

# **Switzerland's regular financial contribution towards reducing economic and social disparities in the EU**

## **1. The situation today**

Switzerland made a contribution to the reduction of economic and social disparities in the EU for the first time in 2007. This was done on the basis of a Memorandum of Understanding (MoU) agreed between Switzerland and the European Union. This Memorandum of Understanding created a broad framework for providing funds to the Member States that joined the EU since 2004 and needed support to reduce economic and social disparities. In the second Memorandum of Understanding on Switzerland's second financial contribution concluded in 2022, part of the funding was also directed to Member States that faced migratory pressure.

In agreement with the Member States concerned, the funds have been used in manner complementary to funding under EU cohesion policy.

So far, the Swiss contribution has been ad hoc. There have been gaps in Switzerland's financial contribution. No mechanism to resolve disputes exists.

The EU and Switzerland therefore decided to include a new agreement establishing a regular financial contribution towards reducing economic and social disparities in the EU in the broad package negotiations held between March and December 2024.

## **2. The content of the new agreement**

The agreement will establish a permanent mechanism for Switzerland's regular and fair financial contribution to cohesion within the EU. The size of the financial contribution in each period will reflect the level of partnership and cooperation between the EU and Switzerland.

The agreement includes provisions to ensure that there is no gap in Switzerland's contribution and that it complements the EU's cohesion efforts. It also contains effective measures in case one of the parties breaches the agreement, e.g. dispute settlement and a possibility to take compensatory measures within this and other agreements forming part of the broad package of agreements between the EU and Switzerland.

The agreement lays down also the amount and other rules on the first Swiss financial contribution under the agreement. There will be an annual payment of EUR 375 million for the period from the entry into force of the package until 2036. In addition, there will be an annual payment of close to EUR 140 million from the end of 2024 until the entry into force of the package and of EUR 375 million per year from the entry into force of the package until the end 2029. The first Swiss financial contribution will therefore encompass the first regular contribution for that period as well as a one-time additional financial commitment covering the period between the end of 2024 and the end of 2029.

Lastly, the agreement includes rules on how Switzerland's subsequent contribution should be determined. This will be based on the previous regular financial contribution but will be adjusted based on a limited set of factors.

## **3. The benefits of the new agreement**

Switzerland's financial contribution will mainly foster cohesion within the EU. It will provide support for various projects designated to reduce economic and social disparities in the EU. Such projects could concern for example vocational education and training, green transformation, research and innovation, support for the healthcare systems or SME financing, in line with the priorities set by the Member States concerned and Switzerland in their bilateral agreements. A part of Switzerland's financial contribution could be also used for other common

challenges the EU and Switzerland are facing, e.g. to support migration-related measures in Member States particularly affected by migration movements. Switzerland's financial contribution will strengthen also bilateral relations between Switzerland and partner Member States.