

Chapter 2

A New Regional Policy in Switzerland

Switzerland has introduced a New Regional Policy (NRP) to support regional value-added creation more effectively. This chapter explores four ways to maximise policy impact: i) extending the NRP's territorial coverage to reduce economic fragmentation and support polycentric development; ii) designing stronger incentives for inter-cantonal co-operation to facilitate policy synergies within functional economic areas; iii) enhancing co-ordination with sectoral policies, possibly through a formal co-ordination (or a possible merger) between the NRP and agglomeration policy, and closer collaboration between the NRP and agricultural policy; and iv) building strategic management and evaluation capacity both at federal and cantonal levels, while abiding by the Swiss principle of subsidiarity.

Key messages of Chapter 2

While the New Regional Policy (NRP) reflects a clear shift of focus from infrastructure and financial assistance towards economic support for value-added creation, further action can help to maximise its impact in practice:

- Extending the NRP's **territorial coverage** can reduce economic fragmentation and support polycentric development. The current focus on rural, mountainous and border areas could be broadened to the whole Swiss territory, in order to better take into account existing or potential linkages across regions, especially in terms of urban-rural linkages.
- More effective incentives for **inter-cantonal co-operation** will facilitate policy synergies within functional economic areas. Accompanying financial incentives with technical assistance and initiatives to disseminate knowledge on successful cases of inter-cantonal development projects could encourage further collaborative behavior.
- Enhancing **co-ordination with sectoral policies** will increase the leveraging effect of the NRP. Formal co-ordination (or a possible merger) between the NRP and agglomeration policy could be considered, and closer collaboration could be sought between the NRP and agricultural policy (with the goal of positioning the latter in a broader context of rural policy).
- Building **strategic management and evaluation capacity** both at federal and cantonal levels can bridge the federal government's commitment to providing good framework conditions and the cantons' operational responsibility, while abiding by the Swiss principle of subsidiarity.

The regional focus emerged on the Swiss policy agenda in the 1970s when spatial planning and regional policy were separately introduced through constitutional amendments (OECD, 2002). While the Spatial Planning Law (1979) and the subsequent Spatial Planning Guidelines (1996) prioritised an efficient use of land and harmonised development across the country along the lines of “decentralised concentration”, old regional policy used infrastructure investment and loans to attract firms in mountainous and rural regions (Table 2.1 and Box 2.1). Spatial planning initially aimed to organise urban areas and to protect rural areas from urban sprawl, whereas regional policy targeted infrastructure support for remote mountain regions. With

time, the objectives of spatial planning were geared towards territorial co-ordination of infrastructure development while regional policy was extended towards economically disfavoured regions in general.

Table 2.1. Spatial planning and regional policy in Switzerland before the NRP

	Spatial planning	Regional policy
Legal basis	Spatial Planning Law (1979) Spatial Planning Guidelines (1996)	Law on Investment Assistance in Mountain Regions (LIM, 1974)
Objective	Efficient use of limited land and reduction of external cost Harmonised spatial development across the country “decentralised concentration”.	Assistance for mountainous and rural regions with emphasis on infrastructure to attract firms
Instruments	Federal framework law Cantonal plans Municipal plans (only land use plans for zoning)	Loans for infrastructure in mountain regions Loan guarantees and interest subsidies for SMEs
Main actor	Cantons and municipalities	Cantons and groups of municipalities

Box 2.1. Instruments of “old” regional policy in Switzerland

Historically, multiple policies ranging from fiscal equalisation and agricultural policy to public investment in cantonal infrastructure contributed to inter-regional equity and targeted support to specific regions. The grants, loans, and tax exemptions currently available under New Regional Policy (NRP) replace or incorporate the following instruments used under “old” regional policy:

- **Law on investment assistance for mountainous regions (LIM, introduced in 1974 and updated in 1997):** provided low/no-interest loans for up to 50% of investment costs in basic and development infrastructure in 54 mountain regions. A financial match of at least 25% was required from cantons.
- **Assistance for businesses in mountain areas:** provided loan guarantees and interest subsidies for SMEs, hotels and health resort facilities.
- **Support of regions in economic transition:** provided guarantees, interest subsidies and tax concessions for private sector projects that created or maintained jobs in economically weak regions.
- **RegioPlus:** supported structural change in rural areas by co-financing approximately 150 local or regional projects that united public and private actors across sectors. Tourism and regional competence centres for SMEs were the top funded themes. On average, the Confederation provided 34% of project funding, with 12% coming from cantons and the remainder from private sources, including personal contributions. RegioPlus has been integrated into NPR.

Box 2.1. Instruments of “old” regional policy in Switzerland (Cont.)

- **InnoTour:** offered financial assistance to SMEs in order to promote innovation in tourism throughout Switzerland. Projects must involve multiple partners, which must also finance at least 50% of the project. InnoTour, which also finances education and training, still exists today and is funded with CHF 21 million for the period 2008-2011.
- **INTERREG, URBACT and ESPON** are European Union programmes that support cross-border, inter-regional, and trans-national co-operation among regions in Europe. While not an EU country, Switzerland has actively participated in those programmes. Switzerland engaged in approximately 500 projects through INTERREG between 2000 and 2006.

Source: OECD (2002), *OECD Territorial Reviews: Switzerland*, OECD Publishing, Paris; Gerster, R. and A. Haag (2003), *Diminishing the Digital Divide in Switzerland ICT – Policies, Practices and Lessons Learnt*, Swiss Agency for Development and Co-operation; European Commission (2008), “Focus – Final Evaluation of the Swiss Regio Plus programme”, *FlashNews: Leader+ Observatory*, newsletter of EC Directorate – General for Agriculture and Rural Development, Issue 74, 15 February; Scheidegger, E. (2004), “Can the State Promote Innovation in Tourism? Should It? The Example Of Switzerland”, presentation at the OECD conference on Innovation and Growth in Tourism, 18-19 September 2003, Lugano, Switzerland; SECO (2009), “Étude de monitoring OCDE 2010, Nouvelle politique régionale : Rapport general”, May 2009; Europa Press Release (2008), “Danuta Hübner encourages Switzerland to step up co-operation with EU”, 10 November 2008.

Throughout the mid-1990s, the scope of Swiss regional policy shifted away from redistribution towards a new focus on efficiency, competitiveness and the creation of value added in rural areas. This shift was formalised with the introduction of the New Regional Policy (NRP) which encourages an endogenous “growth-oriented” approach emphasising open markets, export capacity and competitiveness. Based on legislation passed in 2006 and launched in 2008, NRP is an illustration of a reform process currently underway in many OECD countries (Table 2.2). In most cases, the shift from top-down sectoral subsidies towards bottom-up integrated cross-sectoral investment represents a complex agenda that can take various forms (Box 2.2). This chapter aims at examining the new approach adopted by the NRP, as well as its challenges and opportunities.

2.1. The approach of the NRP: clarified objectives and renewed instruments

2.1.1. Policy focus

The New Regional Policy (NRP) represents a substantial shift from redistribution of resources from stronger to weaker areas, to promotion of endogenous growth opportunities in the latter areas. The objective of the NRP is

Table 2.2. **Old and new approaches to regional policy in OECD countries and in Switzerland**

	OECD		Switzerland	
	Old approach	New approach	Old regional policy	NRP
Objective	To redistribute from richest to poorest regions	To help all regions maximise their competitive advantages	To assist rural and mountainous regions with infrastructure to attract firms	To enhance the regions' competitiveness, export capacity and value-added creation
Geographic coverage	Lagging regions	All regions	Rural and mountainous regions	Rural and mountainous areas (excluding largest urban regions, eligible for separate agglomeration policy) and border regions
Targeted unit for policy intervention	Administrative areas	Functional economic areas	Sub-cantonal level (LIM regions)	Cantons and regions
Instruments	Subsidies and direct aid to individual firms	Mix of investment in hard and soft capital	Loans for infrastructure in mountainous regions, loan guarantees and interest subsidies for SMEs, project subsidies	Three pillars: i) Support regional economic strengths ii) Co-ordination of sectoral policies iii) Capacity building
Governance approach	Centralised, top-down	Bottom-up, collaborative	Regional plans	Cantonal programmes, based on contracts between Confederation and cantons

to assist rural, mountainous, and border areas to increase their competitiveness and to generate value added. Reduction in disparities is assumed to be an indirect result of increased regional competitiveness. Swiss rural regions tend to have a substantial share of economic activities (*e.g.* agriculture, natural resources, wood products, energy and construction) associated with relatively lower productivity and lower exporting rates (see Chapter 1, Section 1.3). The NRP assumes, however, that prosperity and development potential are driven by those economic activities that focus on exportable goods and services (*i.e.* outside of a canton, outside of the country).

The reform of the fiscal equalisation system (RPT) which was enforced in 2007 has been considered as a way to clarify policy objectives across different federal departments (Box 2.3). In particular, it has allowed for a clear division of policy objectives between the new fiscal equalisation system (in charge of ensuring equity across cantons) and the NRP (in charge of promoting the competitiveness of regions). The reform of the fiscal equalisation system aimed to provide the framework conditions for the NRP to focus on promoting the regions' competitiveness and value-added creation. It also strengthened incentives for cantons to bolster their tax bases by attracting new firms for example (Kirchgässner, 2007).

Box 2.2. Regional policy reforms in OECD countries

Several countries are directly or indirectly influenced by the evolution of EU policy towards more selective public investment targeting regional competitive advantages. Although all countries are in principle concerned with promoting national growth while keeping regional disparities at a politically and socially tolerable level, regional policy reforms have manifested themselves under different forms across OECD countries:

- **More effective integration of sectoral policies by the central government.** Efforts to bring a more coherent mix of sectoral policies to the regions were sometimes translated into spatial planning approaches at national and regional levels (*e.g.*, Comprehensive National Development Plans in Japan, National Spatial Policy Programme and Regional Spatial Plans in Portugal) or various forms of inter-ministerial co-ordination of sectoral policies (at the national level through the preparation of the National Strategic Reference Framework in EU countries; and at the regional level through co-ordination among the deconcentrated bodies of different ministries).
- **Customisation of sectoral policies to specific regional needs.** Measures were taken to better reflect regional needs during the elaboration of national sectoral policies. In particular, “rural proofing” initiatives aimed at determining whether a policy was likely to have a positive/negative impact on rural regions and addressed appropriately rural development issues (*e.g.*, Canada’s “rural lens”, Finland’s Rural Policy Committee, rural development strategy currently under preparation in Sweden).
- **Development of regional tools to achieve national policy goals.** In addition to tourism or environment policies that governments tend to connect more directly with regional geographic characteristics, other policies have started to recognise regional dynamics as an essential component of the policy setting. One of the most striking examples is science and technology policy and industrial policy, which have recently gained a more sophisticated awareness of the importance of proximity and are increasingly turning towards region-based innovation policy instruments (*e.g.*, Centres of Expertise in Finland, VINNVÄXT in Sweden, BioRegio in Germany, METI Industrial Clusters in Japan).

Box 2.3. Reform of fiscal equalisation (RPT)

Switzerland's fiscal federalism reforms, which back to the late 1980s, were passed in three different steps in 2003, 2006 and 2007. The 2003 vote concerned the constitutional amendments necessary to implement the reform, the 2006 vote concerned legal amendments to inter-governmental co-operation in various policy areas, and the third vote concerned the size of and rules applied to the equalisation funds introduced back in 2003. The government presented the reform package to voters in the form of four "pillars":

- First, **responsibility for a number of policy areas** such as education, social security, transport infrastructure and others – previously funded and regulated jointly by the federation and the cantons – were allocated either entirely to the federal or the cantonal level. As the federal level was funding its part of joint tasks through a set of inter-governmental grants, disentangling competences led to a decrease of grants by approximately 40% from their pre-reform level.
- Second, **a new fiscal equalisation system** was introduced, consisting of two elements: i) a horizontal equalisation fund financed by cantons with above-average tax raising capacity and granting payments to cantons with below-average tax raising capacity; and ii) a vertical equalisation fund financed by the federation for cantons with very low tax raising capacity or with above-average infrastructure or socio-demographic cost (education, social welfare, etc.). To compensate for the financial cost linked to the vertical equalisation fund, the federal government reduced the share of the cantons in the federal income tax from 30 to 17%.
- Third, the federal level obtained the **right to coerce cantons into horizontal collaboration** and joint funding in selected policy areas such as higher education and health care, in order to reduce externalities and free-riding of cantons and to improve collaboration on service provision across cantons.
- Fourth, a number of **public finance and new public management techniques** were introduced into the remaining joint policy areas where federal-cantonal collaboration was still required, such as standard and norm cost accounting or performance contracting. In the latter case, policy objectives – e.g., on environmental protection – were established jointly between the federation and the cantons while implementation was left to the cantons.

In addition, the creation of a "hardship fund" aimed at compensating cantons that were net losers of the reform, for a period of up to 28 years. A new budget rule also stipulated that the size of the vertical equalisation fund should have around two-thirds of the size of horizontal equalisation. After several changes to the substance as well as the title of the reform, the official name became "New Organisation of Fiscal Equalisation and of Task Allocation". Every four years, the

Box 2.3. Reform of fiscal equalisation (RPT) (cont.)

Parliament will have to decide on the total size of equalisation. While the reform covered the spending side of the federal budget – and grant revenues for the cantons – the federal tax system, tax assignment across government levels and cantonal taxing power remained untouched, except for the lower cantonal share in the federal income tax.

The “New Fiscal Equalisation” was one of the farthest-reaching institutional and fiscal reforms since the creation of the federation. It took more than 15 years from a small beginning in federal and cantonal administrations to the amendment of one-eighth of the entire Swiss constitution. The lengthy reform process allowed integrating all relevant stakeholders and was flexible enough to respond to new policy challenges, like the spending crisis in the large cities. The reform did not create a camp of united enmity but on the contrary offered several win-win situations and weakened or split remaining veto powers by limiting the number of well-identified losers. The support from a few political leaders, both at the federal and the cantonal level, and the conceptual leadership of the finance ministry and a few associated economists helped keep the reform process on track. Sequencing made the various reform steps easier to digest for voters, although the reform course was basically set at the first vote on the constitutional amendments. After adoption, the various reform steps are currently being implemented without much resistance, except for coerced cantonal collaboration, which is again on the political agenda, and for technical problems related with the definition of “tax raising capacity”. Finally, the reform spurred several cantons to reform their own cantonal-municipal fiscal relations and to increase efficiency of local public finance. All in all, the scope of the reform was unusual, and it is difficult to establish how much of its successful adoption is due to the particular Swiss context or due to favourable circumstances.

Source: Adapted from OECD (2009), “Reforming Fiscal Relations in Switzerland: The New Fiscal Equalisation”, draft note, COM/CTPA/ECO/GOV(2009)14, OECD, Paris.

2.1.2. Geographic target

The NRP targets three categories of areas:¹

- The first target is **rural and mountainous areas**, which incorporate the vast majority of Swiss territory but excludes the large agglomerations of Zurich, Basle, Bern, Lausanne and Geneva and the urban cantons of the Aargau, Basel-Landschaft, Basel City, Geneva, Solothurn, Zug and Zurich. Exceptionally, cantons may request that NRP funds be used for excluded areas. The seven urban cantons may also apply for NRP funds if they can demonstrate that the areas to be supported present the same structural challenges as the traditional target areas of NPR. In addition, parts of Aargau

and Zurich have been deemed eligible for NRP funds for the 2008-2011 period, and the cantons of Basel City and Basel-Landschaft receive NRP funds to promote cross-border and inter-regional co-operation. The NRP catchment area includes middle and small agglomerations, which are important drivers of their region's economic development and therefore eligible for NRP support. Ultimately, it is up to cantons to define which of their regions will be eligible for NRP support.

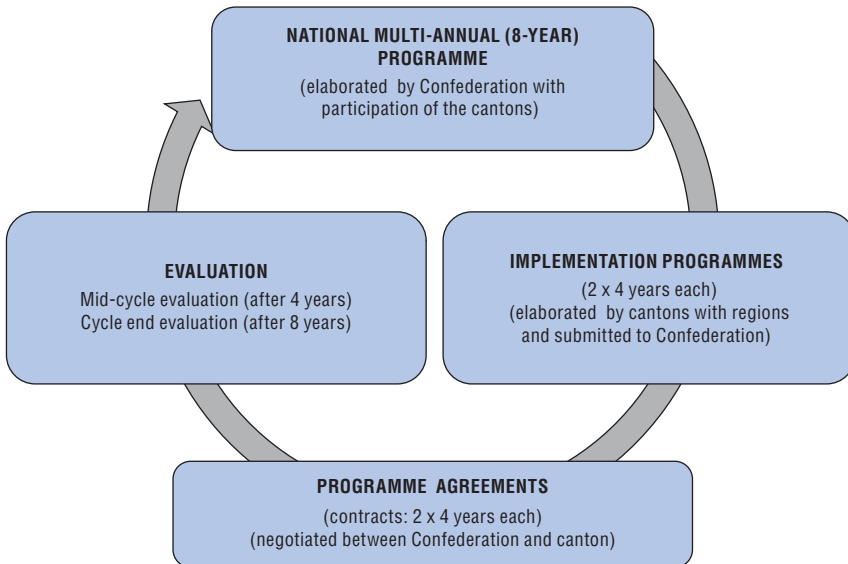
- The second geographic target is **border regions**. Within the framework of INTERREG IV, all cantons can co-operate with European partners. Border cantons can do it via transborder (INTERREG IV A) programmes, all cantons via trans-national (INTERREG IV B) and inter-regional (INTERREG IV C) programmes. At present, four INTERREG IV A programme regions cover the entire Swiss border area: France-Switzerland, Italy-Switzerland, Upper Rhine, Rhenish Alps-Lake Constance-Upper Rhine. Switzerland also participates in two INTERREG IV B programmes (Alpine Space and North-West Europe) and in INTERACT, ESPON and URBACT, which are European Union initiatives for the European Territorial Co-operation objective.
- Finally, the Confederation may offer tax reductions to **30 areas with specific structural problems**, such as low income and/or high unemployment rates. The eligible areas were collaboratively defined by the Confederation and cantons. Approximately 10% of the Swiss population lives in these 30 areas, which are located in 11 cantons (the entire canton of Jura and certain regions in Bern, Lucerne, Uri, Glarus, Solothurn, St. Gallen, Graubünden, Ticino, Valais and Neuchâtel). During a transition period which ends in 2010, partial concessions are available to areas that will be ultimately excluded (e.g. Schaffhausen, Thurgau, St. Gallen areas close to Zurich Airport) (Regiosuisse, n.d.; Landolf et al., n.d.).

A clear political intention of the NRP has been to act at a supra-cantonal level in order to enhance geographic coherence and economic functionality. This suggests cantons must not limit their activities to administrative boundaries, but instead seek and intervene in functional economic areas. Cantons are encouraged to include initiatives in their programmes, which are jointly developed or implemented by several cantons. Within cantons, NRP programmes apply primarily to “regions” although their definition varies across cantons. According to the Law on Regional Policy, “regions” are defined as “groups of cantons” (and municipalities). Most “regions” are inter-municipal associations or corporations that finance a joint regional management (financed by cantonal money and money from each municipality). Most of the cantons have established service agreements with their regions, although some smaller cantons implement the NRP without defining regions.

2.1.3. Actors and instruments

The NRP is guided by a principle of subsidiarity. As regional policy is a shared task, the federal government is responsible for providing the **overall policy orientation**, setting strategic objectives, and (co)financing programmes and projects while cantons are in charge of **policy implementation** (although as noted below, cantons provided input into the multi-year national NRP programme, seemingly giving cantons a role in policy design) (Figure 2.1). The same applies to the EU Cohesion Policy for example, with a dialogue on the formulation of regional policy programmes taking place between the EU, the member states and the regions while their implementation is left to the discretion of the member states and regions.

Figure 2.1. **Elaboration of the NRP programmes between the Confederation, cantons and regions**



Source: Based on Regiosuisse, "Collaboration Confédération/cantons en matière de conception, de mise en œuvre et d'invitation", www.regiosuisse.ch/politique-regionale-ch/processus-d2019application-processus-de-mise-en.

The NRP is organised around three pillars of activity:

- i) **Pillar 1 focuses on increasing the economic strength of regions and receives about 85% of total grant funding.** This pillar provides direct support for projects and programmes, including infrastructure. One-third of financing is dedicated to inter-cantonal projects. Pillar 1 activity targets the pre-competitive, framework conditions of the regional economy.

- ii) **Pillar 2 emphasises horizontal co-ordination across sectors and receives approximately 5-10% of NRP funding.** The NRP aims to strengthen co-ordination by implementing mechanisms such as co-operation agreements or cross-sectoral commissions with six sectors: i) agriculture; ii) tourism; iii) environment; iv) innovation; v) economic promotion; and vi) spatial planning.
- iii) **Pillar 3 supports the implementation of Pillars 1 and 2 by enhancing knowledge of regional policy among cantons and regional agencies (~5-10% of funding).** Using a contracted private sector company (Regiosuisse), the federal government supports networking and capacity building among regional policy actors.

Pillar 1 of the NRP is based on contractual arrangements between the Confederation and cantons (with regions). The NRP is implemented via a **multi-annual (eight-year) programme** developed by the State Secretariat for Economic Affairs (SECO), with the input of cantons.² The programme has six thematic priorities with specific geographic emphasis (Table 2.3), among which knowledge transfer and structural change in tourism are currently considered the most important. The federal government invites all cantons to submit an **implementation programme** to the federal government in order to apply for funding. These must align to the multi-year programme and meet a variety of criteria, including evidence of efforts toward sustainable development. In 2007, all but three cantons participated.³ Proposed programmes were not fully funded since cantons requested a total of CHF 293 million in loans (147% of available funds) and CHF 148 million in grants (201% of available funds). Based on the implementation programme, a **programme agreement** (*convention-programme*) is signed between the Confederation and the canton. This negotiated four-year contractual arrangement lays out the objectives, key milestones, management processes, the timetable, and the financing.

Table 2.3. **Six thematic priorities of the New Regional Policy**

Thematic priority	Geographic emphasis
Knowledge transfers in export-oriented value creation systems	Rural areas, including border regions
Structural change in tourism	Mountainous and lake regions
Market-oriented education and health systems	Rural areas
Energy sector	Alps and selected other regions
Natural resources	Sparsely populated midland areas, Jura region, and the Alps
Increased value added in agriculture in open markets	Agricultural rural areas

Source: Schiess, R. (2009), "Swiss Regional Policy", presentation to OECD mission, November 2009.

Grants, loans, and tax reductions constitute the three main financial instruments to implement the NRP. Within a multi-annual budget of CHF 405.5 million for 2008-11, the NRP allocates CHF 90 million per year: CHF 40 million is allocated to the activities of Pillars 1, 2 and 3, while the remaining CHF 50 million is available as loans with preferential interest rates for infrastructure development (Table 2.4). Grants and loans must be matched by an equal contribution from the cantons and cannot finance projects otherwise supported by the federal government (Loi fédérale, 2006). Due to the lack of a uniform definition of regional policy in OECD countries, and data limitations linked with potential components of regional policy, it is difficult to draw a coherent comparison between the Swiss budget for regional policy and those of other OECD countries. In addition to the grants and loans in Switzerland, there are reductions of direct federal tax which may be provided to private companies in specific geographic areas (see above) to reinforce the economy and create jobs. Tax reductions are limited to ten years and provided only if the canton provides a financial contribution equal to that of the Confederation (Regiosuisse, n.d.). Eligible firms are industrial enterprises and service companies close to production that have importance for the regional economy and that create jobs. Cantons determine the tax relief to be awarded, and if accepted by the company, forward the request to SECO. In 2008, 297 enterprises from 16 cantons benefited from these concessions. Business plans indicate a total of CHF 7.76 billion in planned investments and 17 600 additional jobs. It remains unclear to what extent the current use of NRP funding has leveraged private investment. Although the inclusion of the private sector is encouraged, companies rarely seem to play an active role in projects other than providing loans and grants (responses to OECD questionnaire, 2009).

Table 2.4. **NRP budget (CHF million)**

	Total for 2008-2011	Per year
TOTAL	405.5	90.0
Loans	262.6	50.0
Grants	142.9	40.0
Pillar 1	119.7	28-32¹
Cantonal programmes	69.6	
Inter-cantonal collaboration	27.3	
INTERREG IV A+C	22.9	
Pillar 2	12.2	5-8¹
INTERREG IV B, ESPON, URBACT	4.0	
National co-ordination measures between federal agencies	8.2	
Pillar 3	11.0	3-4¹
Regiosuisse	9.6	
Studies/research on regional development policy	1.5	

1. Approximate range.

Source: SECO.

2.2. Challenges and opportunities for the NRP

Further enforcement of the NRP's objectives could be sought along four lines of action, which will be considered in turn below:

- i) extending coverage to all regions;
- ii) increasing inter-cantonal policies;
- iii) better co-ordination of the NRP with sectoral policies; and
- iv) build strategic management and evaluation capacity.

2.2.1. Extending coverage to all regions

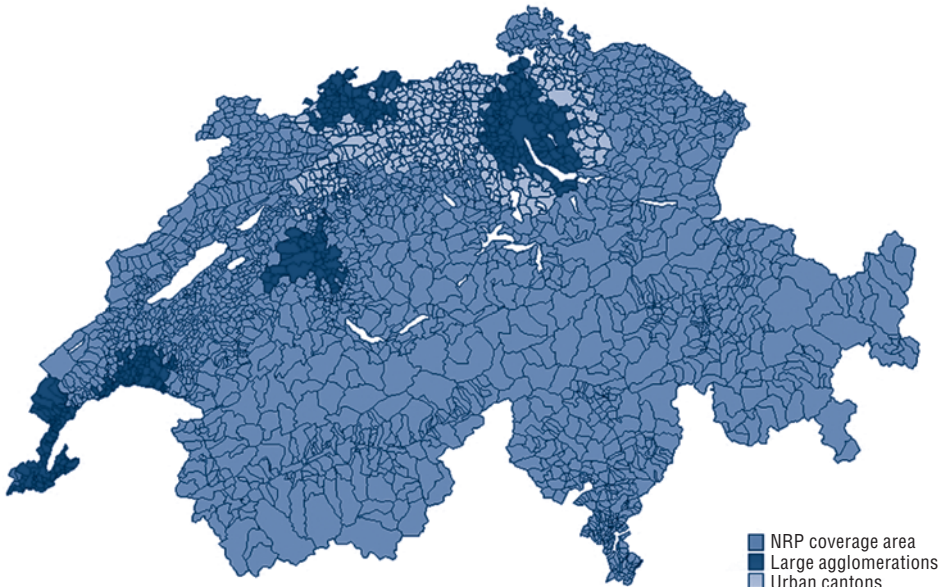
In contrast to some OECD countries that target the growth potential of all regions, the NRP continues to apply specifically to rural, mountainous and border areas under the explanation that urban areas are eligible for federal support through a separate agglomeration policy since 2001. This is the result of a compromise after urban areas initially argued for the elimination of regional policy, while mountainous cantons aimed to increase assistance for structurally weak regions. In practice, the coverage area of old regional policy, the NRP, and agglomeration policy display several geographic overlaps (Figures 2.2, 2.3

Figure 2.2. Coverage area previously used under the LIM



Source: Federal Statistical Office of Switzerland.

Figure 2.3. Coverage area of the NRP



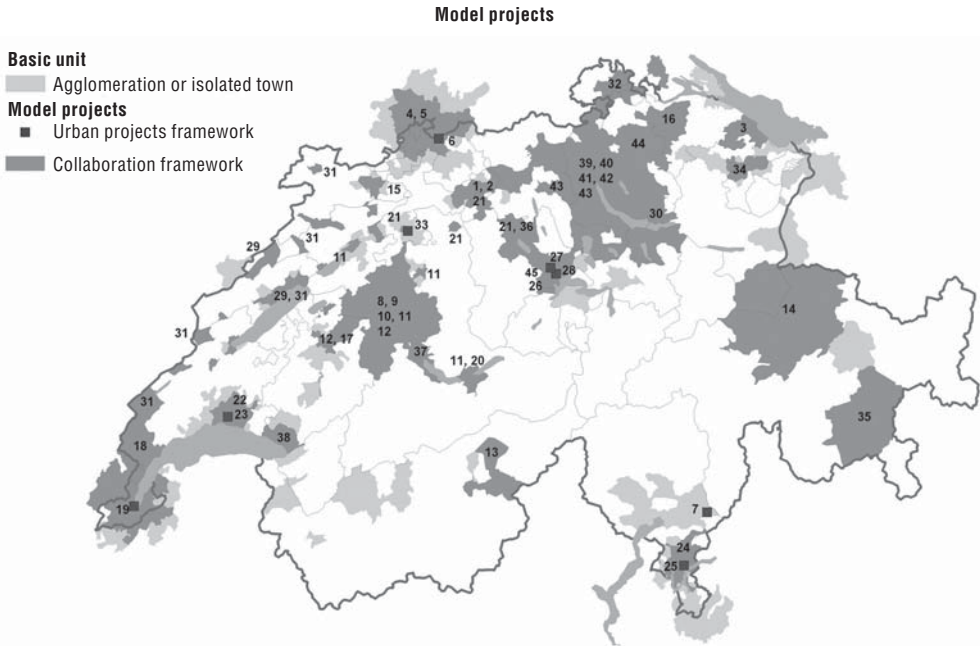
Note: Areas eligible for NRP support are indicated in blue. Areas captured by agglomeration policy are indicated in dark blue. Urban cantons, which are generally but not definitively excluded from the NRP, as indicated in light blue.

and 2.4). All cantons are involved in the implementation of NRP, including predominantly urban cantons, but their policy interventions are limited to the “rural”, mountainous or border areas that can be found in these urban cantons.

This limited coverage of the NRP is at odds with increasing inter-linkages between different regions (urban, intermediate and rural). As illustrated in Chapter 1, many cantons are linked to each other through inter-cantonal commuting flows, continuity in economic specialisations, patent links and economic activities that cross cantonal boundaries. These inter-linkages indicate that the current target areas of the NRP cannot be seen in isolation; their economic performance depends on the relation they have with other areas in Switzerland. In many OECD countries, regional development in lagging regions is seen in relation to well-performing regions: supporting the latter to do better can also be considered a viable policy to support lagging regions, under the objective of facilitating economic spillovers between well-performing regions and lagging regions, and more particularly urban-rural linkages (Box 2.4). The limited territorial coverage of the NRP constrains such possibilities.

It also creates incentives for urban cantons to stimulate sectors in which they have no comparative advantage (such as agriculture, natural resources and food). As urban cantons also implement the NRP on their territory, but cannot cover most of their territory where arguably their more productive and

Figure 2.4. Coverage area of agglomeration policy



Source: INFOPLAN-ARE, GEOSTAT-OPS, swisstopo.

innovative companies are located, they end up stimulating regional economic development in the limited areas within their canton that can be considered rural, mountainous or border areas. As a result, they may focus on sectors in which the canton is not necessarily specialised and does not always have a comparative advantage.

2.2.2. Increasing inter-cantonal policy co-ordination

Functional socio-economic areas in Switzerland are in many instances becoming wider than the areas defined by cantonal boundaries. As highlighted in Chapter 1, activities of people and companies in many cases transcend cantons, with the emergence of a few stretched metropolitan areas including several centres. This has implications for policy: as people and firms increasingly cross cantonal borders on a daily basis, there is a need for close co-ordination of policies that could ease these movements, and where lack of policy co-ordination would result in constraints for mobility. Examples include transport, labour market, education and other public goods and services that have spillover effects to other jurisdictions. Experiences from OECD countries indicate various models to bring administrative structures closer to functional realities (Box 2.5).⁴ These models include merging existing sub-national

Box 2.4. Economic spillovers among regions and urban-rural linkages

A number of inter-connected mechanisms can help to generate economic spillovers among regions. Such mechanisms include:

- Sharing of indivisible facilities such as local public goods or facilities, particular to a place, that serve several individuals or firms. Some examples are laboratories, universities and other large facilities that cannot belong to one particular agent but where some exclusion is implicit in their provision.
- Gains from the wider variety of input suppliers that can be sustained by a larger final-goods industry, that is, the presence of spillovers along with forward and backward linkages allows firms to purchase intermediate inputs at lower cost.
- Gains from the narrower specialisation that can be sustained with higher production levels. Several firms specialise in producing complementary products, reducing overall production costs.
- Risk reduction: if there are market shocks, firms can adjust to changes in demand as they have access to a deep and broad labour market that allows them to expand or contract their demand for labour.
- Matching mechanisms by which agglomeration improves the expected quality of matches between firms and workers, so both are better able to find a better match for their needs. Similarly, an increase in the number of agents in the labour market improves the probability of matching.
- Learning mechanisms based on the generation, diffusion, and accumulation of knowledge; these refer not only to learning about technologies, but also how to acquire the skills.

In many cases, the issue of rural-urban linkages is complicated by the issue of how to guide development in such a way that the environmental and social benefits of rural regions are not destroyed by efforts to generate economic opportunities. Often, the characteristics of rural assets as pure public goods mean that there are few direct incentives for private actors, or even public ones, to provide, maintain or invest in the supply of amenities because it is difficult to convert this investment into revenue for the investors. Nonetheless, these are clearly important assets for a region and can represent an important, and sometimes even the only, source of competitive advantage in some rural regions. Moreover, the valorisation of amenities is often the best incentive for their conservation. The central question is: how can policy makers “internalise” the externality benefits inherent in rural amenities so that providers have financial incentives to maintain and/or provide access to these amenities at a reasonable cost to the various users (both individual visitors and, in many cases, society as a whole). Instruments to ensure optimal provision of amenities can take several different forms, including the following: creating direct amenity markets (paying for access, user fees); creating amenity-related commodity markets (“green” markets); the buying of resources by interest groups; incentives, taxes and subsidies to providers, etc. Market-oriented economic instruments can stimulate co-ordination between supply and demand, and provide regulatory or financial incentives or disincentives to act in a particular way.

Source: OECD (2009), *Regions Matter*, OECD Publishing, Paris.

Box 2.5. **Bringing administrative structures closer to functional realities: examples of governance reforms in OECD countries**

Municipal amalgamations: examples from Denmark and Japan

At the relatively heavy end are functional models whereby governance structures are re-shaped to fit or to approximate to the functional economic area of the region through the amalgamation of municipalities. Pro-amalgamationists contend that this formula can reduce duplication, produce economies of scale and scope for service provision, improve accountability, enable a more equitable sharing of the burden of taxation, and contribute to improved spatial planning capacity. In **Denmark**, on 1 January 2007, after a four-year reform process, the number of municipalities was reduced from 270 to 98, with an average size of 56 000 inhabitants. After a series of public hearings and discussions in the second half of 2004, all Danish municipalities were asked to select the neighbouring municipalities with which they wanted to merge. The threshold size for the new municipalities was set at 20 000 inhabitants. Thirty-two municipalities (located largely around Copenhagen) remain the same because their total inhabitants exceeded 20 000. In **Japan**, while the government did not target an optimal size as part of the merger process, it did set a target of 1 000 municipalities. Japan encountered a variety of challenges during the latest merger due to community concerns about the naming of the new municipality, deciding whether to absorb or be absorbed by a municipality, determining the location of the new city hall, and setting the merger date. As such, explaining the context, justifications and benefits of mergers was important. Expected savings would come from reductions in personnel costs and investment savings. However, short-term expenditures are expected to rise over the next ten years, due to the integration costs in areas such as information systems and infrastructure development.

Creating metropolitan governments: examples from the Stuttgart Regional Association, the Greater London Authority and Metro Portland

Founded in 1994, the **Stuttgart Regional Association** represents 179 municipalities in the German Land of Baden-Württemberg, with around 2.6 million people. The Association's assembly is directly elected and its main responsibilities are regional spatial planning, transport infrastructure and operation, and regional economic development. The association is funded by municipal contributions (54%) and inter-governmental conditional grants from the Land of Baden-Württemberg (46%). Most expenditure (85% of the associations' budget of around EUR 260 million) goes to funding regional express trains and the regional transport body that manages buses and tramways. The **Greater London Authority (GLA)** was established in 2000. Unlike any previous local or regional government in the United Kingdom, it is made up of a directly elected mayor and a separately elected assembly. The GLA's competences include a number of existing government programmes such as police, fire, transport and economic development. Other functions include environment, culture, media and sport, public health and inward investment. The GLA has no taxing power. The Metropolitan Service District, usually known as **Metro Portland**, is only directly elected regional government in the United States. Metro is governed by a council president elected region-wide and six commissioners. Metro levies a property tax,

Box 2.5. Bringing administrative structures closer to functional realities: examples of governance reforms in OECD countries (cont.)

but more than 50% of its budget comes from fees and charges levied on metropolitan-wide operated firms. Metro performs the following functions: i) provides land use planning and is responsible for maintaining the Portland-area urban growth boundary, a legal boundary which separates urban from rural land, and is designed to reduce urban sprawl; it co-ordinates with the cities and counties in the area to ensure a 20-year supply of developable land; ii) serves as the metropolitan planning organisation for the area, responsible for the planning of the region's transportation system; iii) manages several park facilities, handles waste disposal and maintains landfills and recycling transfer stations.

Establishing inter-municipal functional bodies: examples from the Montreal Metropolitan Community, the Greater Vancouver Regional District in Canada, and agglomeration communities in France

A new regional body called the **Montreal Metropolitan Community (CMM)** was created by the government of Quebec in 2001 to handle responsibilities in areas of land planning, economic development, housing and public transit, environment and waste management. The CMM has a planning, co-ordinating and financing role and is managed by a council made up of 28 representative mayors. Its budget is essentially funded by contributions from member municipalities (roughly 88%) and grants from the provincial government (roughly 12%). The CMM has been particularly active in promoting an economic development strategy for the whole metropolitan area, including the creation of a regional fund, the production of a strategic vision and the elaboration of a cluster strategy, as well as lobbying towards higher levels of governments to get more funding for municipal infrastructure. Canada's **Greater Vancouver Regional District (GVRD)** is a voluntary partnership between over 20 municipalities that has achieved striking successes to deal with such challenges as rapid growth, under-investment in infrastructure and so on. The GVRD has formal responsibility in providing metropolitan-wide services such as drinking water, sewage treatment, recycling and garbage disposal, as well as regional planning and environment protection. It can also choose to take on other roles on a voluntary basis. Municipal organisation in **France** is characterised by fragmentation. With the introduction of three laws, the government developed a mechanism to encourage the creation of Agglomeration Community (a public inter-municipal co-operation body for urban areas of over 50 000 inhabitants grouped around a central city with at least 15 000 inhabitants) and the Urban Community (a public inter-municipal co-operation institution for urban areas with over 500 000 inhabitants). These joint inter-municipalities bodies are directed by councils composed of representative municipalities and carry out such functions as spatial planning, economic development, public transport, environment, social housing, waste disposal, etc. These authorities enjoy their own tax revenues from a common business tax and receive some financial assistance from the central government.

Source: OECD (2009), *Regions Matter*, OECD Publishing, Paris, and OECD (2006), *Competitive Cities in the Global Economy*, OECD Publishing, Paris.

authorities (*e.g.*, mergers of municipalities in Denmark and Japan), creating new government tiers (*e.g.*, creation of metropolitan authorities such as the Stuttgart Regional Association, the Greater London Authority and Metro Portland), and establishing inter-municipal functional bodies (*e.g.*, the Montreal Metropolitan Community and the Greater Vancouver Regional District in Canada, agglomeration communities and urban communities in France). Some of these options, such as merging cantons, are politically not feasible considering the historically rooted role that cantons play within the Swiss institutional setting. The model that is widely used in Switzerland, and that might be further exploited, is inter-cantonal policy co-ordination.

With the advent of NPR, SECO initially expected the cantons to elaborate inter-cantonal implementation programmes but this did not materialise in the expected way. Approximately 25% of NPR funds were set aside for 2008-11 to fund inter-cantonal projects (CHF 23-31 million from Pillar 1, excluding INTERREG), which is consistent with a 2002 OECD recommendation to provide financial incentives for inter-cantonal collaboration. However, funds have been left unused due to a lack of projects. Cantons' priority appears to have been launching their own programmes prior to embarking on more complex collaborative initiatives. The under-utilisation of the funds suggests a need to promote the use of existing funds, build capacity to identify, design and implement appropriate cross-cantonal interventions, and possibly to increase the amount of funding available to increase the incentive effects. Some steps have already been taken. For example, the lack of inter-cantonal projects was the subject of discussion at a 2009 regional policy specialists' conference (*i.e.* the joint body of cantonal heads for NPR). For the 2012-15 programme period, drafting of cross-cantonal strategies for cantonal implementation programmes is to begin earlier than in the past.

Inter-cantonal co-ordination mechanisms often remain sectorally focused, which leaves a gap for more comprehensive co-ordination for economic development. Swiss cantons tend to be small, and in some cases smaller than the scale necessary for efficient public service provision. Horizontal co-operation among cantons is therefore considered to be more intensive in Switzerland than in other federal states (Bochsler, 2009). Three major mechanisms currently in use, i) cantonal conferences, ii) inter-cantonal concordats, and iii) cross-border co-operation, have played a role in enhancing horizontal co-ordination, but NPR could facilitate further co-operation across cantons for broader economic development.

i) Building on inter-cantonal conferences for economic development

Inter-cantonal conferences have proved valuable for promoting horizontal co-ordination for economic promotion. Bringing together representatives of cantonal governments facilitates information exchange, as well as joint

identification of problems and solutions. In addition to the national Conference of Cantonal Governments (CdC), inter-cantonal conferences of department directors are also organised regionally. The first regional conference was established in 1964 and the most recent (in the metropolitan area of Zurich) in 2009. The membership of conferences is frequently overlapping, which can sometimes complicate the choices of interests to be defended. While each canton has its own economic development (promotion) agency, some cantons have come together to form regional agencies to attract businesses and investment to the supra-cantonal regions. One example is the Greater Zurich Area (AG), launched in 1999 (originally named the Greater Zurich Network).⁵ More recently, six cantons of the Council of Western Switzerland's Ministers of Economy (CDEP-SO) agreed to establish a joint structure for identifying, attracting and securing foreign business investment (Box 2.6).⁶ The Conference of Cantonal Economic Directors has played a particularly important role in connecting the Confederation and cantons in terms of regional policy (EPRC, 2009). The Conference was consulted on the elaboration of the law establishing the NRP as well as on multi-annual programme, and should remain a key partner in the further programming periods of the NRP.

Box 2.6. Regional economic development promotion: GGBa

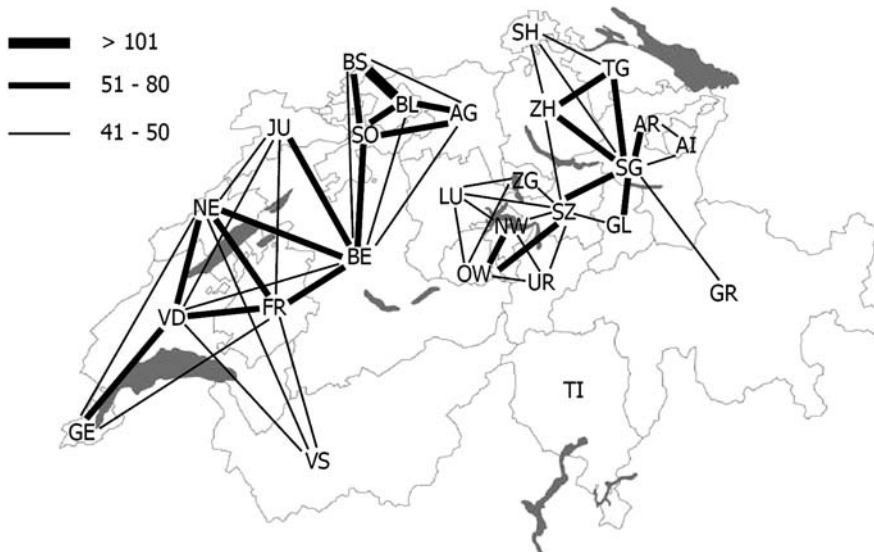
Launched after 18 months of negotiation in January 2010, the Greater Geneva Bern Area (GGBa), replaces three existing structures and brings together all but one of the cantons of the Council of Western Switzerland's Ministers of Economy (CDEP-SO): Bern, Geneva, Fribourg, Neuchâtel, Valais and Vaud. Headquartered in Lausanne, the new organisation will promote western Switzerland internationally, with a priority on three markets: the US, France and Germany. Markets in Italy, India, China, Brazil and Russia will also receive attention. Its budget of CHF 4.1 million (not covered by the NRP budget) is divided among the participating cantons based on an analysis of factors contributing to locational attractiveness. To account for the positive economic effects generating by businesses locating in the different cantons, "a system of retrospective financial re-allocation, based on the total payroll of the incoming companies, will be in place from 2012 onward". Cantons will maintain their individual economic promotion organisations and will each receive information from GGBa regarding prospects. Cantons will then decide whether or not to compete or co-operate to attract investment.

Source: Curtis, M. (2009), "New Agency Set to Promote Western Switzerland", *Swisster*, 10 December 2009; Unger, P.-F. (2009), "The Greater Geneva-Berne Area is born!", Council of Western Switzerland's Ministers of Economy (CDEP-SO), press release, 2 July 2009.

ii) Learning from the experience of inter-cantonal concordats

Inter-cantonal concordats tend to be narrow in scope and technical rather than strategic in nature. According to the *BADAC Database*, as of 2003, there were 733 inter-cantonal concordats among all 26 cantons. Very few cover all 26 cantons and few incorporate multiple cantons, most likely because revenue-side competition is common among cantons. Most inter-cantonal concordats are bilateral tax treaties aimed at eliminating double taxation. They tend to focus on fields where co-operation is pragmatic, e.g. fishing rules for inter-cantonal rivers or lakes; health services; maintenance of inter-cantonal roads; inter-cantonal police co-operation, especially in the case of large events, etc. (Bochsler, 2009). In addition they focus on education, science and culture. Some pairs of cantons count more than 100 each, while Valais and Appenzell Ausserrhoden have only 16 ties. The density of concordats is one indicator of the importance of supra-cantonal functional areas (Figure 2.5). In seeking to explain factors that facilitate inter-cantonal concordats, Bochsler (2008) finds geographical proximity to be a strong positive predictor.⁷ There is a positive effect in the area of infrastructure, environment, traffic and a negative effect in the area of finances/taxes.^{8,9} Inter-cantonal concordats do not correspond completely to

Figure 2.5. **Inter-cantonal concordats**



Source: Map from Daniel Bochsler and Samuel Thomi, in Bochsler, D. (2008), "A QAP Network Analysis of Intergovernmental Co-operation between Swiss Cantons", in T. Friemel (ed.), *Why Context Matters: Applications of Social Network Analysis*, Springer, Berlin, pp. 141-159, www.bochsler.eu/publi/bochsler_friemel08.pdf.

the functional realities that are emerging in Switzerland. In the context of increased inter-linkages between the metropolitan areas of Zurich and Basel, the lack of concordats between these cantons (and the cantons belonging to their wider metropolitan area) is noteworthy.

A more strategic approach to inter-cantonal concordats could be stimulated. Although some cantons increasingly recognise that they are too small to be competitive internationally if they act alone and they could collectively tap into economies of scale, the binding nature of inter-cantonal concordats may remain off-putting for a type of collaboration which has the potential to impact cantonal revenues. The lack of a binding cross-cantonal collaboration which integrates across sectors is partially filled via agglomeration programmes (see discussion of agglomeration programmes in Section 2.2.3 below), but could be further narrowed in the context of NRP programme agreements. A strategic approach could build on the sectoral concordats developed so far, and would enable broader economic co-operation that better takes emerging functional economic realities into account.

*iii) Facilitating cross-border co-operation*¹⁰

Although the NRP actively supports cross-border activities, various factors narrow the scope of such activities. Switzerland is bordered by five countries: France, Germany, Austria, Italy, and Liechtenstein. Bringing the EU Territorial Co-operation programmes under the NRP umbrella guarantees a budget for INTERREG (which may not have received parliamentary support as a separate law) and holds the prospect of improved co-ordination between commitments for regional and cross-border programmes. However, Swiss participants face a number of obstacles. First, there are **organisational differences** between the programmes. INTERREG and the NRP have different goals, calendars, and decision-making bodies which have to be harmonised. The former is organised in programme regions which often cover several cantons and have established structures. At the cantonal level, the individuals responsible for INTERREG and the NRP are not necessarily the same or even located in the same cantonal service. Second, there are **funding differences**. The EU makes substantially more financing available for INTERREG projects than does Switzerland through NPR. The contribution from the European Regional Development Fund (ERDF) towards cross-border co-operation amounts to EUR 215 million, representing an increase of 120% from 2000-06 (Europa, 2007). Finally, in bringing INTERREG under the scope of the NRP, projects must conform to both European and Swiss criteria in order to get federal NRP funds. For example, this means that some projects are eligible for funding under European rules (e.g. purely ecological social programmes) but ineligible for NRP funds (which must conform to the thematic priorities in Table 2.3 earlier). However, trans-national projects (INTERREG IV B, ESPON, URBACT) can receive NRP funding even if they do not

match the mentioned criteria on condition that they are of national interest. Also, cantons can support projects which do not conform to the Swiss criteria with their own budgets.

A number of cross-border agencies and commissions can be used to promote further cross-border collaboration. For example, cross-border agencies exist for Upper Rhine, Lake Constance, Graubünden, Ticino, Valais, Lake Geneva, and Jura arc. Targeted policy areas include environmental protection, shipping, fisheries, and hydroelectric power; road and rail traffic; urban and rural development; civil protection; and taxation of cross-border commuters (Federal Department of Foreign Affairs, n.d.). In certain areas, cross-border co-operation requires formal agreements between governments, and in some instances this has led to the creation of international joint government commissions. First, consultative commissions can provide a platform for exchanging information between actors in neighbouring regions and formulating recommendations to the national governments (albeit without any decision-making authority). Such consultative commissions currently exist in the Geneva region¹¹ (initiated by the local authorities) and in the Basel region¹² (based on impetus from the private sector). Second, special commissions can be created via bilateral treaties to address specific topics such as culture, public transport fees, environmental protection, and spatial planning. Approximately 40 special commissions are in place to date. Finally, cross-border co-operation can also take place at the municipal level and via non-governmental contacts such as between chambers of commerce, chambers of agriculture, employer federations, trade unions and other organisations on either side of a border (Federal Department of Foreign Affairs, n.d.). Experiences in OECD countries suggest that while cross-border regional co-operation is strongly supported by the EU and is considered as a bottom-up tool for reinforcing integration among EU members, specific programmes have not automatically resulted in the establishment of new public-private alliances to address regional and local development issues. At its most successful, collaboration has worked mainly where public agencies have been strongly involved and had a direct say in project definition and implementation (Table 2.5). This pattern is most often visible in North America for example, where governance structures tend to be more flexible, oriented towards a few pragmatic purposes and driven by the private sector and local governments.

2.2.3. Improving co-ordination between NRP and other policies

Regional policy in a broader sense largely depends on introducing regional angles in sectoral policies. OECD countries have experimented with various mechanisms to co-ordinate national policies horizontally at the regional level. For instance, Canada has created federal regional development agencies with catchment areas extending beyond provincial borders. The U.K.

Table 2.5. **Thematic categories of trans-border co-operation in OECD countries**

	Regional identity or common value	Regional identity or common value	Economic inter-dependency (price factor)	Economic inter-dependency (technology)
Examples	TriRhena, Öresund	Baltic Region, US-Canada	San Diego-Tijuana	US-Canada
Leader	Public sector (especially local government)	Public sector	Private sector's strong involvement	Private sector's strong involvement
Scope	Multi-faceted (place-based integrative approach)	Narrow (function-based approach)	Narrow (function-based approach)	Narrow (function-based approach)
Geographic scale	Clear-cut	Fuzzy	Fuzzy	Fuzzy
Temporal stability	Stable	–	Unstable in the long run	Stable
Institution	Mono-centred hierarchy, multi-faceted	Poly-centred network, issue-focused	Poly-centred network, issue-focused	Poly-centred network, issue-focused

Source: OECD (2009), *Trans-Border Urban Co-operation in the Pan-Yellow Sea Region*, OECD Publishing, Paris, Table A.2.

has placed Government Offices and regional ministers in nine regions, which co-exist with regional development agencies. In France, *Contrats de Projet État-Régions* are used to identify and integrate sectoral interventions at the regional level (Box 2.7).

Inter-sectoral co-ordination is critical to achieve the impact intended by the NRP. The NRP's annual budget of CHF 90 million is dwarfed by sectoral spending in key areas and fiscal equalisation transfers.¹³ Improving the impact of NRP is not necessarily linked to a need for additional funding but more effective co-ordination with (and leveraging effect on) other policies. Given the important variations in targeted areas, key actors and main instruments across policies in Switzerland (Table 2.6), Pillar 2 under NRP specifically aims to formally co-ordinate the NRP with different sectors. Agreements are sought to substantiate collaboration and to make co-operation more binding through better co-ordinated enforcement and development of the sectoral policies, permanent exchange of information, identification of cross-sectoral synergies, and development of common projects. Thus far, agreements have been established in three areas: innovation (to deepen co-operation in area of technology transfers from universities and SMEs); environment (to create examples of good co-operative efforts in the value chain from forest treatment to the market); and tourism (to co-operate with the tourism lobby in Switzerland). It will be particularly important to streamline joint programmes between the NRP and tourism policy considering the frequent overlaps of instruments and opportunities to promote structural adjustment and strengthen regional value chains. Monitoring information could prove useful in assessing the short- and medium-term usefulness of the agreements, as convincing potential partners of their value is presently an important obstacle to establishing them. Sufficient joint financing is also important if joint projects are to be developed.

Box 2.7. Integrating across sectors at a regional level: examples from Canada and the U.K.

Canada: federal regional development agencies

The Government of Canada decentralised its approach to regional development in the mid-1980s. The move toward decentralisation was accompanied by a reorientation of policy away from reducing regional disparities to encouraging the development of regions' unique potential, as well as the introduction of federal regional development agencies (RDAs). Canada has three RDAs, with catchment areas that span multiple provinces: Western Economic Diversification Canada; Canada Economic Development for Quebec Regions; and the Atlantic Canada Opportunities Agency. Each agency is represented in the federal Cabinet by its own Minister (on par with other federal ministers), and receives discrete, stable, base funding. The agencies' Ministers must take national policies into account in managing their portfolios, and at the same time represent regional interests through their participation in the federal Cabinet. RDAs are publicly accountable, providing forward-looking plans and past-year performance reports to Parliament each year.

U.K.: regional ministers and government offices

National government interests are represented in nine English regions and regional interests are communicated to the central government through a variety of mechanisms. There are Government Offices (GOs) in each of the nine English regions. These offices bring together the interests of 11 departments of national government in each region and communicate regional needs and interests back to the central government. In addition, in 2007, the Offices were complemented by the appointment of nine regional ministers. These are existing ministers, who – in addition to attending to their departmental ministerial duties – are to ensure a strategic direction for the region in terms of national policy and also represent regional interests in national government.

Source: "TDPC Meeting at Ministerial Level: Canada's Speaking Notes", accessed April 2010, www.oecd.org/dataoecd/35/60/42594078.pdf; Wright, I. (2009), speaking notes for the OECD Ministerial Meeting, "Investing for Growth: Building Innovative Regions", Session II – Mobilising Actors and Capacity for Regional Development, accessed April 2010, www.oecd.org/dataoecd/61/37/42562964.pdf; Secretary of State for Justice and Lord Chancellor (2007), "The Governance of Britain", presented to Parliament, July 2007, accessed April 2010, www.official-documents.gov.uk/document/cm71/7170/7170.pdf.

Cross-sectoral co-ordination efforts in the right direction have helped to minimise programmatic redundancy and increase synergies among federal activities. In addition to Pillar 2 activities, SECO held bilateral discussions with multiple federal offices to co-ordinate cantonal strategies with other sectoral policies (i.e. CTI/knowledge and technology transfer, agriculture, territorial

Table 2.6. **The Swiss policy environment for the NRP and selected sectoral policies**

	NRP	Agricultural policy	Agglomeration policy	Spatial planning	Tourism	Export promotion and location marketing
Targeted areas	Mountainous and rural areas and border regions	Individual farmers	Urban agglomerations	Cantons and municipalities	"Destinations" with variable geometry at municipal and regional level	National reach
Key actors	SECO, cantons	FOAG (Federal Office for Agriculture)	ARE, SECO	ARE	Federal government, partly outsourced to Suisse Tourisme and Swiss Society for Hotel Credit	OSEC Business Network Switzerland
Main instruments	Federal multi-year programme 2008-2015 Cantonal implementation programmes	Direct payments	Agglomeration programmes Infrastructure Fund Model projects	New Spatial Concept of Switzerland Cantonal plans Municipal plans	Innotour (supporting innovation and co-operation in tourism)	Information and consulting services

development, energy, parks, forestry, agglomeration policy and tourism). A second round of co-ordination meetings was held in spring of 2009, following receipt of cantons' annual reports. Results included: pursuit of follow-up studies (e.g. tourism, agglomeration policy); common influence on federal ministers tasks (e.g. agglomeration policy); influence the elaboration of sectoral strategies or legislation (e.g. spatial planning); general information exchange (e.g. sustainable development); co-ordination of projects or enforcement practice (e.g. tourism); co-operation within model projects (e.g. rural development); synergies from common instruments (e.g. wood). Finally, the Conference of the Confederation for Territorial Organisation (COT) under the joint authority of SECO and ARE also brings together federal actors four times per year and a workshop on a relevant topic of interest is held annually. At the same time, notable gaps persist in three key areas: agricultural and rural policy; agglomeration policy; and spatial planning. (The relation between the NRP and regional innovation policy is addressed in depth in Chapter 3.)

NRP and agricultural and rural policy

Switzerland currently runs in parallel an agricultural policy and the NRP, which *de facto* focuses primarily on rural areas. In 2002, the OECD recommended that a sustainable rural development strategy be developed, based on the exploitation and valorisation of natural and cultural amenities. Instead, multiple policies are currently pursued through various sectors that have an impact on rural areas. Among them, agricultural policy is particularly important and adopts a focus on sustainable development. The primary tool of Swiss

agricultural policy is direct payments to farmers (Box 2.8), but other existing tools contribute to rural development. For example, funds are provided for agricultural roads, irrigation and the improvement of farmland, although this represents a relatively small share of the agricultural policy budget. Eighty per cent of these investments are made in hilly and mountainous areas (OECD, 2009a). At the same time, the NRP targets rural, mountainous and border regions, and runs its own three pillars of instruments. The two policies therefore often target similar geographic areas but different objectives and different actors through separate thematic actions.

Box 2.8. Overview of Swiss agricultural policy

According to the federal Constitution, agriculture should help to ensure food supplies, conserve the landscape, and facilitate decentralised settlements via a sustainable and market-oriented policy. The main tool of Swiss agricultural policy is direct payments to farmers, which constitutes over 70% of the agricultural budget. Payments are not linked to production, but rather function largely as income support. Payments are available for agriculture/farming as opposed to agro-tourism (for which loans are available). The use of direct payments decoupled from product prices represents a substantial shift in policy. Beginning in 1993, Switzerland instituted a shift toward less government control, encouraging farmers to be more entrepreneurial, making farming more environmentally friendly, and reducing border controls. At the outset of the reform process, the largest portion of the budget was dedicated to market support. The reform introduced direct payments to compensate farmers for their “public and ecological services”. Price guarantees were gradually eliminated. The shift away from market intervention has meant an overall decline in farmers’ incomes, with farmers facing prices that are approximately 25% less than they were a decade ago. In response, farmers have increasingly diversified their portfolios to include agrotourism, leisure activities, social services, education, and other activities. Productivity in farming as also risen. Today agriculture employs 2.2% of the Swiss population and contributes to less than 1% of GDP. Total public expenditure on agricultural policy for the period 2008 to 2011 is CHF 13 499 million.

Source: Federal Office for Agriculture (FOAG) (2004), “Swiss Agricultural Policy: Objectives, Tools, Prospects”; Federal Office for Agriculture (2009), “Swiss Agriculture on the Move: The New Agriculture Act – Ten Years On”.

While regular informal exchanges of ideas and mutual support for projects have been put in place, co-ordination between agricultural policy and the NRP could be enhanced. Informal relationships may be more efficient and effective in the short term. In the long term, it is critical to strengthen and sustain co-policies with an impact on rural areas was the 2006 creation of the “Federal

Network for Rural Development”, which is jointly financed by four federal offices (Economy, Agriculture, Environment, and for Spatial Development). The Network currently operates 13 pilot projects and is expected to endure through 2011. This experience of collaboration offers an encouraging starting point to be extended. The initiative of “regional development projects” (PDR) could also be further extended (Box 2.9). First launched in 2007, this initiative aims at encouraging bottom-up common projects between farmers and representatives of related sectors such as trade, tourism, the timber industry and forestry. Because many ideas tend to fail in an early stage due to a lack of professionalism, persistence and/or financial resources, the Federal Office for Agriculture has started to provide financial assistance for professional coaching (e.g., feasibility studies). Expanding this initiative can help build a more multi-functional and innovative rural strategy within the NRP framework.

**Box 2.9. Regional development projects (PDR)
under the Agriculture Act**

The Federal Office for Agriculture offers financial assistance (up to CHF 20 000, to be matched by co-financing from the applicants) for professional coaching for a one-year period. Professional coaches are consultants or advisers with a technical, engineering, environmental and business background. Once the coaching has led to a successful business plan, the regional development project runs under the lead of the canton (Cantonal Office for Agriculture), which submits a formal request to the Federal Office for Agriculture. A contract is signed between the federal and the cantonal offices. The cost of the project must be shared between the Confederation (40%), the canton (32%), and the private sector. Many projects currently running or under preparation concern agro-tourism (e.g. Brontallo, Urnäsch, Einsiedeln, Disentis, Hochstamm-Projekt Seetal, Klettgau, Leukerbad) and other activities such as regional products and food processing.

Agro-tourism has emerged as a promising avenue to diversify the economy of rural areas in Switzerland. At the national scale, travel and tourism are expected to make a direct contribution of 5.8% of GDP and to employ 351 000 individuals in 2010, i.e. 7.8% of total employment. Many of the destinations for which Switzerland is attractive on national and international markets are located in rural and mountainous areas, which makes tourism a key activity for areas targeted by the NRP. Agro-tourism has been encouraged as a way to diversify the incomes of Swiss farmers facing declining product prices by offering accommodation and tourism activities on their farms. The federal government also provides farm households with credit and

investment aid. Looking forward, the aim is to broaden the existing nationwide agro-tourism associations and platforms to include other stakeholders, to better co-ordinate the market performance of agro-tourism among its providers, to offer training on agro-tourism, and to encourage branding. Goals include improved co-ordination among partners, linkages with other parts of the tourism sector, creation of agro-tourism clusters, and the establishment of a common market performance.

The NRP could be instrumental in strengthening agro-tourism as a bridge between agricultural policy, tourism policy and economic development policy. As indicated in Table 2.7 below, almost all NRP cantonal implementation programmes focus on agriculture, tourism and the combination of both.¹⁴ The elaboration and evaluation of NRP cantonal implementation programmes could adopt a more strategic approach to financing and supporting areas that demonstrate clear comparative advantages in these fields. This would require mechanisms to streamline the stimulation of certain sectors in order to avoid dilution of efforts and funds. For example, experiences in Italy where agro-tourism has grown into a major source of rural income (Box 2.10) have raised questions regarding potential declines in service quality once public support ends and the need to increase the efficiency of agro-tourism policy. Thus, if agro-tourism is to be more than income support for Swiss farmers and to have long-term viability for the regional economy, *ex ante* assessment of projects within NRP implementation programmes could have a clearer focus

Table 2.7. **Main economic sectors mentioned in NRP cantonal implementation programmes**

	ZH	BE	LU	UR	SZ	NW	OW	GL	AR	AI	SG	GR	AG	TG	TI	VD	VS	NE	JU	SH	FR
Tourism	★	★	★	★	★	★	★	★	★	★	★	★	★	★	★	★	★	★	★	★	★
Natural resources	★	★	★	★	★	★	★	★	★			★			★	★	★				★
Energy	★	★	★	★	★		★						★	★	★	★	★	★	★		★
Manufacturing			★					★	★	★	★	★				★		★	★		
Health			★		★								★		★					★	
Agriculture	★							★					★					★			★
Recreation	★	★		★	★	★	★	★		★	★		★				★				
Aviation						★		★													
Food	★						★							★	★						
High tech		★	★				★	★		★	★				★	★	★	★	★	★	★
Commercial services			★								★						★	★	★	★	
Retail and logistics	★		★								★										
Metallurgy																					
Machinery								★			★										
Culture															★			★	★		
Education													★							★	

Note: The implementation programmes of Obwalden, Basel City and Basel-Landschaft did not mention main economic sectors to stimulate.

Box 2.10. Agro-tourism in Italy

Agro-tourism in Italy dates back to the 1950s, but with little time or skills to engage in the tourism trade, there were few farms with a guest house in Italy even by the 1980s. The situation changed in the 1990s and 2000s. In 1991, the European Union promulgated EU-Regulation 2092/91, a code of conduct for EU farmers aiming to become an agro-tourism destination. In Italy, new national approach and regional laws facilitated access to European money and revealed fiscal advantages for agro-tourism, which grew quickly. Access to EU LEADER funds played an important role in the growth of Italian agro-tourism and significant amount of these funds were absorbed by agro-tourism. Today agro-tourism represents an important source of income in rural Italy and offers rural regions the opportunity to develop a sustainable form of tourism. There are approximately 18 000 farmhouse resorts and in 2007, industry turnover was EUR 1 008 million. For residents, agro-tourism provides an additional income, both through room and board sales and through direct-to-consumer sales of agro-food products (cheese, wine, olive oil, fruit products, vegetables, meat and poultry). It attracts tourists that want to learn more about local culture and economic activities, thus providing a stimulus for forestry and environmentally friendly activities. It also plays a revitalising role in the most deprived areas, generating additional income for farm household and local communities with few other substantial economic activities.

Source: OECD (2009), *OECD Rural Policy Reviews: Italy*, extracts from Box 1.2: "Agro-tourism in Italy", p. 39; "Tourism: Good news for agritourism", published in "Wanted in Rome", 14 November 2008.

on examining: what factors affect the demand for and utilisation of agro-tourism offerings; how much public money is needed, for what duration of time, and for what purpose (e.g. infrastructure investment, training and education, etc.); how the level and quality of services can be sustained in the absence of public support; how private sector participation might be garnered, at what stage, and for what purpose; and how linkages between agro-tourism and other regional industries/services can be strengthened.

Considering the introduction of local agro-environmental programmes and private sector funding for landscape preservation within the NRP could also provide a valuable link between agricultural policy, environmental policy and economic development policy, particularly regarding challenges of an ageing rural population and opportunities to promote a green economy. As these challenges will become increasingly pressing, they might deserve prioritised focus for the next NRP period after 2013. Agro-environmental programmes might help in dealing with these challenges; good use could be made of experiences in other OECD countries within this field. For example, Austria has implemented interesting mechanisms to promote agro-tourism (Box 2.11). One initiative has been to use farming styles to improve the effectiveness of

Box 2.11. Local agro-environmental schemes and private funding of landscape preservation: the experience of Austria

Local agro-environmental schemes

Extensive small-scale agriculture increases the utility of those who spend leisure time in the Alpine regions in Austria, as it offers a pleasant landscape for recreational purposes. Farmers will mow the grassland, take care of the rural trail and road network, preserve the vegetation along the waterways and cultivate pastures. In general, farmers do not receive direct monetary compensation in return for these non-commodity outputs, and therefore their availability cannot be guaranteed, as their provision is based on altruistic or ethical motives. Since the number of full-time farms in mountain areas is declining rapidly, several tourist-intensive communities in Austria have opted to offer an incentive for the provision of landscape services in the form of direct compensation to local farmers. These compensation payments are voluntary public expenditure by local governments, and the amount has to be agreed by local community councils. In the assignment of seats in municipal councils in Austria, political parties take the structure of the local population into account. Successful bargaining outcomes appear to be tourism-motivated. A prerequisite for successful bargaining outcomes is that the benefits are monetised in the form of profit for hotel-keepers and tourist taxes. The average willingness to pay of tourists was calculated at EUR 0.67 per day. Local agro-environmental programmes are collective programmes that are binding for all farmers. Given the uniform compensation scheme, individual farmers choose whether to accept the programme or not. In 2000 farmers received on average EUR 241 per farm or EUR 34 per hectare of agricultural land. Local schemes were found to be an important supplement to EU and national agro-environmental schemes: an increase of EUR 1 in the national scheme increases local compensation by EUR 0.2. The national scheme apparently has not been a sufficient incentive for farmers to provide the recreational and conservation services desired by local communities, as a national programme cannot be expected to take into account all community-specific needs.

Financing landscape conservation by agro-tourism in the Weissensee area

The community of Weissensee is located in the Alps in the south of Austria. Weissensee is one of Austria's most tourist-oriented communities in which agriculture is closely connected to the tourist industry. The agricultural landscape represents an important input factor for the production of tourist services. In order to protect the rural landscape a landscape preservation programme has been set up and a private organisation, called the Landscape Conservation Organisation. This organisation has set up comprehensive production and landscape guidelines to be followed by farmers seeking monetary compensation for non-commodity outputs. Based on a set of criteria, the objective degree of difficulty in cultivation at the farm level is

Box 2.11. Local agro-environmental schemes and private funding of landscape preservation: the experience of Austria (cont.)

determined and this is translated into a point system. The payment of an individual farmer depends on the multiplication of his score with the number of hectares under cultivation. In order to be entitled to payments, a farmer has to respect several conditions with respect to livestock density, not using chemical fertilisers etc. All 26 farmers in Weissensee participate in the programme. The average monetary compensation per farmer was EUR 1 677. The landscape preservation programme is financed by payments of tourists spending their vacation in the areas. Around 5% of the local tourist tax is directly transferred to the Landscape Conservation Organisation for compensating landscape cultivation. In 2001 this amounted to EUR 25 500. The organisation received additional revenues of EUR 18 100 from the community budget.

Source: OECD (2008), *OECD Rural Policy Reviews: Netherlands*, OECD Publishing, Paris.

agro-environmental programmes by creating customised support packages and in advising and addressing farmers. Such local schemes can complement existing national and EU schemes, thus refining the policy instrument by taking into account locally preferred environmental outcomes. A second initiative has consisted in financing agricultural landscape preservation through a contribution from the agro-tourism sector, based on the fact that agricultural amenities such as idyllic landscapes and a well-preserved nature are key factors to maintain the business activities of the tourism sector.

NRP and agglomeration policy

Although the incorporation of urban areas into regional policy was recommended by the OECD in 2002, agglomeration policy and the NRP remain formally separate, largely for political reasons. Due to the short geographic distances between Swiss rural and urban areas, policy linkages between them are crucial. Yet, tensions have sometimes plagued the relationship between rural and urban areas as the two often compete for attracting credits and public funding. There is an organisational overlap between the NRP and agglomeration policy as the latter is the joint responsibility of the Federal Office for Spatial Development (lead) and the State Secretariat for Economic Affairs (SECO). While the target areas for agglomeration policy and the NRP are generally different, small and medium-sized agglomerations can essentially benefit from both the NRP and model projects mechanisms.¹⁵ Informally, “model projects” represent one venue where urban-rural connections can be explored (Box 2.12). Of the 50 model projects currently funded, approximately

Box 2.12. Overview of Swiss agglomeration policy

Switzerland launched agglomeration policy in late 2001, triggered by the new Article 50 of the federal constitution that obliges the Confederation to consider the situation of urban as well as rural areas. The policy aims to improve the economic appeal of towns and cities, to maintain the level of quality of life, to limit urban sprawl, and to maintain the heterogeneous mix of decentralised urban areas (polycentrism). There are 50 statistically defined agglomeration areas, which can be divided among large (1+ million inhabitants), medium, and small (20 000 inhabitants) agglomerations.

The federal budget for agglomeration policy is CHF 11 million and uses three policy tools.

First, for the purposes of programming, each agglomeration area establishes its own perimeter (which may differ from the statistical definition of agglomeration areas) and develops an **agglomeration programme**. This relatively new instrument is intended to facilitate collaboration and co-ordination within conurbations (among cantons, cities, and communes). Participants are expected to identify challenges, set priorities, and solve problems jointly among administrative units. To encourage communes to use this tool, the central government has offered to share the costs for the conurbation transport system, provided that the agglomeration programme demonstrates alignment of urban issues and transport planning. A programme agreement (*convention-programme*) is established between the Confederation and the co-ordinating body which establishes the contractual terms for the different parties. The Confederation provides 30% to 50% of the overall programme cost, based on an assessment of the agglomeration programme.

Second, agglomeration areas benefit from an **infrastructure fund** (a total of CHF 20.8 billion over 20 years, including CHF 6 billion set aside for agglomeration transport projects). The existence of an agglomeration programme is a precondition for accessing these funds. To date funds have been provided largely for transportation (e.g. the completion of the national road network, urgent agglomeration transport projects, and major roads in mountainous and peripheral regions). Funds released beginning in 2011 will target national road congestion hotspots and agglomeration programmes.

The third policy tool is a fund for **model projects**. The federal government provides up to CHF 500 000 annually for three to six years for innovative projects. Over 50 projects have been funded since 2002, with most focusing on collaboration among actors. In a number of cases actors developed model projects precisely to construct collaborations and create an agglomeration programme to access the infrastructure fund. This is consistent with the 2002 OECD conclusion that “the main issues for federal metropolitan policy are therefore of a more institutional than financial nature. Mainly they relate to stronger support for metropolitan collaboration, through support of partnerships whose objective is to provide metropolitan-wide public services.”

Source: Tobler, G. (2004), “Agglomeration Policy in Switzerland”, in *Spatial Planning in Switzerland*, report of the 40th World Congress of ISoCaRP – International Society of City and Regional Planners in Geneva; Tobler, G. (2009), “Federal Agglomeration Policy”, presentation to OECD mission, November 2009; SECO (2009), “Étude de monitoring OCDE 2010, Nouvelle politique régionale : Rapport général”, May 2009; OECD (2002), *OECD Territorial Reviews: Switzerland*, OECD Publishing, Paris, p. 144; OECD questionnaire, 2009.

8 to 10 address the urban/rural theme. The model projects programme is co-ordinated with NRP projects in order to prevent a duplication of effort and to ensure continuity.

Agglomeration policy mainly focuses on providing infrastructure rather than creating economic synergies between urban and rural areas. As several intermediate cantons are specialised in traditional sectors where relatively limited innovation is going on, this policy gap represents a missed opportunity to foster productivity growth. For example, no mechanisms are currently in place to facilitate spillovers from high-tech employment that is mostly dominant in urban regions towards other regions in Switzerland (see Chapter 3).

Polycentricity could be considered a key factor in linking agglomeration policy and the NRP. The idea of polycentrism arose from the historical settlement structure in Switzerland, which consists of a network of small-sized and larger cities; at the same time, the idea is closely associated with Swiss federalism. Swiss spatial planning coined the term “decentralised concentration” in the 1960s and 1970s to designate a hierarchically structured, static approach to spatial planning (the former LIM was based on this concept). The principles of spatial planning in Switzerland from 1996 coined the term “urban network Switzerland”, which – in contrast to the static concept of decentralised concentration – championed the dynamic idea of networking the cities. However, there was no concrete realisation and the urban network Switzerland concept never got off the ground. Polycentrism may designate metropolitan areas, agglomerations, urban networks or spatially homogeneous areas (e.g. the *arc jurassien*), consisting of several inter-linked centres. The idea is not to create polycentric areas by decree but to support the emergence of polycentric structures with concrete measures such as (ARE, 2009):

- Several model projects in the area of agglomeration policy focused on the organisation of polycentric structures – it is now planned to strengthen the financing for these model projects.
- Several agglomeration programmes focused explicitly on generating urban networks. The financing announced for TransRUN in the canton of Neuchâtel is a prime example of concrete support by the Confederation for the idea of polycentrism (Box 2.14).
- The idea of polycentrism is also reinforced by linking the financing of infrastructure facilities to strict checks on settlement development by means of the cantonal directive plan, as provided for in the Infrastructure Fund Act. In a polycentric structure, it is the centres and not the surrounding areas that are to be promoted.

Enhancing formal co-ordination (or eventual merger) between agglomeration policy and the NRP could be considered, based on close

Box 2.13. Agglomeration programmes

Agglomeration programmes have an open-ended definition and can include anything from settlement and transport to political issues such as integration of foreigners, education, health, youth, culture, safety, social matters, sport, tourism and the promotion of economic development. The first-generation agglomeration programmes, however, are devoted primarily to the issues of settlement and transport. They are the precondition for the agglomerations to receive federal funding from the Infrastructure Fund (hardware, basic infrastructure). On this basis, the projects, within the framework of regional policy, focus on the enhancement of regional economic potential (software, inter-company, pre-competitive) and promote development structures that generate added value.

ARE and SECO organised an exchange of views in April 2009 on agglomeration policy and the new regional policy (NRP), in which small and medium-sized agglomerations described their experience with the overlap of the two social policies with reference to specific projects (SECO and ARE, 2009).

- In Castione-Bellinzona, economic development projects are being encouraged in an interdisciplinary approach (location development). While spatial planning (directive plan, usage zoning plan) creates the spatial premises, the agglomeration programme makes it possible to plan and finance the infrastructure through the Infrastructure Fund, and regional policy contributes to improving the competitiveness of the economic development hub and its functional region (co-operation between centre and periphery).
- In the canton of Lucerne, the agglomeration programme and regional policy are each used for complementary spatial types (city-countryside). The Lucerne countryside also benefits from the increased attractiveness of the centres and the main development axes (agglomeration policy, model projects, etc.) since it capitalises on and enhances stimuli from the city (as part of the new regional policy, tourism promotion, etc.).
- In the canton of St. Gallen, five agglomeration programmes (international and cross-border) are underway, which are all mainly concerned with regional policy (canton as a whole). The regional organisations that implement agglomeration policy and the new regional policy are currently being reorganised. Overlapping projects concern mainly workplaces and integrated location development.
- The canton of Vaud participates in five agglomeration programmes (both inter-cantonal and cross-border), of which two (Agglo franco-valdo-genevoise and Lausanne-Morges) are by and large excluded from the NRP and three are covered by the NRP (Yverdon, Vevey-Montreux, Aigle-Monthey). To take the example of Yverdon: agglomeration policy, which provides the urban planning and transport framework to ensure Yverdon's competitiveness (Infrastructure Fund), fits in with the NRP, which strengthens Yverdon as an economic centre by exploiting the potential of industry, trade and universities.

Box 2.14. Réseau Urbain Neuchâtelois (RUN)

Le Réseau Urbain Neuchâtelois (RUN) is an association established in 2006 which brings together actors at different levels of government to implement the development strategy for the canton of Neuchâtel. It is composed of the canton of Neuchâtel and eight groups of communes (three agglomeration areas and five regions). It is governed by an executive committee and administered on a day to day basis by the Office of Agglomerations and Regions in Chaux-de-Fonds.

The 2004 cantonal development strategy has broad goals in five areas, each accompanied by three slightly narrower sets of goals. The five areas and the broad goals are: i) external relations: to promote the canton and its assets internationally; ii) economic development: to encourage development of firms and address brownfield development; iii) accessibility: to strengthen and extend public transportation systems; iv) urban areas: to create a strong urban network; and v) rural areas: to maintain and strengthen rural areas, recognising important urban-rural linkages.

The strategy is implemented through three policies: spatial planning, the NRP, and agglomeration policy. RUN brings together the latter two. It is unique in Switzerland in formally uniting these policies. With respect to the NRP, the goal is to encourage institutional reform, strengthen Neuchâtel as micro-technic pole, develop local energy potential, diversify the agricultural sector, and strengthen the canton's attractiveness as a tourism destination. The federal government has provided CHF 3.5 million in grants and CHF 14 million in loans for regional policy, which has been matched by a contribution of CHF 14 million from the canton of Neuchâtel. Agglomeration policy activities centre around the cities of Locle, Chaux-de-Fonds, and Neuchâtel, the urban communes of the Littoral, and the French communes of Villers-le-Lac et de Morteau. It includes a variety of projects in areas such as culture and infrastructure. The highest profile project is the development of a public transport backbone – called TransRUN – linking the three main cities and surrounding communities. The Confederation provides 35% of investments for the agglomeration region (CHF 126 million), including CHF 96 million for TransRUN.

The cantonal development strategy is implemented via two main mechanisms: the *plan directeur* cantonal and contractual arrangements among the various actors of RUN. An agglomeration contract or regional development contract forms the basis for co-operation among the eight groupings of communes, in partnership with higher levels of government. These eight administrative contracts delineate project objectives and mechanisms of working among the parties (*e.g.* the canton and the communes) for an open-ended period of time. They set out broad lines of action, projects, guidelines for implementation, mechanisms for financing, and obligations for evaluation. Establishing the eight contracts involved a lengthy negotiation process in which the interests of multiple parties – in terms of development and sovereignty concerns – had to be addressed. Sovereignty is a key issue for communes, particularly smaller ones which do not necessarily view cantonal priorities as fully aligned with their own.

Source: RUN (n.d.), "Organisation" "Acteurs" (webpages) at www.lerun.ch; République et canton de Neuchâtel (2004), "Conception Directrice Cantonale de L'aménagement du Territoire"; OECD questionnaire (2009); OECD questions for the Swiss local team (2010).

collaboration between the federal, cantonal and municipal levels. The Tripartite Agglomerationskonferenz (TAK), founded in 2001 as a platform for co-operation between the Confederation, cantons, and municipalities, aims to facilitate development of joint agglomeration policy, facilitate information exchange, promote collaboration with agglomerations, and address specific agglomeration problems (Tobler, 2009). Issues of horizontal and vertical co-ordination for agglomerations are among the themes deemed important for economic competitiveness and tackled through the TAK, which released two reports co-operation in 2004 and 2006.¹⁶ The TAK received attention in the 2002 OECD review as a useful model for vertical co-ordination. However, a formal tripartite arrangement for the NRP was not developed. The exclusion of wealthy (urban) cantons and metropolitan areas from the NRP meant that establishing a similar body for rural areas could create competition between the two structures: one urban and one rural. Instead, a tripartite territorial development conference which embraces urban and rural spaces could be created. At the national level, a more formalised co-ordination (or a possible merger) between the NRP and agglomeration policy could be considered.

NRP and spatial planning

Spatial planning in Switzerland currently reflects a fragmented spatial structure. Constitutionally, spatial planning is largely a cantonal task, with the Confederation's roles limited largely to establishing the legislative framework which provides national principles which cantons must respect, and to approving cantonal spatial plans. The Confederation's sectoral plans must also take account of cantonal spatial impacts. Cantons establish their own spatial planning and building regulations and a ten-year spatial development plan (*plan directeur*) which outlines how the various sectoral activities of different levels of government with territorial impacts are to be harmonised in a particular place (canton). The *plan directeur* is approved by the Federal Council and binding on authorities. Land use planning is a cantonal task, but frequently delegated to municipalities. In large cantons such as Zurich, Aargau, Thurgau, and Geneva, supra-municipal spatial planning tasks are often delegated to regional planning associations, which produce regional plans based on the cantonal *plan directeur*. Inter-governmental relations around spatial planning are addressed through the Council on Territorial Organisation, COTER (*Conseil de l'organisation du territoire*). This extra-parliamentary commission, established in 1997, advises the Federal Council, Federal Office for Spatial Development (ARE), and the State Secretariat for Economic Affairs (SECO).

The extent to which cantonal spatial plans are systematically subservient to a larger cantonal economic development plan is unclear. The main issue for the NRP is that "[w]hen fulfilling the tasks conferred on it, the Confederation is also bound by the aims and principles of spatial planning. Therefore, at all

levels of action – planning, legislation, administration, case-law – it remains subject to spatial planning law itself. Being tied to the ‘demands’ of spatial planning also means that the Confederation is bound by cantonal law and the planning studies based on it unless exempted by special provisions” (Muggli, n.d.). NRP cantonal implementation programmes must be consistent with the canton’s ten-year spatial development plan. “Hard” infrastructure investment through the NRP is therefore effectively subservient to cantonal spatial plans. NRP investments in “soft” infrastructure (i.e. human capital, knowledge transfer) are less affected by spatial planning.

More coherent spatial development could be promoted through the new spatial concept currently at work. In light of the political fragmentation of functional areas, the 2002 OECD *Territorial Review of Switzerland* recommended that horizontal co-ordination of cantonal spatial development planning be strengthened. In 2006, following a 2005 report by the Federal Office for Spatial Development (ARE), Switzerland launched a reform of spatial planning across levels of government. By signing the “Convention for the common development of a territorial development project”, all three levels of government committed to work together to define a national concept which would provide the basis for future co-ordinated action by actors at different levels. It could enhance the likelihood of complementarity across cantons. The concept is scheduled to be finished by 2011 but it is not binding. While it is a significant step for inter-governmental co-ordination, it has only a political character. In instances of difficult matters, cantons will still be able to “go their own way” if necessary. A more binding solution is needed to ensure that the concept is fully implemented. For example, the experience of the Austrian Conference on Spatial Planning has underlined the importance of enforcing inter-sectoral and inter-governmental collaboration on spatial planning and regional policy to address future strategic challenges (Box 2.16).

2.2.4. Building strategic management and evaluation capacity

Fully implementing the NRP requires further improvements in enhancing the strategic approach to regional policy, strengthening the evaluation and monitoring system, and more effective incentives for capacity building.

A strategic approach to mature

The NRP has contributed to a strategic and systemic approach to regional policy but this approach could be deepened. The capacity to align priorities between national and regional strategies is crucial for bringing the various separated policy instruments related to territorial development into a coherent package. At the moment, cantons seem to design their development strategy by listing a set of areas of interventions/themes (e.g. innovation, sustainable development) which are eligible for the NRP on the one hand and agglomeration

Box 2.15. *Projet de Territoire Suisse*

Overall vision

The *Projet de territoire Suisse* builds on the key concept of a polycentric, solidary, and sustainable development of the Swiss territory in the long term. It is based on a structured network of urban centres, ranging from metropolitan areas and agglomerations to towns and rural centres. This network is expected to help the regions and cities to overcome the limits related to their own spatial scale and to develop functional *territoires de projet*, which contribute both to fostering urban development and maintaining rural areas. The implementation of this project requires close inter-sectoral and inter-regional collaboration among and across levels of government.

Focus on functional areas

The metropolitan areas Zurich, Basel, the Lake of Geneva Basin and the region of the capital Bern will be Switzerland's economic drivers in their quality of European leaders in terms of international connections, as locations for international decision makers, as research centres and as cultural hubs.

At the same time, every agglomeration and every rural centre will have its own unique profile, which sets it apart from others but also fits in with them. Agglomerations will have important economic, cultural and social functions and provide central services and goods to the surrounding areas. Rural centres will also play a key role as hubs for provisioning rural areas. The economic strength of the rural centres should make it possible to ensure a high standard of living even in less densely populated and economically less powerful areas, whereas the peripheral regions will make their intact landscapes available as leisure areas with unspoiled nature.

The Alpine tourist centres will either stand alone or be linked into a connected winter sports region. Due to their specific economic structure and attraction, they will fulfill important functions as a centre in the thinly populated Alpine region.

policy on the other hand and mainstream those into the spatial planning master plan. Objectives are mainly set at the level of programmes but not in terms of economic or policy targets (e.g. GDP per capita, economic growth, employment, education, CO₂ emissions). Efforts have therefore focused on avoiding conflicts among the priorities set up in the various policies (spatial planning, regional agglomeration) but have not yet resulted in the establishment of a territorial development strategy where all these elements would support together a set of common objectives. Similarly, few projects involve private stakeholders, which is not in line with the objectives and guiding principles of the policy of reinforcing regional growth and productive capacity.

Box 2.16. Spatial planning as a mechanism of co-ordination with regional policy in Austria

In the federal structure of Austria, responsibilities for regional policy and spatial planning are distributed between the federal government, the *Länder* and municipalities. Since the Austrian Constitution hardly provides for formal co-ordination procedures, the Federal Chancellery has developed informal mechanisms with the notion that co-operation does not happen by itself, at least not to a sufficient degree, and that it needs “people and bodies to manage it, to specifically address potential participants, to bring co-operation partners together, to introduce innovative ideas and to accompany co-operation projects on an advisory basis”.

Upon the initiative of the Federal Chancellery and the *Länder*, the Austrian Conference on Spatial Planning (ÖROK, *Österreichische Raumordnungskonferenz*) was set up in 1971 as a common platform of spatial planning co-ordination involving all federal ministries, the *Länder* and the umbrella associations of municipalities and social partners. Today, the ÖROK operates as a central network interface for regional policies and the EU’s Structural Funds programmes in Austria. Both the elaboration and the follow-up process of Austria’s National Strategic Reference Framework take place within the ÖROK.

The executive body at the political level, under the chairmanship of the Federal Chancellor, includes all the federal ministers and state governors, together with the presidents of the Austrian Union of Towns and the Austrian Union of Communities and with the presidents of the social and economic partners participating as advisors. All decisions are made on a consensus basis. A Commission of Deputies as well as several thematic committees and working groups have been set up at the administrative level to accomplish ÖROK’s tasks and projects, which are in general focused on issues of joint interest of the ÖROK partners. They are formed by the Senior Officials of the territorial authorities, and the social and economic partners. One of ÖROK’s principal tasks is to publish the “Austrian Spatial Development Concept” which is revised generally every ten years.

As one result of ÖROK’s work, the “ÖROK Scenario 2030” was presented in 2009 as the result of extensive research conducted by an external team of experts under the direction of the ÖROK working group. It identified trends, challenges and strategic opportunities and developed a series of spatial development scenarios for Austria up to 2030. This work provides a tool to raise awareness of future regional challenges and present needs for action, and is intended to serve as a basis for further work by ÖROK on a new Austrian Spatial Development Concept, as well as for the sectoral and spatial development schemes of the *Länder*, cities and municipalities.

Box 2.16. **Spatial planning as a mechanism of co-ordination with regional policy in Austria** (cont.)

At the same time, the Federal Chancellery and the *Länder* have been experimenting with various approaches to project development, consulting and networking at the regional and local levels. In particular since Austria's accession to the EU in 1995, "Regional Management" procedures were established in most regions eligible for EU Structural Funds. The objective is to improve co-operation on the development and implementation of regional strategies. Regional Management is organised in the framework of regional development associations with municipalities as main members, but most of financial resources come from the *Länder* and are co-financed by EU Structural Funds in some cases. Regional Management units operate on a cross-sectoral basis, and co-operate with LEADER action groups and Territorial Employment Pacts for example. A joint umbrella association, "Regional Management Austria" (RM-Austria) was established in 2001 as a network to help exchanges of experiences between the 25 Regional Management units, improve the qualifications of regional managers and further develop the cross-sectoral consulting approach.

Source: OECD (2010), *OECD Territorial Reviews: Sweden*, OECD Publishing, Paris.

In the short or medium run, improving inter-sectoral and inter-cantonal co-ordination is necessary since there does not seem to be much scope for integrating instruments into one unique policy framework. Efforts should target the rationalisation and increased efficiency of already existing co-ordination schemes rather than the design of additional mechanisms. The objectives of the various co-ordination platforms are not always clear, neither is the distribution of their respective roles. Capacity in setting up such a strategic approach varies considerably from one place to the other and capacity building in this area is necessary. Other benefits from reinforcing the strategic dimension of the policy also include: reducing the risk of seeing the return of a compensating approach to regional policy under the pressure of regions with less development potential; demonstrating a robust underlying logic for increasing the legitimacy of a policy whose effectiveness is regularly put into question; and facilitating the harmonisation of modalities through which the cantons implement the regional policy which at the moment are relatively diverse.

Strengthening evaluation and monitoring

Information gaps between levels of government are inevitable, particularly with respect to the implementation of a complex, multi-sector policy such as regional economic development. The actors, knowledge, resources, authorities,

and mechanisms to promote and sustain endogenous growth can be found at all levels of government, as regional development is a shared task. In multi-level governance arrangements, the role of indicator systems and incentives will vary with the characteristics of the contractual arrangement between the different parties. In the case of Switzerland where the contract is more “relational” (parties commit for co-operation *ex post*), indicators system will contribute to the co-operation building by sharing common references and objectives as well as to a common learning process (OECD, 2009b).

Programmatic monitoring activities are largely associated with the programme agreement (contract) between the federal government and each canton. Each programme agreement sets out the objectives to be attained over the duration of the agreement (four years). Objectives are monitored on an ongoing basis using indicators selected by the canton and incorporated into the programme agreement. A financial incentive to reach the stated objectives is provided insofar as cantons will receive the proportion of funds corresponding to the per cent of the target achieved. This means that, in some cases, cantons may be required to return funds if a target is not achieved. This rule, which has not yet been tested, may thus prove highly difficult to enforce.

A top-down prescription of a set of indicators is seen to encroach on cantons’ autonomy to identify and implement their own strategies for achieving regional policy objectives. The federal government does not prescribe what programmatic indicators should be monitored by the cantons. It is up to cantons to determine what to monitor and how frequently.¹⁷ Even where cantons may choose to monitor the same indicators, no common definitions have been promulgated. As a result of the current approach, there is substantial heterogeneity in the approach taken by cantons. Some have indicators with targets (*e.g.* Valais) whereas others do not. Fourteen of 26 cantons use the “CHMOS” system to capture programmatic data.¹⁸ CHMOS, which is co-financed by SECO and by 15 cantons, is based on the Austrian ATMOS system. In addition to acting as a programme management tool for cantons, it also serves as a federal-cantonal reporting tool for annual reports, the 2011 interim report and the 2015 evaluation (for those cantons that use the system) (responses to OECD questionnaire, 2009). It contains descriptive information, administrative data, and menus of indicators that can be selected for monitoring. Overall, data quality is perceived to vary among cantons. Aside from what is reported to the federal government, it is not clear which cantons are monitoring which indicators, or how they are using the data that they are collecting.

Further efforts to improve reporting and evaluation are necessary. Cantons must provide SECO with an annual report describing the realisation of the programme agreement. The annual report is accompanied by an interview, and the two together provide the basis for releasing funds.¹⁹ In

addition, the Swiss Constitution requires all policies to be evaluated with respect to effectiveness (OECD, 2009b). Thus, an intermediate evaluation is scheduled for the end of the four-year programming period (the timeframe for each programme agreement) to evaluate if cantons are “on-track” and implementing programmes in the spirit of the NRP. Tools under consideration include a SWOT analysis and a questionnaire that will be sent to the cantons (in addition to their annual report). A final evaluation is also to take place following the completion of the eight-year national programme cycle. How the results of this evaluation would be used needs to be clarified.

The use of the “management cockpit” should enhance annual programme monitoring and periodic evaluations. Traditionally a management cockpit refers to the organised presentation of key indicators which enables managers to assess progress toward the achievement of goals and objectives. Within SECO it is used as an (internal) steering tool for the regional policy section of SECO and brings together the various coaching, monitoring, reporting, controlling and evaluation activities in a focused manner. It is mainly based on qualitative assessments collected from the NRP stakeholders by the SECO team, and where available on quantitative indicators. The management cockpit acts as a platform of structured discussion i) to analyse the NRP implementation and the level of attainment of the NRP objectives; ii) to initiate reflection and learning processes for the SECO team thus ensuring better coaching and monitoring of the NRP; and iii) to promote coherence of the actions of the various stakeholders involved in the NRP. The cockpit should thus be an early warning system in case of deviation from the intended outcomes.

Evaluation and monitoring seem to be mainly implemented at the level of projects/programmes but less systematically at the level of the policy as a whole. Concerns about the macroeconomic impact of the policy exist at the level of the confederation but seem rather weak, if not ignored, at lower levels. The goal is to narrow the information gap faced by the Confederation regarding the economies of the regions targeted by the NRP. The core of this monitoring activity is ten economic development indicators presented by supra-cantonal region, canton, and MS region.²⁰ The ten indicators were chosen based on the fact that they represent final impacts (*versus* outcome and output) and that they are available at the municipal level.²¹ The 2010 annual conference for Pillar 3 will focus on using this data in order to help cantons to develop a second four-year programme better tailored to the needs of regions. Building capacity in this regard is critical if cantons and their regions are to identify functional economic areas, understand linkages, and design interventions that may extend across cantonal boundaries.

Switzerland could build on the experience of the EU in terms of evaluation partnerships. Evaluation of the macroeconomic impact of Cohesion Policy is undertaken on a partnership basis, with member states responsible for *ex ante*

evaluation and the European Commission for *ex post* evaluation. The European Commission pushes for the adoption of practices where monitoring and evaluation aspects are included from the very beginning of the programming process. This is critical for strengthening focus on the results of the policy and the use of evidence-based policy making, which can significantly contribute to improve the impact of Cohesion Policy. This requires a strong monitoring and evaluation culture and a commitment to learning within partnerships.

More effective incentives for capacity building

Improved skills and knowledge are required to effectively implement the principles of the NRP at the sub-national level. Direct technical assistance from the Confederation, which may occur in response to annual reports or through technical contacts, is limited. Instead, the main activities in this area under Pillar 3 of the NRP have been contracted to Regiosuisse, a network of three private companies, launched in 2008. Regiosuisse provides education and training activities for individuals working in the field of regional policy, collects and distributes information to practitioners and the public, and brings together key actors of regional policy. It offers an internet portal, a telephone hotline, training opportunities, communities of practice, media information, and a research network to enhance linkages between research and practice. There is no obligation of cantons to participate, although most do. The implementation of NRP programmes is uneven across cantons. Within the last set of programme agreements concluded in November 2008, some have spent a majority of funds while others have only recently begun the implementation stage. Some cantons encountered difficulties crafting and implementing their NRP programme. Some experienced delays in the implementation of transitional legislation, delays in the adoption of cantonal lines of credit, questions regarding cost-benefit analysis, an obligation to reform generally obsolete regional structures while simultaneously launching innovative projects, and a lack of capacity with respect to operational decisions regarding the use of NRP tools.

Capacities to implement the NRP should be developed at all levels of government in order to ensure that regional economic development is seen as a true partnership rather than as a joint task in a technical sense. First, the federal criteria for evaluating implementation programmes should be made public and clear prior to submission by cantons. Second, the programme agreements established between levels of government should be seen both as a way to specify the responsibilities of parties to ensure sub-national programmes are consistent with the NRP logic, as well as a learning tool for the diffusing of best practices. Third, the monitoring system should be designed not only to determine whether programme implementation is consistent with NRP principles, but also where capacity may fall short to do so – for example by incorporating “capacity indicators” into the core set of

indicators suggested as part of an upgraded monitoring system. Finally, education and training activities of Regiosuisse could be further developed based on an assessment of stakeholders' needs. The use of international and inter-cantonal experiences should be promoted through case studies, twinning, field visits, and continuous attendance at international venues such as INTERACT and ESPON in which SECO and ARE participate.

2.3. Conclusion

Policy coherence could be strengthened by enhancing formal co-ordination between the NRP and agglomeration policy, as well as between the NRP and agricultural policy (with the goal of positioning the latter in a broader context of rural policy). Federal encouragement of cantonal economic development strategies which provide a multi-year framework for an integrated economic development of urban and rural areas beyond spatial planning could be valuable. Spatial planning would then serve economic development goals rather than the reverse. The impact of tax concessions should be evaluated to determine if they truly attract businesses to a specific location or if they reward companies which would have located there anyway.

Identifying and intervening in supra-cantonal functional areas should be facilitated by strengthening incentives for inter-cantonal co-ordination. At present, a single canton assumes responsibility for inter-cantonal initiatives and the provision of funds has proved to be an insufficient incentive. Stronger incentives may come through the provision of additional funds, accompanied by technical assistance from the Confederation for identifying functional areas and design of cross-border interventions. A mechanism for allocating funding to a joint entity, possibly along the lines of agglomeration programmes, could be considered. The Confederation is also well-positioned as a "network node" to capture and distribute the potential learning that comes from cantonal "policy laboratories" with respect to the successes and challenges encountered with respect to co-ordination of actors in functional areas. Showcasing successful collaboration for regional economic development could help demonstrate that regional solutions are a productive approach and an alternative to ceding competences to the federal level. The Confederation could also consider financing the evaluation of strategies undertaken to grow the regional economy in cross-cantonal functional areas. This type of information could be made available via Regiosuisse, as well as to cantonal directors' conferences.

While attaching explicit sanctions to the monitoring system should be avoided at this stage, incentives could instead be associated with the value of the information produced and showcasing good practices (reputation effects). Accompanying indicator systems with rewards or sanction in the context of regional policy is certainly not without precedent, but evidence is mixed

regarding effectiveness (OECD, 2009b). Given the difficulties that the Confederation already faces in gathering information from cantons for monitoring purposes, introducing sanctions may exacerbate cantons' reluctance to provide data and encourage gaming. Instead, attention could be given to refining the indicator system to better enable the Confederation to provide strategic assistance to cantons and regions. The limited knowledge regarding the "right indicators" to monitor and the need for flexibility have been rightly acknowledged by the federal government. Information produced through the first round of monitoring (2008-2011) should therefore be used to refine the monitoring system and establish a core set of indicators with clear definitions linked to annual reports. Through Regiosuisse, the federal government has the opportunity to identify and recognise good practices, which may play to cantons' competitive spirit.

Notes

1. The description of the three geographic targets of NRP comes from the Regiosuisse website (www.regiosuisse.ch), accessed February.
2. The participation of the cantons in the development of the national strategy is provided for by NRP's authorising legislation (Section 3, Article 14, paragraph 3) (Federal law on regional policy, 2006). Collaboration took place via a working group composed of SECO and cantonal ministers of finance, with the technical and scientific support provided by an external partner.
3. Soleure and Zoug opted not to participate and Geneva participates in the INTERREG programme.
4. More detailed examples of institutional mechanisms can be found in OECD (2006), *Competitive Cities in the Global Economy*, OECD Publishing, Paris, and OECD (2009), *Regions Matter*, OECD Publishing, Paris.
5. Through its parent foundation, it brings together the cantons of Aargau, Glarus, Grisons, Schaffhausen, Schwyz, Solothurn, Zug and Zürich, as well as the cities of Winterthur and Zürich, and multiple private companies ranging from large banks to law practices.
6. CDEP-SO is also SECO's partner for the inter-cantonal Knowledge and Technology Transfer (KTT) projects for SMEs (Alliance and Platinn), in collaboration with CTI, the federal innovation promotion agency. It has a sub-group that addresses regional policy.
7. Measured via a dummy variable indicating the presence of a common border between the pair of cantons and via a measure of geographic distance between cantonal capitals.
8. Bochsler also finds that in the areas of health and social security, geographic distance (between capitals) proves important – but having a common border is not relevant. Here what matters is citizens' access to services close to home. Common language is relevant in policy fields where language plays an important role (education, science, culture) but less so for other policy fields. Strong ties appear to exist in French speaking cantons, followed by German speaking ones. Other factors, such as the size of cantons and political differences between cantons provide little independent explanation for inter-cantonal co-operation in the presence of the factors noted above. Finally, there is evidence of diminishing marginal utility of inter-cantonal agreements: cantons with numerous agreements are less active in seeking additional ones, while those with far fewer and which tend to be isolated (e.g. Ticino) are more active in seeking to establish network linkages.
9. It is worth noting that inter-cantonal concordats are generally established by the executive arm of cantonal government. Cantonal parliaments have to approve them, but they are unable to influence concordats the same way they do cantonal legislation. Some concordats may even need to be approved by popular referenda. If the executive bodies move too quickly or the inter-cantonal agreement is too extensive, garnering parliamentary or popular approval may be difficult. This is less problematic for lower level issues or projects which are not particularly expensive and more of an obstacle for concordats that have a legal impact (define rules) that overrule cantonal law, or when projects are particularly expensive.
10. While cross-border co-operation at the cantonal level may be considered horizontal in nature, the foreign policy dimension generates an important vertical relationship as well. Specifically, according to the constitution, official contacts between cantons and foreign governments must be arranged by the Swiss Federal Council. The Council negotiates, signs, and ratifies agreements at the request of and on behalf of

- the canton(s) concerned. The canton is thus a party to the agreement, to which it must consent. These agreements are subordinate to those of the Confederation and may only address those competences for which cantons are responsible.
11. The joint consultative commission for regional problems between the Canton of Geneva and the French departments of Ain and Haute-Savoie.
 12. The German-French-Swiss government commission for the promotion of cross-border co-operation in the Upper Rhine region.
 13. Funding for regional development policy is not only comparatively small at the national level, but at the cantonal level as well. For the canton of Bern, for example, regional policy represents less than 1% of the cantonal budget.
 14. This is also in line with the categories of objectives indicated in the programme agreements for the 2008-2011 period (Regiosuisse, n.d. a):
 - Tourism (27.3%): activities concentrate on products and tourism services, as well as the creation and extension of co-operative activities.
 - Industry and business (24.6%): activities emphasise knowledge transfer and management, as well as the creation and extension of co-operative activities.
 - Regional management/co-operation (19.8%): activities aim to strengthen inter-governmental and cross-border co-operation.
 - Economic promotion activities (13.6%).
 - Agriculture (7.7%).
 - Natural resources (6.8%).
 - Education and health (1.7%).
 15. There is some administrative co-ordination between agglomeration policy and NRP to the extent that two members of the Swiss Federal Office for Spatial Development (ARE) include two SECO staff (Tobler, 2009).
 16. For more information, see Conférence tripartite sur les agglomérations (TAK) “Renforcement de la collaboration dans les agglomérations transcantionales”, Rapport du Groupe de travail technique tripartite du 29 mai 2006 and “Collaboration horizontale et verticale dans les agglomérations” Recommandations de la Conférence tripartite sur les agglomérations du 24 juin 2004, Rapport du Groupe de travail technique tripartite du 1^{er} mars 2004 available at www.tak-cta.ch/index.php?option=com_docman&task=cat_view&gid=62&Itemid=82.
 17. The rationale for the current approach by the central government is that a heavily prescriptive monitoring system may interfere with cantons’ generation of their own ideas, effectively inhibiting innovation in an environment where there is perceived to be little *ex ante* knowledge of how to implement NPR. Previously, the indicator system was very comprehensive and produced a great deal of information, but it was not used for guiding policy or strategic decision making.
 18. The largest and the smallest cantons do not use CHMOS for different reasons. The largest seem to have sufficient capacity to manage their projects themselves without using CHMOS as a resource; the smallest do not appear to value paying for the tool given their small budget and small number of projects.
 19. While the Confederation released 2008/2009 funds in line with programme agreements, following the 2008 annual reports some cantons reduced their 2009 funding request.
 20. The MS regions do not correspond to the regions that regional managers deal with, but it is not that far off.

21. The ten indicators are: place of work/jobs; new jobs, new companies; GDP per capita; productivity for different sectors and branches; share of unemployment; population (growth and migration); taxes paid to the national government per capita (gives an indication of the wealth in regions; it is comparable across regions); stock and new residential development; nights spent in hotels; occupation rate of hotels.

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