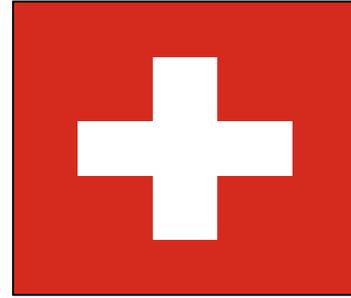




REGIONAL POLICY DEVELOPMENTS IN SWITZERLAND, 2017-18

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Dimension	Switzerland	Similar countries
Institutional framework of regional policy	Federal: responsibilities are mainly regional, with only a minor role for national coordination	Austria, Belgium, Germany
Regional policy objectives	Reduction of regional disparities	Germany, Spain
Main regional policy instruments	Business support (tax relief) / Support for business infrastructure / bottom-up development	

Source: EPRC

Key features of regional policy in Switzerland

- Switzerland performs well on core economic indicators from an international perspective and there are no major internal regional disparities. There are, however, concentration trends in terms of population, employment and wealth creation.
- Regional policy is mainly a residual competence of the federal State, and the cantons are in charge of most tasks in the field of economic development. In the context of the NRP, which is implemented as a joint task, a multi-annual programming approach aims to enhance coordination across levels and policy fields, as well as broader cooperation across institutional boundaries.
- The New Regional Policy, in place since 2008, focuses on regional competitiveness and value creation, while the New Financial Equalisation system aims to enhance balanced development.
- Regional policy is funded by both the federal level and the cantons. The federal contribution comes from the Swiss Regional Development Fund (SRDF), which was initially endowed with CHF 1.5 billion (€1.3 billion), but has since been shrinking to c. CHF 1.2 billion (€1.0 billion).
- The NRP mainly involves loans for added-value-oriented infrastructure and grants for projects targeted at improving location factors or pre-competitive economic conditions. In addition, tax allowances are granted in the economically weakest areas, and there is some support for firms via guarantees and interest payments in mountainous and rural areas.
- Multi-annual NRP programmes run for eight years (2008-15 and 2016-23) and are implemented via two rounds of cantonal implementation programmes (currently 2016-19).
- NRP tax allowances for firms target newly-created industrial firms and producer services with the aim of supporting job creation and safeguarding in structurally weak areas. The tax relief instrument was reviewed in 2015/16 and a new regime came into force on 1 July 2016.

1. Regional socio-economic development

Switzerland and all its regions considerably outperform the EU average across a number of indicators, with higher levels of GDP per capita (in PPS), higher employment rates and lower levels of unemployment (see Table 1). From an international perspective, regional disparities are relatively low but concentration trends in terms of population, employment and wealth creation have been a concern over the past two decades. Half of the population lives in peri-urban areas (a relatively high share in international comparison), and a comparatively low share of the population lives in rural areas.¹ With respect to a number of indicators, there is an important divide between metropolitan areas in the *Mittelland* on the one hand and Alpine tourism centres/peripheral rural areas on the other. Nevertheless, some indicators have shown converging trends in the 2000s.

Table 1: Regional disparities

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Population density NUTS 3										
EU28	115.1	115.5	115.7	116.0	116.3	116.4	116.6	117.1	117.5	
Switzerland	191.2	193.6	195.6	197.8	199.9	202.3	204.7	207.1	210.1	
Min	26.7	26.9	27.1	27.2	27.3	27.4	27.5	27.6	27.8	
Max	5025.7	5061.8	5099.0	5016.3	5049.7	5091.4	5140.9	5167.5	5345.7	
GDP(PPS) per head										
EU28	26100	24500	25500	26200	26600	26800	27600	29000	29200	29900
Switzerland										
Unemployment rates NUTS 2										
EU28	7.0	8.9	9.6	9.7	10.5	10.9	10.2	9.4	8.6	7.6
Switzerland	3.4	4.1	4.8	4.4	4.5	4.8	4.9	4.8	5.0	4.8
Min	2.3	2.7	3.1	2.6	2.8	2.8	3.5	3.4	3.4	2.9
Max	5.0	5.9	7.2	7.1	7.4	7.7	7.5	7.5	7.6	7.8
Employment rates NUTS 2										
EU28	65.7	64.4	64.1	64.1	64.0	64.0	64.8	65.6	66.6	67.6
Switzerland	79.5	79.0	77.3	78.3	78.5	78.4	78.8	79.2	79.6	79.8
Min	70.0	70.0	70.8	71.4	69.8	69.4	69.3	70.8	71.9	73.6
Max	81.6	81.1	80.3	81.6	82.1	82.9	83.1	83.4	84.2	83.5

Source: Eurostat.

Notes: (1) Rows Min and Max provide data for the lowest- and highest-ranked regions respectively. (2) Regional data on GDP per head in Switzerland are available only in Swiss francs or in US dollar PPS and therefore are not included in this table which reports data in Euro PPS.

¹ OECD (2011) *OECD Territorial Reviews: Switzerland 2011*, OECD Publishing.

Based on a regional typology developed by the regional policy platform 'regiosuisse', the 2017 stock-taking of regional development trends highlighted a number of findings, for instance:

- increasing labour market disparities between urban and rural areas;
- increasing labour productivity in the periphery, but starting from a low baseline;
- population growth in peri-urban areas, accompanied by high construction activity; and
- good provision of basic services across the country, but less so in rural areas.²

In 2016, the federal bureau of statistics published a report taking stock of disparities in the provision of public services, which is intended to form the basis for a more systematic monitoring of service provision.³ This was followed by a report on municipal typologies in 2017, revising the old Swiss structure dating from the 1980s. It introduced two separate systems, one defining nine categories for the 2,255 Swiss municipalities, ranging from urban agglomeration to rural periphery, and a more detailed one with 25 categories, distinguishing also between different functions of municipalities (e.g. residential, services, industry etc.).⁴

2. Fiscal equalisation

Swiss cantons and municipalities raise their own taxes, which leads to inter-cantonal and inter-municipal tax competition. Disparities in tax rates have been increasing, sometimes with self-reinforcing effects. The tax burden is lowest in the cantons of Nidwalden, Schwyz and Zug in Central Switzerland, and highest in the cantons of Geneva, Jura, Fribourg, Graubünden, Valais and Bern.⁵

As a corollary of the New Regional Policy, the New Financial Equalisation system (NFA) has operated since 2008 and aims to enhance balanced development. The NFA consists of three instruments:

- 1) A resource-equalisation mechanism between richer and poorer cantons based on non-earmarked funding provided by the federal government ('vertical' component of c. CHF 2.2 billion (€1.87 billion⁶) in 2013) and by wealthier cantons ('horizontal' component of c. CHF 1.5 billion (€1.27 billion) in 2013). The Constitution stipulates that the 'horizontal' component should amount to at least two-thirds but no more than four-fifths of the 'vertical' component.
- 2) Mechanisms of burden equalisation that favour cantons located in the mountains and central areas. They include geographical-topographical and socio-demographic dimensions, which were each endowed with a total of CHF 365 million (€310 million) in 2013.

² Regiosuisse (2017) *Monitoringbericht 2016. Die regionalwirtschaftliche Entwicklung in der Schweiz*, Bern, <https://regiosuisse.ch/documents/monitoringbericht-2016-die-regionalwirtschaftliche-entwicklung-der-schweiz> (accessed 10 July 2018).

³ Bundesamt für Statistik (2016) *Regionale Disparitäten in der Versorgung der Bevölkerung mit Dienstleistungen*, Neuchâtel, January 2016, <https://www.bfs.admin.ch/bfs/de/home/statistiken/querschnittsthemen/raeumliche-analysen.assetdetail.349938.html> (accessed 10 July 2018).

⁴ Bundesamt für Statistik (2017) *Gemeindetypologie und Stadt/Land-Typologie 2012*, Neuchâtel, May 2017, <https://www.bfs.admin.ch/bfs/de/home/statistiken/querschnittsthemen/raeumliche-analysen.assetdetail.2543323.html> (accessed 10 July 2018).

⁵ Bundesamt für Statistik (2012) *Regionale Disparitäten in der Schweiz*, Neuchâtel, p. 13, <https://www.bfs.admin.ch/bfs/de/home/statistiken/querschnittsthemen/raeumliche-analysen/indikatoren-regionale-disparitaeten.gnpdetail.2011-0591.html> (accessed 10 July 2018).

⁶ Calculations are based on the ECB exchange rate on 3 April 2018 of €1 = CHF 1.1775.

- 3) 'Hardship compensation' (*Härteausgleich*) in favour of those cantons that otherwise would fall below 85 percent of average funding per capita. In 2013, this compensation amounted to CHF 239 million (€203 million). This compensation element will be phased out by 2036.⁷

Table 2: Net financial equalisation payments to cantons in 2016, 2017 and 2018

Canton	2016		2017		2018	
	€ 1,000	€ per capita	€ 1,000	€ per capita	€ 1,000	€ per capita
Jura	162,454	2,314	159,870	2,247	159,678	2,225
Valais	606,359	1,896	663,349	2,025	695,668	2,091
Uri	81,387	2,293	77,789	2,161	74,365	2,053
Glarus	70,291	1,789	71,269	1,789	72,014	1,795
Graubünden	258,504	1,295	268,454	1,328	268,195	1,322
Fribourg	427,691	1,504	397,543	1,369	387,189	1,305
Bern	1,265,062	1,278	1,287,284	1,291	1,272,624	1,266
Solothurn	256,761	999	305,673	1,176	324,984	1,239
Appenzell I.Rh.	16,681	1,056	16,316	1,033	16,646	1,051
Thurgau	225,566	895	226,130	882	242,358	930
St. Gallen	393,440	814	419,142	858	446,953	907
Appenzell A.Rh.	44,496	836	47,354	883	46,663	866
Neuchâtel	182,957	1,053	141,501	807	150,936	853
Aargau	225,562	366	259,298	413	335,670	527
Lucerne	253,270	664	189,817	491	148,371	379
Schaffhausen	1,402	18	6,932	89	13,913	176
Ticino	48,869	144	47,637	139	41,520	120
Obwalden	22,341	622	14,471	397	4,246	116
Vaud	11,352	16	38,314	53	61,110	81
Basel-County	4,142	15	13,750	50	13,397	48
Zurich	-441,822	-316	-444,050	-314	-464,582	-325
Geneva	-245,528	-531	-258,428	-554	-297,157	-631
Basel-City	-92,800	-486	-108,979	-573	-123,866	-646
Nidwalden	-30,539	-742	-37,294	-893	-44,791	-1,065
Schwyz	-175,826	-1,188	-181,892	-1,210	-193,757	-1,275
Zug	-326,184	-2,840	-341,342	-2,913	-312,351	-2,626
Total	3,245,888	407	3,280,505	406	3,339,994	409

Source: Federal Department of Finance (*Eidgenössisches Finanzdepartement, EFD*), https://www.efv.admin.ch/dam/efv/de/dokumente/finanzausgleich/zahlen/2018/Bericht_FDK_2018.pdf.download.pdf/Bericht_FDK_2018.pdf (accessed 10 July 2018).

Note: See Table 2a in Annex for data in Euros.

⁷ Database of the Federal Department of Finance (*Eidgenössisches Finanzdepartement, EFD*).

The NFA is divided into 4-year periods, currently 2016-19. The Federal Department of Finance prepared a report on the effectiveness of the NFA in 2012-15.⁸ After some intense negotiation between net donor and net recipient cantons, an agreement was reached in June 2015. For 2016-19, components (2) burden equalisation and (3) 'hardship compensation' will continue unchanged. Component (1), the resource-equalisation mechanism, has been cut by CHF 165 million (€140 million), leading to annual savings of CHF 98 million (€83 million) for the federal government and CHF 67 million (€56 million) for donor cantons.⁹ However, there continue to be tensions between the recipient and donor cantons, which also result in some reservations in relation to cooperation in the context of the NRP.

3. The institutional framework of regional policy

The federal level is responsible for determining strategic objectives and spatial priorities as well as for ensuring legal conformity, while the cantons have maximum scope to define how objectives are achieved, including project selection. The core element is the New Regional Policy (*Neue Regionalpolitik*, NRP), which is based on co-financing via multi-annual programmes. It first ran until the end of 2015, and the second 8-year period started in 2016. At the national level, the key player is the State Secretariat for Economic Affairs (SECO) which provides national co-funding and wider support, notably via knowledge communities supported by the '*regiosuisse*' network.¹⁰ However, according to the Law on Regional Policy, the cantons are the central contact points of the federal government and they are also in charge of ensuring cooperation with the regions (i.e. sub-cantonal level). This is a change from pre-NRP practice when regional policy was directly targeted by the national level at the regional or local levels.

In addition, cross-sectoral coordination has been an important element of regional policy from its beginning, and there are a wide range of sectoral support schemes with regional development implications.¹¹ The Conference for Spatial Planning (*Raumordnungskonferenz*, ROK) serves as a forum for inter-ministerial coordination, jointly headed by SECO and the Federal Office for Spatial Development (ARE), with the Spatial Planning Council (*Raumordnungsrat*, ROR) serving as an external advisory committee. Thematic networks have also been created, notably the network for agglomeration policy in 2001 and the Federal Network for Rural Development in 2002. With the launch of the NRP in 2008, SECO increased its efforts to integrate regional policy with other policies and dedicated a specific NRP Pillar to cooperation and synergies with sectoral policies. Especially in relation to innovation policy¹² and tourism policy,¹³ there have been efforts to demarcate the roles of sectoral policies versus the roles of the NRP. More recently, relationships between the NRP and spatial development policy have been increasingly on the agenda of policymakers. Both the

⁸ Eidgenössisches Finanzdepartement (2014) *Wirksamkeitsbericht 2012-2015 des Finanzausgleichs zwischen Bund und Kantonen*, Bern, <http://www.news.admin.ch/NSBSubscriber/message/attachments/34085.pdf> (accessed 10 July 2018).

⁹ <https://www.efd.admin.ch/efd/de/home/themen/finanzpolitik/nationaler-finanzausgleich.html> (accessed 10 July 2018).

¹⁰ <http://www.regiosuisse.ch> (accessed 10 July 2018).

¹¹ For an overview of support schemes with regional development implications in a wider sense, see <http://regiosuisse.ch/news/uebersicht-finanzhilfen-aktualisiert> (accessed 10 July 2018).

¹² <http://www.kti.admin.ch/> (accessed 10 July 2018).

¹³ <http://regiosuisse.ch/news/spezialfall-tourismus-wann-finanziert-die-nrp-wann-innotour> (accessed 10 July 2018).

agglomeration policy and the policy for rural and mountainous areas, which are under shared responsibility of ARE and SECO, offer options for synergies with the NRP.

4. Regional policy objectives

Regional policy interventions are based on the federal Constitution, which states that the federal government can support areas under threat of economic downturn (Art. 103 on structural policies). The foundations of the NRP are laid down in the 2006 Law on Regional Policy, and are further specified in dedicated policy reports (*Botschaften*) by the Federal Council. The Federal Law on Regional Policy aims to 'enhance the competitiveness and added-value creation of individual regions and thus contribute to the creation and safeguarding of jobs in the regions, to the safeguarding of a decentralised settlement pattern and to the reduction of regional disparities' (Art. 1). Regional policy is therefore primarily conceived in terms of support for structural change and growth in regions needing to adapt their framework conditions in order to attract mobile resources. However, the Law on Regional Policy also contains a commitment to interregional cohesion. Article 2 sets out a number of principles, including bottom-up initiatives to improve competitiveness and added-value creation and the integration of sustainable development requirements. In addition, the law emphasises that geographical coherence, economic functionality and joint-task fulfilment have priority over institutional borders (Art. 3).¹⁴ In the absence of a constitutional commitment to equivalent living conditions, the notion of basic service provision (*service public*) has a high profile. The government sees it as 'a politically-defined provision of basic infrastructure goods and services, which are provided to all parts of the population and all regions according to the same principles, in good quality and at adequate prices'.¹⁵

The policy report on location promotion 2016-19, which includes a chapter on the 2016-23 NRP programme period,¹⁶ explicitly refers to five strategic frameworks that guide the NRP:

- **Spatial Concept Switzerland** (*Raumkonzept Schweiz*), 2012: The document acts as a framework for all spatially-oriented activities.¹⁷ Its guiding principle is to safeguard and enhance spatial diversity, sub-national cohesion, solidarity among different groups, and competitiveness. It forms the basis for the pilot programme PHR Wirtschaft (*Pilotprogramm Handlungsräume Wirtschaft*) (see Section 8). An ARE report published in May 2018 on the occasion of the fifth anniversary of the Spatial Concept concludes that the document has established itself as a point of reference in Swiss spatial development.¹⁸

¹⁴ Bundesversammlung der Schweizerischen Eidgenossenschaft (2006) *Bundesgesetz über Regionalpolitik*, 06.10.2006 (Stand am 1. Januar 2013), <https://www.admin.ch/opc/de/classified-compilation/20052127/201301010000/901.0.pdf> (accessed 10 July 2018).

¹⁵ Schweizerischer Bundesrat (2004) *Bericht des Bundesrates 'Grundversorgung in der Infrastruktur (Service public)'*, 23 June 2004, p. 4570.

¹⁶ Schweizerischer Bundesrat (2015) *Botschaft über die Standortförderung 2016-2019*, 18 February 2015, <http://www.news.admin.ch/NSBSubscriber/message/attachments/38353.pdf> (accessed 10 July 2018).

¹⁷ Schweizerischer Bundesrat *et al.* (2012) *Raumkonzept Schweiz*, https://www.aren.admin.ch/dam/aren/de/dokumente/raumplanung/publikationen/raumkonzept_schweiz.pdf.download.pdf/raumkonzept_schweiz.pdf (accessed 10 July 2018).

¹⁸ Bundesamt für Raumentwicklung (2018) *Fünfjahresbericht Raumkonzept Schweiz*, 22 May 2018, https://www.aren.admin.ch/dam/aren/de/dokumente/raumplanung/publikationen/funfjahresbericht-raumkonzept-schweiz.PDF.download.PDF/RKCH_Fuenfjahresbericht_fin_20180522_D.PDF (accessed 10 July 2018).

- **Federal Policy for Rural and Mountainous Areas** (*Politik des Bundes für die ländlichen Räume und Berggebiete*), 2015: After more than three years of preparations, the strategy was finalised in February 2015, jointly with the revised agglomeration policy. It was produced after increasing concerns about the future role of regions outside the main agglomerations, voiced mainly by representatives of mountainous and rural areas.¹⁹
- **Federal Agglomeration Policy** (*Agglomerationspolitik des Bundes 2016+*), 2015: The federal agglomeration policy was introduced in 2001 and revised in 2015.²⁰ It provides funding for transport infrastructure and pilot projects in about 50 agglomerations.
- **Innovation policy**: Since the adoption of the Law on Regional Policy in 2006, there have been several developments in the area of innovation that require coordination between the two policy areas. This includes especially federal support for knowledge transfer approved by the Commission for Technology and Innovation CTI²¹ in 2011.
- **EU Cohesion policy**: Despite Switzerland not being a member of the EU, Cohesion policy is an important reference framework for Swiss regional policy. The focus on Europe 2020 is perceived to be in line with the Swiss rationale for the NRP. Also, Switzerland participates in Cohesion policy via INTERREG, ESPON and URBACT.

In 2016, SECO's Promotion Activities Directorate (*Direktion für Standortförderung*) developed a framework strategy for all economic promotion activities. The internal strategy aims to strengthen the coherence of the different instruments and to support the creation of synergies. It sets out objectives and activity areas for 2020+.

5. Regional policy funding

Regional policy is funded by both the federal level and the cantons. The federal contribution comes from the Swiss Regional Development Fund (SRDF), which was initially endowed with CHF 1.5 billion (€1.3 billion), but has since been shrinking to c. CHF 1.2 billion (€1.0 million). The SRDF was set up as part of the introduction of the IHG (*Investitionshilfegesetz*) in 1974, which funded investments in selected mountainous and peripheral regions until its replacement by the NRP (*Neue Regionalpolitik*) in 2008. IHG loans were phased out at the end of 2016. Although annual outflows of the SRDF vary, the federal authorities are obliged to maintain its long-term value. The Federal Assembly approved an additional payment into the SRDF of up to CHF 230 million (€195 million) in September 2015.²² Table 3 gives an overview of federal expenditure for regional policy, including the outflow of funds from the SRDF in 2000-18. Until 2007, Swiss INTERREG funding was separate from the SRDF, but since 2008 it has been subsumed under grants provided by the NRP. In 2013, in the light of pressures on

¹⁹ Schweizerischer Bundesrat (2015) *Politik des Bundes für die ländlichen Räume und Berggebiete. Bericht in Erfüllung der Motion 11.3927 Maissen vom 29. September 2011. Für eine kohärente Raumentwicklung Schweiz*. Bericht vom 18. Februar 2015, Bern, https://www.are.admin.ch/dam/are/de/dokumente/laendlicher_raum/politik_des_bundesfuerdieaendlichenraeumeundberggebiete.pdf.download.pdf/politik_des_bundesfuerdieaendlichenraeumeundberggebiete.pdf (accessed 10 July 2018).

²⁰ Schweizerischer Bundesrat (2015) *Agglomerationspolitik des Bundes 2016+. Für eine kohärente Raumentwicklung Schweiz. Bericht vom 18. Februar 2015*, Bern, <https://www.are.admin.ch/dam/are/de/dokumente/agglomerationspolitik/agglomerationspolitikdesbundes2016.pdf.download.pdf/agglomerationspolitikdesbundes2016.pdf> (accessed 10 July 2018).

²¹ <http://www.kti.admin.ch/> (accessed 10 July 2018).

²² Bundesversammlung der Schweizerischen Eidgenossenschaft (2015) *Bundesbeschluss über weitere Einlagen in den Fonds für Regionalentwicklung vom 9. September 2015*, <https://www.admin.ch/opc/de/federal-gazette/2015/7415.pdf> (accessed 10 July 2018).

Swiss tourism due to the strength of the Swiss franc, an impulse programme for tourism resulted in additional NRP funding of CHF 200 million (€169 million).²³

Most funding takes the form of loans and grants. In 2000, loans under the IHG and then the NRP were c. CHF 100 million annually (€84.9 million) but they then fell to around CHF 50 million (€42.5 million) a year, and now vary significantly between years. Annual grants under the NRP were c. CHF 25-43 million (c. €19-36 million). As regional policy is co-funded by the cantons, the total amount is around double the level of federal funding set out in Table 3.

Table 3: Annual federal regional policy budgets in Switzerland, 2008-18, in CHF million

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Loans IHG and NRP	108.1 (91.8)	113.1 (96.0)	109.4 (92.9)	16.8 (14.3)	36.4 (30.9)	42.8 (36.3)	37.8 (32.1)	31.6 (26.8)	67.6 (57.4)	44.6 (37.9)	50.0 (42.5)
Grants NRP	28.9 (24.5)	27.7 (23.5)	31.9 (27.0)	24.5 (20.8)	42.8 (36.3)	34.7 (29.5)	34.5 (29.3)	25.5 (21.7)	33.4 (28.4)	33.7 (28.6)	40.0 (34.0)
Other	12.1 (10.3)	3.8 (3.2)	2.5 (2.1)	1.2 (1.0)	0.5 (0.4)	0.2 (0.1)	0.1 (0.08)	0	0	0	
Total SRDF	149.1 (126.7)	144.6 (122.8)	143.8 (122.1)	42.5 (36.1)	79.7 (67.9)	77.7 (66.0)	72.4 (61.5)	57.1 (48.5)	101.0 (85.8)	78.4 (66.6)	90.0 (76.4)
INTERREG											
TOTAL	149.1 (126.6)	144.6 (122.8)	143.8 (122.1)	42.5 (36.1)	79.7 (67.7)	77.7 (66.0)	72.4 (61.5)	57.1 (48.5)	101.0 (85.8)	78.4 (66.6)	90.0 (76.4)

Source: SECO and Swiss Statistics Office.

Notes: (1) See Table 3a for data in Euros. (2) 'Other' includes interest subsidies and payments based on other pre-NRP frameworks outside of IHG, such as Regio Plus, which provided CHF 74 million (€63 million) in total between 1997 and 2007. (3) Figures for 2017 are provisional. (4) See Table 3a in Annex for data in euros

6. Geographical coverage

The launch of the NRP in 2008 was accompanied by a major revision of the spatial coverage of regional policy. Historically, the focus was almost exclusively on mountainous areas, with some support available in parts of the '*Mittelland*' (i.e. the metropolitan and industrial lowlands between Geneva in the west and Lake Constance in the north-east). Under the NRP, the spatial remit of regional policy was increased beyond the most disadvantaged areas. For loans and grants under the NRP, large agglomerations (Zurich, Basel, Bern, Lausanne and Geneva) and the urban cantons of Aargau, Solothurn and Zug were initially excluded on constitutional grounds and to prevent competition for funding. However, they were able to receive NRP funding if they could prove in their programme applications that funding would benefit structurally weaker areas.²⁴

With the launch of the 2012-15 programmes, the spatial coverage of loans and grants under the NRP changed, and Geneva and Zug became the only two cantons not participating in the NRP. For the 2016-23 period, NRP coverage decreased as, in addition to the cantons of Geneva and Zug, Basel-City, Basel-County and Solothurn did not prepare implementation programmes for financial and political reasons. However, these cantons participate in other ways: Geneva participates in the inter-

²³ http://www.sgh.ch/fileadmin/documents/News/Pressemitteilung_-_Tourismusbericht_des_Bundesrates_26.06.2013_D_F_I_.pdf (accessed 10 July 2018).

²⁴ Schweizerischer Bundesrat (2007) *Botschaft zum Mehrjahresprogramm des Bundes 2008-2015 zur Umsetzung der Neuen Regionalpolitik (NRP) und dessen Finanzierung*, 28 February 2007, pp. 2454-5. This means that all cantons can submit implementation programmes.

cantonal programme for Western Switzerland (with the cantons Bern, Jura, Fribourg, Neuchâtel, Valais and Vaud), while Basel-City and Basel-County participate in the programme RIS Basel-Jura (with the canton Jura), and Zug participates via the regional innovation system Central Switzerland (which is integrated in the programme of Lucerne). Also, with the exception of the canton Zug that has no external borders, the cantons without implementation programmes participate in the NRP via cross-border INTERREG programmes.

Tax allowances, which were incorporated into the NRP in 2008, are targeted at 93 regional centres in economically weak areas across 19 cantons (Law on Regional Policy, Art. 12). Reforms in 2016 widened the funding perimeter to include more cantons, but also concentrated funding on regional centres within cantons.

7. Cohesion policy

In 2007-13, Switzerland participated in several European Territorial Cooperation programmes, including ESPON, INTERACT, URBACT and all three strands of INTERREG (i.e. cross-border, transnational, and inter-regional). After a positive evaluation²⁵ of Swiss participation in these programmes, INTERREG has continued as part of the NRP in 2014-20. It is implemented via separate programme agreements, which are detached from the NRP programme cycle and synchronised with Cohesion policy programme periods. This approach facilitates the integration of EU-driven requirements for the measurement of outcomes and impacts. The higher profile of ETC in Swiss regional policy is further confirmed by an increase of 15-20 percent in Swiss funding for INTERREG. Cantons are responsible for the Swiss participation in four INTERREG cross-border programmes (France-Switzerland, Italy-Switzerland, Rhin supérieur/Oberrhein and Alpenrhein-Bodensee-Hochrhein), ARE for transnational programmes, URBACT and ESPON, and SECO for INTERREG Europe.²⁶ At the end of 2017, SECO and ARE launched an evaluation of INTERREG in Switzerland covering implementation experiences as well as foreign policy relevance of cooperation in regional policy. The final report was expected in July 2018.

8. Regional policy instruments for problem regions

The main regional policy instruments for problem regions are the NRP itself and the NRP tax relief instrument for firms.

The New Regional Policy (*Neue Regionalpolitik*, NRP) is the main regional policy instrument. It was introduced in 2008 and replaced the investment aid instrument (*Investitionshilfegesetz*, IHG) that had provided support to mountainous regions since 1974. The NRP focuses on regional competitiveness and value creation; at the same time, support for disadvantaged rural and mountainous areas remains an underlying concern. The launch of the NRP marked a move away from regional aid and infrastructure investment towards the business environment, institutional capacity, network-building, planning and regional strategies. The first NRP programme for 2008-15 and the subsequent programme for 2016-23 are each divided into two 4-year rounds of cantonal implementation

²⁵ Zumbusch K, Quiquerez F and Scherer R (2013) *Evaluation der Schweizer Beteiligung an den ETZ-Programmen im Rahmen der NRP. Schlussbericht*, St. Gallen / Neuchâtel.

²⁶ Staatssekretariat für Wirtschaft and regiosuisse (2015) *Grenzübergreifende Zusammenarbeit in Europa. Interreg, ESPON, URBACT: Kooperation mit Mehrwert*, https://www.seco.admin.ch/seco/de/home/Publikationen_Dienstleistungen/Publikationen_und_Formulare/Standortfoerderung/Broschuren/grenzuebergreifende-zusammenarbeit-in-europa.html (accessed 10 July 2018).

programmes (currently 2016-19). Funding for the NRP is shared between the federal level and the cantons. Federal funding comes from the Swiss Regional Development Fund (SRDF), which provides up to CHF 400 million (€339 million) of loans and CHF 240 million (€203 million) of grants for the 2008-15 period. The NRP programme 2016-23 was launched in early 2016 and there are 25 cantonal and inter-cantonal implementation programmes. Changes are limited and the main features of the policy continue.

Tax allowances for firms are administered at the federal level by the State Secretariat for Economic Affairs (SECO) in collaboration with the canton where the firm is located. Tax allowances are the only federal incentive in the field of regional policy, as all other schemes are operated by the cantons. Although no tax allowances were to be granted under the NRP initially, this instrument has been maintained due to pressure from beneficiary cantons. The allowances are targeted on newly-created industrial and producer service firms with the aim of supporting job creation and safeguarding in structurally weak areas (i.e. areas with high unemployment, low population growth, low income, and a high share of industrial activity). Eligible costs relate to investments in equipment, buildings and intangible assets by newly-created industrial and producer service firms, for which an exemption up to a defined maximum from the direct federal tax on net earnings can be granted for 10 years. The tax relief instrument was reviewed in 2015/16 and a new regime came into force on 1 July 2016, under which tax relief is targeted at 93 regional centres in economically weak areas across 19 cantons, covering 10 percent of the population. The main changes from previous practice relate to the funding perimeter, which has been widened to include more cantons but is also more focused on regional centres within these cantons. In addition, there are now upper limits on the amount of tax relief, as well as increased transparency.

Other policies with important regional development implications are agglomeration policy²⁷ and the infrastructural fund (*Infrastrukturfonds*),²⁸ both run by ARE, and guarantees and interest payments provided by SECO to SMEs in mountainous and rural areas.

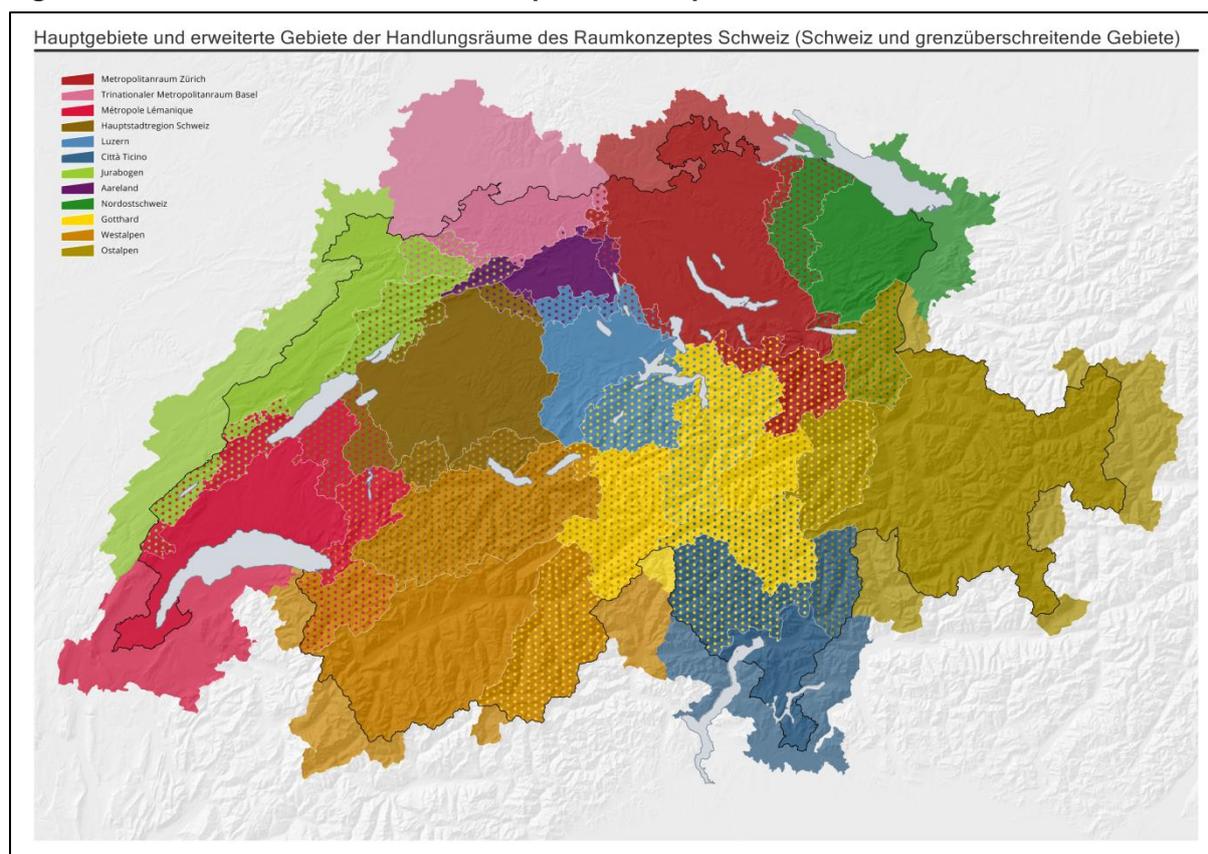
In 2016, the pilot programme PHR Wirtschaft (*Pilotprogramm Handlungsräume Wirtschaft*) was launched jointly by ARE and SECO, which provide a total federal contribution of CHF 3-4 million (€2.5-3.4 million) via the federal agglomeration policy and NRP Pillar 2 'Coordination of sectoral policies'.²⁹ The PHR is based on the 2012 Spatial Concept Switzerland, which identified 12 'action areas' (Figure 1) and aims to implement business-oriented projects that link urban and rural areas. The initial goal was to support one project per action area, but only seven projects were selected in 2016. Challenges arose due to the artificial rather than functional character of the action areas, which meant that potential project actors had first to find each other. The projects cover themes such as cooperation between agriculture and gastronomy, health tech and tourism, and are being implemented in 2017-19.³⁰ In June 2017, SECO prepared internal mid-term reports, and an evaluation is envisaged for 2019.

²⁷ <https://www.are.admin.ch/are/de/home/staedte-und-agglomerationen/strategie-und-planung/agglomerationspolitik-des-bundes-2016-.html> (accessed 10 July 2018).

²⁸ <https://www.are.admin.ch/are/de/home/verkehr-und-infrastruktur/grundlagen-und-daten/finanzierung/infrastrukturfonds.html> (accessed 10 July 2018).

²⁹ https://www.seco.admin.ch/seco/de/home/Standortfoerderung/Regional_Raumordnungspolitik/Aktuelles/phr-wirtschaft.html (accessed 10 July 2018).

³⁰ Kollbrunner S (2017) *PHR Wirtschaft Pilotprogramm Handlungsräume Wirtschaft 2016-2019*, regiosuisse-Tagung 'Kohärente Raumentwicklung: von der Vision in die Praxis', Biel, 14 March 2017,

Figure 1: Action areas as defined in the Spatial Concept Switzerland

Source: Schuler M and Dessemontet P (2016) *Abgrenzung der Handlungsräume*, February 2016, p. 35.

9. Emerging issues in regional policy

The link between **tourism and regional policy** has gained a higher profile in the context of the publication of a new Swiss tourism strategy in November 2017.³¹ The main priorities of tourism policy are entrepreneurship and digitalisation. The NRP is one of the four pillars of tourism policy (see Figure 2), representing between one third and one half of tourism funding.

Two current issues of particular interest to SECO are the role of **corporate social responsibility** and of **digitalisation in regional development**. For both, the regiosuisse platform has put knowledge communities in place.³² In terms of digitalisation, research showed that a negative spatial impact of digitalisation is larger in rural areas, thereby potentially increasing disparities.³³ A study commissioned by SECO in 2017/18 examined the effects of digitalisation on mountainous and rural areas. It

http://regiosuisse.ch/sites/default/files/2017-03/6_Praesentation_PHR_Wirtschaft_D.pdf and <http://regiosuisse.ch/pilotprogramm-handlungsräume-wirtschaft-phr-wirtschaft> (accessed 10 July 2018).

³¹ Swiss Federal Council (2018) *Tourism Strategy of the Swiss Confederation*, Bern, 15 November 2017, https://www.seco.admin.ch/dam/seco/en/dokumente/Standortfoerderung/Tourismus/tourismusbericht_en%20def.%202012.06.18.pdf.download.pdf/tourismusbericht_en%20def.%202012.06.18.pdf (accessed 10 July 2018).

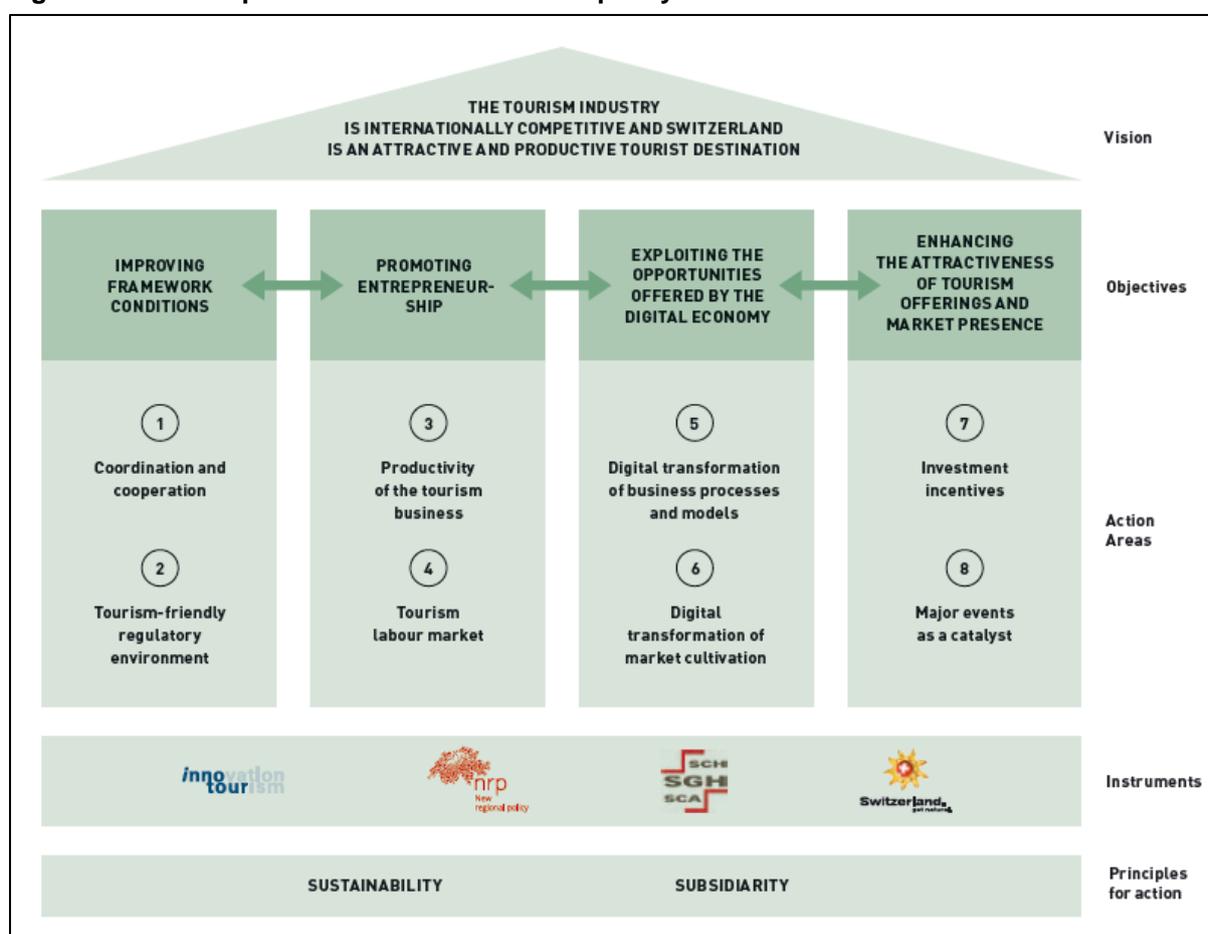
³² As part of Pillar 3 of the NRP to support networking and exchange of experience, knowledge communities gather stakeholders for a limited period of time to discuss selected issues such as the role of cantons in the NRP, education or result-orientation. So far, there have been 14 knowledge communities, including two ongoing ones on corporate social responsibility and digitalisation.

³³ Willimann I and Käppeli S (2017) 'Digitalisierung trifft Land härter als Stadt', *Die Volkswirtschaft* 6/2017, pp. 50-52, http://dievolkswirtschaft.ch/content/uploads/2017/04/18_Willimann_Kaeppli_DE.pdf (accessed 10 July 2018).

identified the greatest opportunities for rural regions primarily in the establishment of new sales and marketing channels and the creation of networks. For the further development of the digitalisation area of the NRP, the study recommends:

- digitalisation as a priority issue in the NRP;
- broader interpretation of export-oriented value-added systems;
- intensification cooperation between actors and regions;
- sensitisation of NRP target groups to challenges and solutions in digital transformation;
- recognition and use of digitalisation potential in public administration;
- consideration of measures for better accessibility with high-bandwidth networks;
- support for the development of regional data platforms; and
- measures to improve the supply of well-qualified workers in the targeted regions.³⁴

Figure 2: The four pillars of the Swiss tourism policy



Source: Swiss Federal Council (2018) *Tourism Strategy of the Swiss Confederation*, p. 27.

Finally, **rural areas** are increasingly on the agenda, particularly **mountainous areas**. The move from the 'old' Swiss regional policy based on the IHG to the NRP created a perceived lack of attention to mountainous areas amongst stakeholders. Following a study on structural change in the Swiss

³⁴ SECO (2018) *Digitalisierung und Neue Regionalpolitik (NRP). Schlussbericht*, March 2018, https://regiosuisse.ch/sites/default/files/2018-03/Digitalisierung_und_NRP_Schlussbericht.pdf (accessed 10 July 2018).

mountain regions published in February 2017,³⁵ a so-called *Postulatsbericht* is being drafted in 2018. This report looks at the development prospects of the Alpine arc due to changing economic conditions and will be presented after the summer of 2018.³⁶ Also, there are plans to set up an impulse programme for mountainous areas, along the lines of the impulse programme for tourism launched in 2013.

³⁵ Müller-Jentsch D (2017) *Strukturwandel im Schweizer Berggebiet. Strategien zur Erschliessung neuer Wertschöpfungsquellen*, February 2017, Avenir Suisse, Zurich, <https://www.avenir-suisse.ch/files/2001/01/Strukturwandel-im-Schweizer-Berggebiet.pdf>. English summary: <https://www.avenir-suisse.ch/en/publication/structural-change-swiss-mountain-region/> (accessed 10 July 2018).

³⁶ <https://www.parlament.ch/de/ratsbetrieb/amtliches-bulletin/amtliches-bulletin-die-verhandlungen?SubjectId=39465> (accessed 10 July 2018).

Annex

Table 2a: Net financial equalisation payments to cantons in 2016 2017 and 2018 (in €)

Canton	2016		2017		2018	
	€ 1,000	€ per capita	€ 1,000	€ per capita	€ 1,000	€ per capita
Jura	138,965	1,965	135,770	1,680	135,607	1,889
Valais	514,954	1,610	563,353	1,719	590,800	1,775
Uri	69,118	1,947	66,062	1,835	63,154	1,743
Glarus	59,695	1,519	60,525	1,519	59,459	1,519
Graubünden	219,536	1,099	227,968	1,127	227,766	1,122
Fribourg	363,219	1,277	337,616	1,162	328,822	1,108
Bern	1,074,362	1,085	1,093,234	1,096	1,080,784	1,075
Solothurn	218,056	848	259,594	998	227,693	1,052
Appenzell I.Rh.	14,166	896	13,856	877	14,136	892
Thurgau	191,563	760	192,042	749	205,824	789
St. Gallen	334,131	691	355,959	728	379,577	770
Appenzell A.Rh.	37,788	709	40,215	749	39,628	735
Neuchâtel	155,377	894	120,170	685	128,183	724
Aargau	191,560	310	220,210	350	285,070	447
Lucerne	215,091	563	161,203	416	126,005	321
Schaffhausen	1,190	15	5,887	75	11,815	149
Ticino	41,502	122	40,456	118	35,261	101
Obwalden	18,973	528	12,289	337	3,605	98
Vaud	9,640	13	32,538	45	51,898	68
Basel-County	3,517	12	11,677	42	11,377	40
Zurich	-375,220	-268	-377,113	-266	-394,549	-276
Geneva	-208,516	-450	-219,472	-470	-252,363	-535
Basel-City	-78,811	-412	-92,551	-486	-105,194	-548
Nidwalden	-25,935	-630	-31,672	-758	-38,039	-904
Schwyz	-149,321	-1,008	-154,473	-1,027	-164,549	-1,082
Zug	-277,014	-2,411	-289,887	-2,473	-265,266	-2,230
Total	2,756,593	345	2,785,992	344	2,836,513	347

Source: Federal Department of Finance (*Eidgenössisches Finanzdepartement*, EFD).

Note: Calculations are based on the ECB exchange rate on 3 April 2018 of €1 = CHF 1.1775

Table 3a: Annual federal regional policy budgets in Switzerland, 2000-17 (€ million)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Loans IHG and NRP	91.8	96.0	92.9	14.3	30.9	36.3	32.1	26.8	57.4	37.9	42.5
Grants NRP	24.5	23.5	27.0	20.8	(36.3)	29.5	29.3	21.7	28.4	28.6	34.0
Other	10.3	3.2	2.1	1.0	0.4	0.1	0.08	0	0	0	
Total SRDF	126.7	122.8	122.1	36.1	67.9	66.0	61.5	48.5	85.8	66.6	76.4
INTERREG											
TOTAL	126.6	122.8	122.1	36.1	67.7	66.0	61.5	48.5	85.8	66.6	76.4
% of national GDP	0.025	0.025	0.024	0.007	0.013	0.012	0.011	0.009			

Source: SECO and Swiss Statistics Office.

Notes: (1) See Table 3a for data in Euros. (2) 'Other' includes interest subsidies and payments based on other pre-NRP frameworks outside of IHG, such as Regio Plus, which provided CHF 74 million (€63 million) in total between 1997 and 2007. (3) Figures for 2017 are provisional. (4) Calculations are based on the ECB exchange rate on 3 April 2018 of €1 = CHF 1.1775