

Context of Switzerland's Peer Review

Economic and political context

The Swiss Confederation is a federal republic with a population of 8 million. It is a consensus driven society, and its political system is characterised by decentralisation and direct democracy. There is strong pressure on federal departments, including those engaged in development policy, to justify policy choices to citizens. Referendums are mandatory for amendments to the federal constitution and for joining international organisations, for example. Referendums can also be called by citizens wishing to challenge laws passed by parliament if they gather 50 000 signatures within 100 days. Swiss NGOs successfully used the petition system with their 2007 campaign for Switzerland to adopt the target of spending 0.7% of gross national income (GNI) on official development assistance (ODA): over 200 000 people signed the petition and in 2011 a majority in parliament approved a target ODA/GNI ratio of 0.5% by 2015.

Switzerland performs very well in terms of overall well-being, as shown by its ranking among the top countries for a large number of topics in the OECD's Better Life Index. Its average household income is USD 30 060 a year (net-adjusted disposable), which is above the OECD average of USD 23 047 a year. Its economy is doing well even if growth has been dampened by the financial crisis in the euro zone. According to the OECD, "Swiss economic growth seems set to increase moderately as demand from emerging markets rises and consumer spending remains solid. The euro situation will limit Swiss growth to 1.4% in 2013, but the pick-up in world activity is projected to raise it to 2% in 2014. On the downside, a persistently high Swiss franc may delay the recovery, and low interest rates may keep fuelling house price appreciation, creating potential instability further down the road, especially as interest rates rise from historic lows".¹

In addition to its development co-operation, which is the focus of this peer review, Switzerland's international relations revolve around issues such as:

- > Relations with the European Union: Switzerland participates in the single market without being a member of the EU, and the relationship between EU and Switzerland is governed by a series of bilateral treaties which are approved by referendum.
- > Immigration: with over 27% of Switzerland's total population foreign born, it is one of the OECD countries most open to immigration. While 70% of the 142 500 new residency permits granted in 2011 were to EU/European Free Trade Area nationals, there was also a steep rise in the number of applications for asylum in Switzerland, up from 15 600 in 2010 to 22 600 in 2011. This was the highest annual number since 2002, mainly due to the Arab Spring.²
- > Free trade agreements: Switzerland has been active in expanding the number of its free trade agreements with key markets. It does this bilaterally with economic partners such as China, with which it signed a free trade agreement in 2013, and through the European Free Trade Association. Negotiations are under way with several countries, among others India, Indonesia, Vietnam, Belarus, Kazakhstan and Russia.
- > International negotiations on the exchange of information to enhance co-operation in tax matters.

Swiss development co-operation has been reorganised since the 2009 peer review

The two federal ministries involved in making Swiss development policy and implementing it – the Swiss Agency for Development and Co-operation (SDC), which is a federal office within the Department of Foreign Affairs, and the Economic Co-operation and Development Domain of the State Secretariat for Economic Affairs (SECO), which is a federal office within the Department of Economic Affairs, Education and Research – have undergone significant institutional reform since the 2009 DAC Peer Review.

SDC's four-year reorganisation process had started at the time of the last peer review and was completed in 2012. The two-stage process of SDC's reform gave time to overhaul the organisational structure at headquarters and to delegate more authority to the field while simultaneously improving working methods, as recommended by the DAC.

The Economic Co-operation and Development Domain of SECO introduced a new organisational set-up in 2013, based on an organisational review conducted in 2012. This reorganisation focused on ensuring that the Economic Co-operation and Development Domain's structure and management processes matched its strategic objectives and the increasing financial resources it must deliver effectively and efficiently.

This peer review takes place as SDC and SECO consolidate their organisational reforms, and as they start to implement Switzerland's 2013-16 Dispatch for International Co-operation.

Notes

1. OECD (2013a), *OECD Economic Outlook*, May 2013, OECD Publishing, Paris.
2. OECD (2013b), *International Migration Outlook 2013*, OECD Publishing, Paris



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