well ahead of all other States members of DAC if one considers the amount of private contribution in relation to national income, but it is also the last, and by far the last, in point of the volume of official assistance.

Why is that so?

On the one hand, because our relations with the developing countries originated in the private sector, which was for a long time the only sector responsible.

The absence of national resources of raw materials and the exiguity of domestic markets have in fact always obliged the Swiss to establish their economic growth on bases that transcend the national framework.

Then it must be remembered that, until the middle of the nineteenth century, the Confederation still being only at an alliance of practically

sovereign states, each canton had its own customs policy and refused to make the concessions that would have allowed the Confederation to have a joint foreign commercial policy. Taken in isolation, the cantons had no effective means (of negotiation or retaliation) against the customs barriers that their great European neighbours raised around them, for which reason they were compelled, at a very early stage, to try to place their output on overseas markets. From the end of the eighteenth century, our watch-making and textile industries, for example, were to a very great extent dependent on exports.

Finally, foreign service - you know that Switzerland practised the mercenary system for a long period on a large scale, mainly for economic reasons, and at times had nearly 100,000 men in the service of foreign armies - which as it gradually disappeared was replaced by large-scale emigration overseas, inter alia to the United States, also contributed to creating trade flows between Switzerland and foreign countries. Thus, when our country finally became a federative state and had a federal economic policy, the latter consisted mainly in consolidating the positions acquired abroad thanks to the dynamism of our private industry and the emigration of our nationals. In 1850 we concluded a first treaty of establishment, commerce and amity with the United States, in 1888 with Ecuador, in 1897 with Chile, in 1908 with Colombia, in 1911 with Japan and in 1918 with China, etc.

It is doubtless to this past history and the tradition that has sprung up out of it that we owe the fact that we are today the leading world exporter to the developing countries in terms of per capita figures and that we rank fifth in absolute figures among all industrialized countries in relation to our investments in the third world.

On the other hand, because private initiative has always played a paramount role in our economy, intervention by the Confederation has been limited to what is essential for safe-guarding the general interest or strengthening particular action by the private sector. This fact explains inter alia why the budget of the Confederation is relatively low in relation to our gross national product (US\$1,500 million as against US\$16,200 million), why under these conditions we should make more moderate use than others of State budget funds to carry

out collective tasks and finally why the very idea that development assistance is a duty of the community is less widespread in our country than elsewhere.

These are, I believe, the main reasons that explain the particular structure of our assistance.

## II. ADVANTAGES AND DISADVANTAGES OF THIS PARTICULAR STRUCTURE

Let us now examine its advantages and disadvantages.

Let us say from the very outset that what seems to us to be the determining factor in appraising the merits of various forms of development assistance is not so much their origin and motivation as their real impact on the economic development of the beneficiary country. It is quite obvious that development assistance is not the first objective of the Swiss enterprises that invest abroad, but that by no means detracts from the fact that, by these very investments, the enterprises contribute towards the development of the economy of the host country, whose competitive capacity they strengthen by the input of technical, commercial and administrative know-how, which is all the more valuable since it is related to the most profit-making spheres of activity of the economy. While it is true that private investments do not all stimulate the economy of the host country to the same degree, it should be emphasized that the host country can determine priorities and allow foreign enterprises to be active only in very closely defined spheres. In addition, the private sector quite naturally encourages first and foremost private action in the developing countries. By doing this it contributes to the training of heads of private enterprises and to the development of a sector which we know by experience to be indispensable to the balance of a healthy economy. I would emphasize finally that Swiss investments correspond to a wide variety of economic activities, three-quarters of which are distributed in the branches of foodstuffs, chemistry, aluminium, cement and machines, and the remaining quarter in infrastructural equipment, particularly in the sector of electric energy.

Nevertheless, we are by no means unaware that private initiative does not meet all the problems of the developing countries. It is a fact, for example,

that the private sector operates principally in the most advanced of the developing countries, that is to say, in those that offer interesting business possibilities, having already reached the stage of industrialization. Two-thirds of the funds made available to the developing countries by the private sector of the Swiss economy go to Latin America - and in this continent mainly to four countries - and to southern Europe, the remaining third going to Asia and Africa. The poorest countries, which have not yet reached the threshold of economic development, are of scarcely any interest to the private sector. However, it is precisely these countries that urgently need assistance.

Another serious disadvantage of private initiative is that it generally makes its funds available to developing countries on market conditions, that is to say, on conditions that impose a heavy burden on countries whose state of indebtedness is a matter of extreme concern (US\$44,000 million).

Finally there are many tasks that are essential to development, and expensive, and do not produce immediate profits, which are of no interest to the private sector and consequently cannot be carried out except by means of long-term public financing; in this connexion, I am thinking of infrastructural work such as education and communications and basic studies such as the inventory of national resources, social work, etc.

I think I have said enough on this subject to show that, while we are convinced of the value of the contribution that the private sector is making to the development of the economies of the third world countries, we are also perfectly aware of its inadequacy and thus of the necessity for supplementary official assistance, which alone can meet some of the needs of a developing country. This objective assessment of the facts does not, however, lead us to alter the structure of our assistance in a fundamental manner. Moreover, even admitting that we wished to, we could not do so in a democratic country like ours, whose economy is traditionally liberal. In our opinion, it is by the way reasonable that each developed country should accentuate the forms of support that it feels best able and suited by nature to give to the developing countries, provided that it makes the necessary effort to find the original solutions which will allow it to approach the achievement of internationally fixed development assistance targets, while paying due consideration



to its own structures. As far as my country is concerned, our efforts, as we shall see in a moment, tend on the one hand to stimulate private initiative still further and to improve the quality of the services it renders, and on the other hand to increase progressively the volume of our official contributions.

These preliminary remarks having been made, let us now examine what Switzerland's assistance effort represents in practice.

### III. THE PRESENT ASSISTANCE EFFORT

#### (a) Private sector

##### 1. The issue of loans on the Swiss capital market

In 1967, US\$26.1 million was raised on the Swiss capital market for the benefit of development finance institutions. This amount comprises inter alia the eleventh loan floated in Switzerland by the World Bank, to the amount of US\$13.9 million. In passing, I should like to mention that loans issued by the World Bank on the Swiss capital market have, so far, reached a total of US\$230 million.

When examining loans whose issue is envisaged on the Swiss capital market, the federal authorities, the National Bank and the banking institutions agree to assign regularly an adequate share of the market to loans floated by development finance institutions.

Finally, I would emphasize under this heading that Mexico last year launched in our market the first public loan of a developing country in Switzerland since 1961.

##### 2. Private investment

Swiss private investment in developing countries increases every year by about US\$47 million, according to an investigation carried out in 1963. At the moment, we are in the process of establishing with Swiss investors statistics that will henceforth give us precise information on this sector every year.

This annual increase is in addition to an amount that is estimated at present at US\$920 million and is already in the developing countries.

To promote this form of financial transfer to the developing countries, the Confederation has ratified the World Bank Convention on the Settlement of Investment Disputes between States and Nationals of other States and it has so far concluded with eighteen developing countries bilateral agreements for the protection and promotion of investments of private capital.

Furthermore, for several years, the Confederation has attempted to expand the role that the Federal guarantee of export risks plays as an instrument of economic and financial co-operation with the developing countries.

Since 1960, the field of application of the guarantee has been extended to cover local expenditure in the developing countries and pre-investment studies carried out by consultant bureaux.

Agreements, known as "framework agreements" (accords-cadres), have been concluded between Switzerland and the Governments of various developing countries in order to facilitate, by the granting of the guarantee, the financing of purchases of capital goods [for example, supplier credits (Iran, Nigeria) and tied transfer credits (Chile, Colombia, Ecuador, India and Pakistan)].

Guarantees are also granted on parallel financing operations necessary for carrying out large-scale development projects in collaboration with international financial establishments.

Taking account of the above, the commitment of the Confederation vis-à-vis developing countries in relation to the guarantee for export risks was US\$435.4 million at the end of 1968, out of a total commitment of US\$617.4 million, i.e. 70 per cent. Despite the amount of this commitment, we are determined to continue developing still further the most judicious forms of utilization of the export risks guarantee, while realizing clearly that this institution has its limits, in view not only of the state of indebtedness of the developing countries, but also of the resultant commitment for the Confederation. The introduction of a Federal investment risks guarantee now under consideration raises precisely the problem of the volume of commitments that the Confederation can reasonably assume in this field.

### 3. Assistance from private non-profit organizations

In addition to the above, there is also assistance given without expectation

of recovery by private non-profit organizations, such as the Catholic and Protestant missions (52) and the numerous non-confessional organizations (28) concerned with development assistance. The resources that these organizations devote to their activities for the benefit of developing countries, principally in the form of humanitarian or technical co-operation projects, represent more than US\$4.6 million, taking one year with another. The main branches of activity on which this private effort is concentrated are education and health.

(b) Financial assistance

1. Mixed credits

On the basis of experience required in the implementation of framework agreements, the Swiss authorities have tried, in close collaboration with the private credit institutions and industrial circles, to develop forms of application of the guarantee taking into account to a greater extent the economic needs of the developing countries and their indebtedness situation. The result of this research has led to the introduction of what are called mixed credits, which, by the combination of funds of private and public origin, make possible an increase of the repayment period and a decrease of the rate of interest. The loans concerned are long-term mixed transfer credits, accompanied as far as the funds made available by the private sector are concerned, by a Confederation guarantee. The interest rate for the whole operation depends naturally on the conditions on which the Confederation makes available its share, the bank share being lent on market conditions. The credit - including the Confederation tranche - is generally managed by one of the private banks that has participated in financing it.

It can be expected that this form of credit will become one of the characteristics of our official financial assistance in coming years.

2. Bilateral and multilateral credits

Since 1960, the Confederation has come to grant different types of bilateral credit in the context of its policy of co-operation with the developing countries. In all cases, it has been a question of meeting needs that could not be covered by funds of private origin. Apart from the granting of credits to Argentina

and Brazil for the consolidation of commercial debts, as well as a loan to Yugoslavia for the purpose of the recovery of its balance of payments, I should mention the general credit of US\$10 million to Turkey granted in the context of the OECD consortium, which made it possible to grant to this country money, some of which is reimbursable over a period of twenty-two years.

At multilateral level, the Swiss Parliament approved in 1967 the participation of Switzerland - to an amount of US\$5 million - in the capital of the Asian Development Bank and granted IDA an interest-free loan of US\$12 million, with a repayment period of fifty years.

(c) Technical co-operation

To finance Swiss technical co-operation, Parliament periodically makes available programme credits, that is to say, gives authority to commit expenditure of an amount determined during a certain period, generally three years.

At the moment, US\$9.2 million per annum is available for technical assistance projects. Two-thirds of this amount goes to bilateral activities and the remaining third to the multilateral sector.

At bilateral level, the Swiss technical co-operation agency on the one hand supports the Swiss private non-profit organizations engaged in technical co-operation and on the other hand works out and implements its own projects.

The financial support that we give to private organizations in application of fairly detailed provisions bears witness to the value that we attach to their activities. So, from 1962 to 1968, we participated with forty-five of them in implementing eighty-nine new projects and thirty-nine extensions, representing a total commitment of US\$20 million. It enables us also to co-ordinate our projects with theirs, to pool our experience and prevent any incomplete utilization of the structure of these organizations, and above all their human resources, that might be caused by lack of funds.

As far as Co-operation projects are concerned, 65 per cent of our funds is absorbed by what we refer to as combined projects, or projects of some size extending over several years, combining in an integrated whole various forms of technical co-operation, or even development assistance: making

available experts, fellowships, equipment, buildings and financial assistance. The purpose of these projects is not only to give the beneficiary country the know-how of the developed countries, but also to prove the value, efficiency and profitability of such knowledge in the framework of the concrete implementation of projects in the developing countries, in collaboration with their nationals. We devote 15 per cent of our funds to granting fellowships for study locally or in Switzerland and to the organization of ad hoc courses and study tours, 12 per cent to missions of individual experts and 8 per cent to sending volunteers from the Confederation into the field.

So far, Swiss technical co-operation has devoted 42 per cent of its effort to rural development, 22 per cent industrial and artisanal promotion, 20 per cent to education and 16 per cent to services (commerce, banking, insurance, tourism, public administration and health). However, it should be pointed out that the fundamental task of all technical co-operation, namely training, represents more than 60 per cent of our activities, because several of our agricultural projects consist in training rural cadres and agriculturalists. In the sector of industrial and artisanal promotion, the bulk of our activity consists in training skilled workers. In principle, we consider that the establishment of industrial enterprises is primarily the affair of the private sector, the technical co-operation agency playing a part in this sphere only to the extent that special circumstances justify it: the establishment of pilot enterprises that open the way for the private sector, the inability of the private sector to intervene owing to special legislation in the developing country, etc.

Finally, I thought that it would interest you to hear some of the lessons that we have drawn from the last seven years of our experience in technical co-operation:

- Each project must be placed in a wider context that takes into account the interdependence of the various factors of development, as for example the interdependence of the economic and social factors. The greatest attention must be devoted to the planning of development and to the co-ordination of other assistance measures.

- Care must be taken not to indulge in armchair technical co-operation or work on the basis of Swiss conditions in an attempt to transfer them to the third world. In fact, projects must be suited to local conditions and in particular must take into account the mentality and traditions of the population, even if they become less spectacular thereby.
- To be effective, assistance must be concentrated to a certain extent and attain a certain volume. It must be possible for it to extend also in time (most projects last longer than expected).
- One should not allow oneself to be too much impressed by difficulties and reverses. On the other hand, one must know when to adapt a project that is in hand in the light of experience gained and, where appropriate, re-orientate it. But if our partner obviously lacks the will to co-operate, or if the determining conditions for the success of the project are not present, one must have the courage to give up.
- To avoid errors in decision, projects must be prepared systematically and thoroughly. This effort is generally worth the labour, expense and time that it causes.
- Collaboration with the local authorities or with competent private organisations must be ensured. The handing over of the project and the continuation of development work by the partner organization must be kept in mind from the very beginning and maintained as a target throughout its implementation. In fact, a project cannot be considered as a success until the beneficiary country can carry on the development work on its own without intermediate assistance.

In the multilateral sector, our major activity is our contribution to the United Nations Development Programme; this year, it amounts to US\$2.8 million. With the balance of our funds we participate in specific projects of international organizations.

At the beginning of next month, the Federal Council will publish the message to Parliament whose purpose it is to obtain a fourth programme credit for the continuation of Swiss technical co-operation with the developing

countries. The amount requested is US\$41.5 million for a period of three years. If Parliament follows the recommendations of the Federal Council, our funds will rise annually from US\$9.2 to 13.8 million, an increase of 50 per cent. Without our having to alter the pattern of distribution applied so far between bilateral and multilateral aid, this increase would enable us:

- At bilateral level, to strengthen our activity in the sector of combined projects, to develop our collaboration with the private sector and to increase considerably the number of volunteers from the Confederation;
- In the multilateral sector, to increase our activity under the heading of associated assistance, this form of assistance enabling us to have closer ties with certain international organizations specializing in our priority fields of activity, such as FAO, UNESCO and UNIDO, to strengthen the position of our delegations within these organizations and to co-ordinate bilateral and multilateral assistance.

(d) Measures of trade policy

In this field, we include the necessity to re-examine with every objectivity some of our conceptions with regard to international trade, taking into account the effect that certain measures advocated by the developing countries may have on their own development.

In 1964, we unilaterally renounced the levying of any duties on tea and tropical timber, products that are mainly of interest to the developing countries. In 1968, we applied in advance the reductions agreed on in the framework of the Kennedy Round on 116 customs items representing trade with the developing countries to a total value of about US\$105 million.

At New Delhi, the Swiss delegation supported the resolution recommending the developed countries to consider the establishment of a generalised non-reciprocal non-discriminatory system of preferences in favour of the developing countries.

Finally, in the field of agreements for the stabilization of commodity prices, we subscribed to the Coffee Agreement; we are at the moment studying the conditions under which we could subscribe to the Sugar

Agreement; we are participating in a positive spirit in the discussions regarding the Locca Agreement. As can be seen, we are attempting to be at once realistic and constructively in this complex and delicate field.

(e) Humanitarian assistance

For several years Parliament has, by periodically granting programme credits, made available funds for humanitarian assistance activities. The activities supported by means of this credit principally have the purpose of providing temporary remedies for situations created by natural catastrophes such as epidemics, floods, famine, earthquakes, or war. The principal organizations benefiting by contributions paid for out of this credit are the International Committee of the Red Cross, the Swiss Red Cross in its activities abroad, Swiss foreign aid and the organizations in the United Nations family with humanitarian purposes, i.e. the United Nations Children's Fund, the Office of the United Nations High Commissioner for Refugees, the United Relief and Works Agency for Palestine Refugees in the Near East, the World Food Program and the Intergovernmental Committee for European Migration.

The current programme credit, which provided for expenditure of US\$ 3.5 million per annum for the support of international mutual aid, terminates on 31 December of this year. The new programme credit which Parliament is to be requested to provide will include an increase of more than 30 per cent, which will enable us to face up better to situations such as exist at present in Viet-Nam and the Middle East.

(f) Food assistance

This is a relatively new field for us, except for the limited food assistance representing US\$ 1 million per annum which we have been giving for several years under the heading of humanitarian aid in the form of contributions to the World Food Program and allocations of milk products.

Owing to the world food situation and the existence of milk surpluses, the Federal Council decided to make an additional effort by reserving US\$ 4 million in 1968 and the same amount in 1969, in order to make available to Swiss or international organizations, either free or on exceptionally



favourable conditions, milk products to be distributed in territories suffering from hunger.

Finally, by virtue of the Food Aid Convention, our country has undertaken to make available to developing countries 32,000 tonnes of wheat per annum or the equivalent in cash, i.e. US\$2.5 million per annum, including transport and distribution costs, no matter what solution we should choose to meet our obligations - and for an initial period of three years. Half of this aid goes to the World Food Program, the other half is distributed on a bilateral basis.

#### IV. CONCLUSION

On the basis of the above remarks, the Swiss assistance effort may be expressed as follows in figures for 1968:

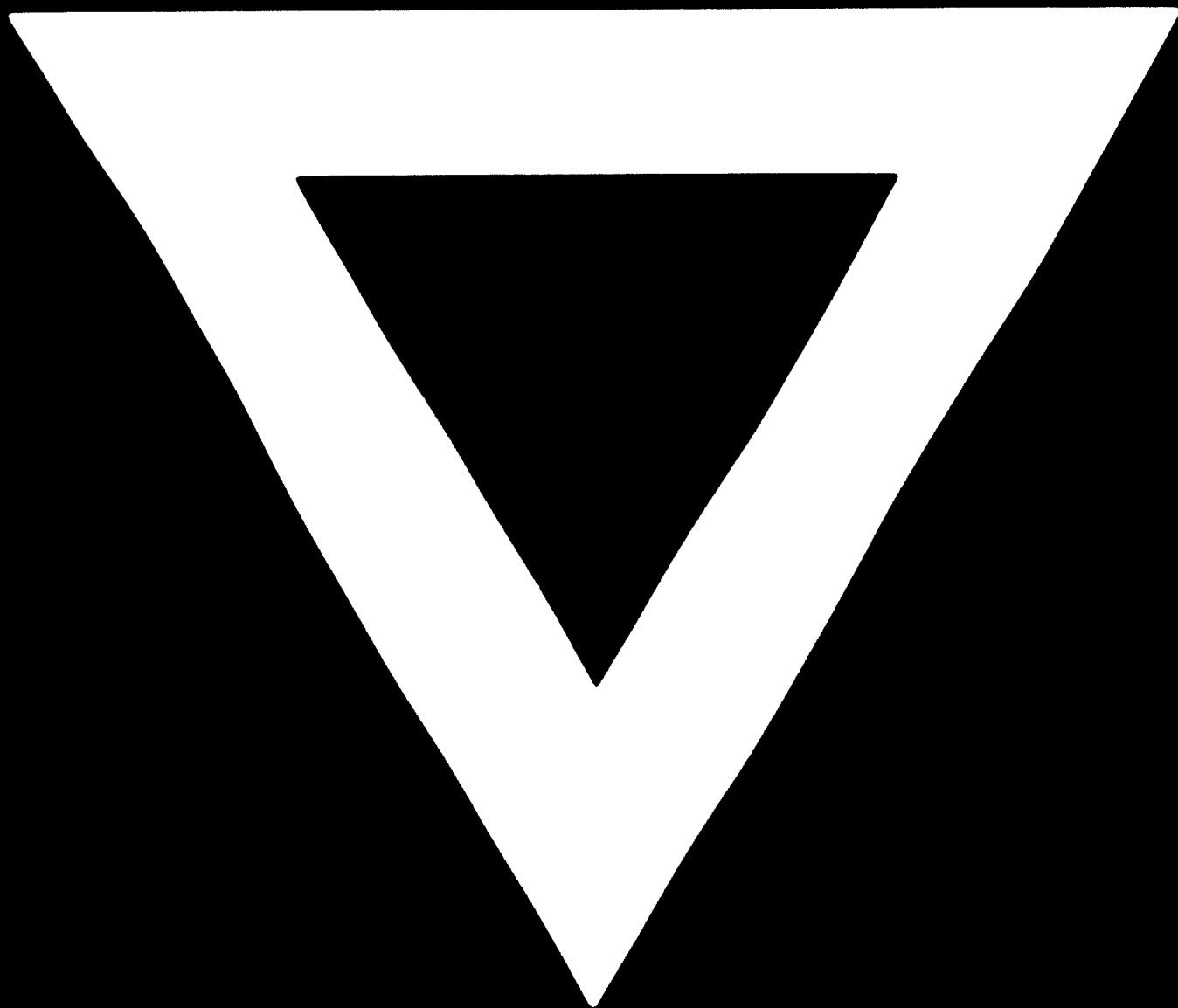
Official assistance	US.19.1 million
Private assistance	" <u>225</u> million
Total	US 244.1 million i.e. 1.5 per cent of the GNP

It can therefore be noted that in 1968, as far as the volume of assistance is concerned and on the basis of the provisional figures available, our country considerably exceeded the target proposed for the developed countries at the United Nations Conference on Trade and Development at New Delhi.

As far as official assistance is concerned, we are making a considerable effort, as is witnessed by the fact that the 1968 figures show a considerable increase over 1967 and that in 1970 the volume of our official assistance will exceed US\$25 million, if Parliament approves the various recommendations which will shortly be referred to it.

Finally, as the volume of our official assistance increases, we shall take care that, progressively and as far as possible, it satisfies the recommendations of the ADC on the conditions of official assistance.





**76.02.03**