

Does voluntary cooperation in member state implementation require top-down steering? The case of regional policy in Switzerland

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Abstract

This article studies the institutional conditions that facilitate voluntary member state cooperation in the implementation of regional development policy in Switzerland. Cooperation is crucial for the implementation of regional development policies given that functional perimeters do generally not coincide with institutional borders. Research on the governance of horizontal interorganizational cooperation often focuses on local entities and institutionalized networks, we examine the voluntary cooperation of higher-tier subnational entities. We apply the institutional collective action framework to the implementation of a regional policy in highly federalist Switzerland where subnational entities have considerable discretionary power. The empirical analysis of comprehensive data on implemented development projects and a survey of all responsible subnational actors show that cooperation between higher-tier subnational entities faces strong institutional constraints. We conclude that more top-down guidance is necessary when horizontal cooperation is a condition for policy success.

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1 | INTRODUCTION

This article studies the institutional conditions that facilitate voluntary member state cooperation in the implementation of regional development policy in Switzerland. Regional policy that aims to influence economic processes in rural and peripheral regions plays an important role in states that face challenges of rural depopulation and weak economic structures. This type of policy seeks to foster competitiveness and innovation in marginal regions in order to preserve a decentralized, polycentric landscape—a demand that is particularly salient in states with strong and historically grown decentralized and federalist traditions. Federalist systems preserve political decision power at the member state level in order to prevent the central government from becoming too dominant. Member state autonomy ensures the consideration of heterogeneous regional interests in federal policy and their implementation. One central aspect hence is the granting of discretion to member states for the implementation of federal policy decisions in order to ensure context-sensitivity (Keman, 2000). However, while member state borders are fixed, policy problem areas are not. Functional economic regions do not adhere to subnational borders. When the central government delegates the implementation of a federal regional policy to member states, the additional subnational layer in federalist systems between a center-regional “partnership” (Ansell, 2002) requires cooperation across these subnational borders in order to generate benefits for the entire region.

This raises questions about the kind of governance mechanisms required to ensure successful cooperation. While this discussion has long centered around either central consolidation, with the challenge of political feasibility, or a fragmented system with the risk of market failure (Ostrom, 1990), Feiock (2013) proposes an institutional collective action (ICA) framework that focuses on the range of options between these two extremes (Steinacker, 2010). Political and institutional barriers that impede cooperation in fragmented systems can be reduced by identifying the nature of potential risks and the transaction costs that arise in every governance mechanism. Hence, by analyzing the nature of the problem that the policy attempts to solve and by examining the risks and transaction costs of possible governance mechanisms, the ICA framework helps to derive mechanisms that are most likely to lead to successful cooperation. While most applications of the ICA framework in economic development policies have been adapted to the collective action problems at the local level in the United States (Feiock & Scholz, 2010, p. 9; Kim et al., 2020, p. 15, pp. 20–21; see Pierre, 2019 and Percoco, 2016 for applications on Sweden and Italy, respectively), this article focuses on the voluntary collective action of member states at the subnational level. It thereby sheds light on the question of whether horizontal cooperation in cantons faces challenges that are similar to those faced by municipalities or whether collaboration risk and transaction costs are even more severe. By examining voluntary horizontal cooperation in the implementation of a crucial federal policy goal, this article also seeks to contribute to the literature on member state implementation (Sager & Thomann, 2017).

We examine cooperation in the implementation of a new regional policy (NRP) in Switzerland—a highly federalist and fragmented system, where the central government often fully delegates the implementation of federal policy to the cantons (Sager & Zollinger, 2011). In response to the challenges of rural regions, Switzerland adopted the NRP in 2006. The aim of this policy is to help rural, mountainous, and border areas to implement their development programs through the direct financial promotion of projects in order to create and keep jobs in these areas. This means that there is a special focus on projects whose functional scope does not correspond to subnational institutional borders and that therefore require collective action

beyond the institutional borders of cantons. As the mainly affected Swiss cantons partly are very small, the goal of promoting intercantonal cooperation is a crucial pillar of the NRP and hence of the regional development policy of the Swiss federation.

To examine ICA in the implementation of the NRP, we use data on 977 implemented projects and a survey with open questions of the actors responsible for project implementation at the 23 subnational (cantonal) levels (i.e., a full census), which comes from an evaluation report by Sager and Huegli (2013). Based on the literature on ICA dilemmas, we argue that the governance mechanism used to achieve intercantonal cooperation has not been adequately adjusted to the nature of the collective action dilemma that the cantons face when implementing the NRP cooperatively.

By adapting the ICA framework to cooperation at the subnational level in a federalist state, this article contributes to the literature on both the institutional constraints in member state implementation and ICA. On the one hand, the literature on member state implementation mainly views subnational member states as horizontally independent implementing units embedded in vertical networks that consist of the federal, subnational, and municipal levels (Mavrot & Sager, 2018). Interorganizational cooperation therefore often is limited to the vertical dimension, while “horizontal” intergovernmental programs are less obvious but increasingly significant” (O’Toole, 2014, p. 252). This article scrutinizes how the subnational cantons behave when the central government encourages them to cooperate horizontally on a voluntary basis and provides suggestions for improvement. On the other hand, the literature on ICA dilemmas often focuses on the local level in metropolitan areas or natural resource management where problems of fragmentation and cooperation are highly salient (Feiock & Scholz, 2010, p. 9). We shed light on the question of whether horizontal cooperation between cantons faces challenges that are similar to those that occur between municipalities or whether collaboration risks and transaction costs differ. By doing so, our article responds to two core questions that Kim et al. (2020) highlight in their call to update the ICA framework: first, we focus on the vertical dimension of cooperation and shed light on vertical and functional fragmentation to fill theoretical gaps. Second, our study goes beyond the municipal level. With the inclusion of interview statements by the responsible actors, we additionally contribute to the ICA framework by introducing a qualitative element to the literature and are able to examine how the responsible actors directly perceive the risks of cooperation.

In the following, we first discuss the theory of horizontal interorganizational cooperation and adapt it to the Swiss federalist context and economic development policy in order to derive four hypotheses. Then, after presenting the case and research design, we discuss, based on the literature on ICA dilemmas, the factors that explain cantons’ hesitation to cooperate. Finally, we derive possible strategies for mitigating ICA dilemmas.

2 | HORIZONTAL INTERORGANIZATIONAL COOPERATION IN POLICY IMPLEMENTATION

Swiss cantons enjoy high autonomy and fiscal sovereignty guaranteed by the Federal Constitution. The principle of subsidiarity guarantees that the cantons are responsible for all tasks not explicitly assigned to the federal level (Sager & Zollinger, 2011). Hence, cantons often possess substantial discretion in the implementation of federal public policy, not only on the operative level, but also with regard to strategies and financial resources.

Research on horizontal institutional cooperation in Switzerland thus far has mainly focused on either formalized intercantonal conferences in the decision-making process (Bochsler, 2009; Bolleyer, 2009) or the collective action dilemmas of municipalities in metropolitan areas (see Kaufmann & Sager, 2019; Koch, 2013; Sager, 2005; Wittwer, 2020). The NRP, however, incentivizes a thus far understudied form of collective action: self-organized, noninstitutionalized cooperation at the member state level.

The Swiss Confederation can oblige the cantons to engage in intercantonal contracts and does so in areas where severe spillovers would compromise fiscal equivalence. Policy areas with institutionalized cooperation, for example, include universities, agglomeration traffic, or penal systems (Ch Stiftung für eidgenössische Zusammenarbeit, 2017). Self-organization in the NRP is an interesting case, as the NRP does not delineate institutionalized coordinative duties.

The policy implementation literature has prominently highlighted the importance of cooperation in networks for the effective achievement of goals (Ansell, 2002; Ansell & Gash, 2007; O'Toole, 2014). Actors responsible for the implementation of public policies are better off if they actively include experts, entrepreneurs, and actors from different jurisdictions in the implementation process. However, the inclusion of different kinds of actors heavily depends on the nature of the relationship between the actor responsible for the implementation and other network actors. While vertical institutional arrangements can manage cooperation from above, it becomes problematic in horizontal arrangements where actors possess similar responsibilities in different jurisdictions. Horizontal collective action is required when institutional borders do not coincide with functional areas (Feiock, 2013, p. 398; Ostrom, 1990) and therefore “the level of aggregate welfare obtained through the unilateral choices of interdependent actors is lower than the level which could be obtained through choices that are jointly considered” (Scharpf, 1997, p. 27). However, “aggregate welfare” is not always predictable and “administrators in interorganizational patterns can never assume support but must work to build it” (O'Toole, 2014, p. 255). To encourage collective action, it is necessary to consider the institutionally granted separation of powers in federalist states.

It is possible to mitigate challenges to the coordination of policy and actions across horizontally fragmented independent units of government, framed as ICA dilemmas, by “reducing barriers to mutually advantageous collaborative action as represented by the transaction costs required for achieving joint projects” (Feiock, 2013, p. 399, also Ostrom, 1990). Successful and sustainable cooperation must therefore address the following questions: What are the *costs* if the actors want to cooperate? What is the *risk* and the *benefit* if they cooperate?

Potential costs for cooperation for developing and maintaining contacts with other actors are embodied by the theory of transaction costs (Williamson, 1985). These costs include collecting information, negotiating to reach agreements and enforcement to make credible commitments (Feiock & Scholz, 2010, p. 11; Steinacker, 2010). The existing institutional arrangement in which the cooperation is supposed to take place influences these costs. Actors' willingness to accept the transaction costs engendered by engaging in cooperation thereby depends on the benefits and the risks of cooperation.

The risks of cooperation reflect how actors assess the “likelihood that collaboration efforts will fail to hold together or fail to effectively resolve the collective dilemma” (Feiock, 2013, p. 406). The more complex and the more critical the interconnectedness of activities are for the policy, the higher the risks of noncooperation. Additionally, despite the benefits of collaboration, equilibria “vary in their distribution of costs and benefits among the actors and thus their perceived fairness” (Feiock, 2013, pp. 406–407). Actors may therefore disagree on the distribution of the joint benefits, and they may have the incentive to underrepresent their capacities.

In situations with high collaboration risk, mechanisms to solve collective action problems require higher transaction costs. However, as long as cooperation is voluntary, the willingness to pay the higher transaction costs due to the high risks depends on the perceived benefits for the different actors. Actors with fewer benefits would rather waive their cooperation while actors with higher benefits have incentives to cooperate and pay higher transaction costs. Without a Pareto improvement, the actors would need direct incentives from sources other than the cooperation itself in order to engage in it. When there is a fixed institutional arrangement that encourages member states to cooperate, it is crucial to evaluate member states' costs and benefits in a potential cooperation to derive how cooperation can be ensured.

3 | ICA DILEMMAS IN REGIONAL ECONOMIC DEVELOPMENT POLICIES: FOUR HYPOTHESES

Feiock, Steinacker, and Park (2009, p. 256) argue that transaction costs in economic development policies “tend to be correspondingly high, making economic development one of the toughest cases for institutional collective action” (also Carr et al., 2017). The NRP seeks to address the classic problem of fragmented authority in a functional economic area through intercantonal cooperation in the initialization of projects. A functional economic area can consist of an area with intense commuting patterns, geographical areas, such as valleys or mountain ranges, clusters of specialized economic activity, or tourist attractions. A fragmented approach to economically fostering these areas, whereby the cantons only promote their own regions independently from each other, leads to inefficiencies, given that investments in a part of the region creates positive externalities for the other parts in the region. While the ones providing the externality would benefit from cooperation as they could share the costs of providing it, those who benefit from the externality have the incentive to freeride by not paying the costs. Consequently, the entity providing the positive externality would reduce its activity in order to minimize the externality for the others as much as possible. Given that the efficiency of the outcome for the region under cooperation is higher than in autonomous implementation, cooperation could produce joint gains—a necessary condition for any cooperative agreement (Steinacker, 2010). Arguably, “incentives to participate will favor the type of mechanism that provides the greatest gain for the least cost” (Feiock, 2013, p. 408). It is therefore crucial to examine how responsible implementing actors assess the costs and benefits of intercantonal cooperation. It is likely that only few intercantonal projects occur in a voluntary governance mechanism because of low anticipated benefits and the high costs of intercantonal cooperation.

Consequently, we seek to understand which institutional arrangements are the source of these potential low anticipated benefits and high cooperation costs. The ICA framework postulates that the risk of cooperation is higher if it is likely that the distribution of the benefits will be contested. This is more likely in a setting where participating actors consider themselves to be competing with each other (Feiock et al., 2009; Hawkins, 2010). Additionally, negotiation costs increase the costs of the cooperation and are high if the cantons are heterogeneous in various facets. We define heterogeneity based on two characteristics. First, cantons can be heterogeneous regarding their institutional setting such as decision-making procedures, administrative culture, and capacity. They experienced different institutional developments (Bühlmann et al., 2013) and faced cultural influences by countries sharing their language (Knüsel, 1994; Steiner, 2001, p. 145). This led to different concepts of the state and democracy. The French-speaking cantons lend themselves toward a representative model of democracy and an interventionist role of the

state, while the German-speaking cantons are more inclined by the idea of a small, less interventionist state and participatory democracy (Linder et al., 2008, pp. 42–43; Stadelmann-Steffen & Freitag, 2011). Second, heterogeneity implies different economic power and economic development strategies based on different geographical conditions (Carr et al., 2017; Feiock et al., 2009; Lee, 2016). We therefore expect intercantonal heterogeneity to be another source of low anticipated benefits and high costs mentioned by the responsible actors surveyed (Feiock, 2013).

The literature on collaborative governance and on ICA also prominently show that relational factors such as trust, shared understanding and a given time for increasing trust, for example, by past cooperation, are crucial for guaranteeing an environment where successful cooperation is possible (Ansell & Gash, 2007; Carr et al., 2017; Gerber et al., 2013; Hawkins et al., 2016; Lee, 2016; Olberding, 2002; Percoco, 2016). Factors that enable cooperation in economic development, one of the toughest cases for ICA (Carr et al., 2017; Feiock et al., 2009), are particularly valuable. While the institutional setting is similar for all cantons and can lead to low incentives for intercantonal cooperation, relational factors can be used to explain the variation in degrees of intercantonal cooperation.

Based on this theoretical background, we derive four hypotheses regarding the benefits, transaction costs, and risks associated with cooperation. The first hypothesis addresses the anticipated benefit for the actors involved while the subsequent two hypotheses directly address the specific potential costs affecting the anticipated benefit:

H1.1. : Low anticipated direct *benefit* as a result of cooperation impedes voluntary cooperation.

We therefore assume that the assessment of the anticipated benefit of cooperation is assessed as being too low by the implementing actors and hence a source for the low share of intercantonal cooperation (Feiock, 2013, p. 408).

The direct benefit is supposedly lower if the perceived costs are higher. Hypotheses 1.2 and 1.3 consider two different costs. The costs of negotiating and finding a consensus on how to divide potential gains (i.e., division costs) increase if horizontal member states are heterogeneous in terms of their institutional setting, size, culture, resources, and how much the policy addresses a specific problem for the canton. This heterogeneity poses a risk to cooperation (Feiock, 2013, p. 408; Lee, 2016). Therefore, the second hypothesis argues that:

H1.2. : *Intercantonal heterogeneity* impedes voluntary cooperation.

Consequently, we expect to find that a source of the low anticipated benefits are the assumed high costs of cooperation that result from intercantonal heterogeneity.

Given their interdependence in a federalist institutional arrangement, member states have the incentive to pursue a competitive economic development strategy with other cantons. In a competitive setting, cantons prioritize their own development over intercantonal regions and try to benefit from the spillovers of neighboring cantons' development without financially contributing to it. This logic makes the anticipated costs of a competitive strategy lower than the costs of cooperation:

H1.3. : *Competition* between cantons impedes voluntary cooperation.

We expect to find evidence that the competitive strategies followed by cantons are another source of low anticipated benefits of cooperation (Feiock et al., 2009, p. 256).

Based on the literature that focuses on the relationship between organizations and actors who are supposed to cooperate (Ansell & Gash, 2007), we also argue that relational factors, such as trust and experience working together, can help to overcome collective action problems:

H2. : *An existing relationship with other cantons fosters ties and cooperation.*

In cases where intercantonal cooperation has been achieved, we therefore expect to find relational factors that lower the risk of cooperation. We suppose that we find relational factors that foster ties and cooperation in cantons that have experience in working together on matters of economic development policy.

We will test the four hypotheses with data on the implementation of Switzerland's NRP. The ability to achieve the formulated goals of a policy, such as intercantonal cooperation, also depends on the nature of the policy's instruments. For example, policies with binding instruments and enforcement mechanisms are more likely to reach compliance than policies that only formulate recommendations when cooperation risks are high. The next section introduces the instruments and goals that are part of the NRP, particularly those related to intercantonal cooperation.

4 | THE CASE OF THE NRP

In 2006, Switzerland adopted a comprehensive reform of its regional policy, the NRP, which entails a paradigm shift with far-reaching consequences for regional policy in Switzerland (Swiss Federal Council, 2007).

The aim of the NRP is to help rural, mountainous, and border areas to adapt to the requirements of the global economy. It encourages regional actors to implement projects in order to create and keep jobs in the areas through a direct financial promotion of initiatives, projects, and programs in the initial phase (Sager & Huegli, 2013; SECO, 2008). In line with OECD recommendations (OECD Publishing, 2011), intercantonal cooperation with projects that have a functional scope that does not coincide with subnational institutional borders is desired but not formally required. The guidelines are highly nonbinding and only indicate that “the cantons are free (and encouraged from the point of view of federal regional policy) to agree on joint inter-cantonal implementation programs” (Swiss Federal Council, 2007, p. 2490, own translation).

Given that subnational cantonal entities are responsible for the implementation of the policy, the NRP is a classic case of hybrid member state implementation characterized by multiple vertical (federal, cantonal [i.e., subnational], regional) and horizontal (cooperation between private and public actors) levels. While the cantons and regions define detailed implementation programs, the federal government merely assesses the fundamental strategic orientation (SECO, 2008, p. 4f.).

One crucial policy instrument is direct financial promotion of projects in the precompetitive stage, which aims to foster innovation and growth in peripheral regions. Financing is equally split between the canton and the federation and the cantons take the operational lead. The NRP is thereby comparable to the regional policy of the European Union (European Commission, 2014) and to Western Europe in general (Ansell, 2002, p. 314; Casula, 2016). It follows well-established regional innovation approaches, such as Tödting and Trippel's (2005, pp. 1205–1206) proposal to include the regional policy dimension, which shapes regional innovation processes by providing

resources to regional actors in order to formulate and implement innovative projects. However, the NRP does not define regional perimeters and a project is free to set its own scope.

Since the NRP recognizes that functional socioeconomic areas are often wider than the areas defined by cantonal boundaries, the NRP expects cantons to elaborate intercantonal implementation programs that specifically foster projects across cantonal borders. Intercantonal projects can, for example, include the creation of an e-bike route in a mountainous area crossing cantonal borders to foster tourism or the creation and promotion of a label for agricultural products produced in a geographical area that crosses cantonal borders. The NRP subsidizes these creations by offering nonrepayable loans (“à fonds perdu”).

In the next section, we present our data and empirical strategy for analyzing the NRP according to our hypotheses.

5 | RESEARCH DESIGN AND DATA

In order to analyze intercantonal cooperation in the case of the NRP in Switzerland, we rely on both quantitative and qualitative data. The next subsection descriptively presents the quantitative data, which consists of project-level data on all of the 977 projects implemented from 2008 to 2013 (CHMOS¹ 2011).

In a first analytical step, following the first descriptive overview, we rely on a survey with open questions of all actors responsible at the 23 subnational (cantonal) levels where the implementation takes place (i.e., a full census),² which come from an evaluation report by Sager and Huegeli (2013). All of the actors responsible for the implementation of the policy at the cantonal level provided their views on what they consider the reasons for the comparatively low share of intercantonal projects. We then categorize and weight these subjective assessments in order to examine whether they can be used to test the hypothesized determinants of low cooperation (see list of utilized quotes in the online Appendix).

In a second step, in order to examine which factors facilitated cooperation, we rely on data on the project-level including data on 977 implemented projects *and* the assessments by the responsible actors at the cantonal level. In the last analytical step, we relate the findings to the integration mechanisms available in the ICA framework and the implementation literature in order to formulate suggestions for a more promising organization of cooperative arrangements.

5.1 | Project-level data: Characteristics of intercantonal cooperation projects

Project-level data allow us to examine how intercantonal cooperation manifests itself in the NRP. Despite its desire for intercantonal cooperation, only 7% of the projects (using 7.2% of the expended funds) were implemented intercantonally (CHMOS 2011). These numbers fall below the objective of having about 25% of all projects implemented intercantonally, which comes from OECD recommendations (OECD Publishing, 2011), and conflicts with the perception of a “networked polity” in Western European regional development strategies (Ansell, 2002), at least from a horizontal governance perspective.

Figure 1 demonstrates that the NRP does insufficiently reach its goal of intercantonal cooperation based on the assessment of the actors responsible for the implementation at the cantonal level: While the vast majority of implementing actors believe that the goal to promote intercantonal

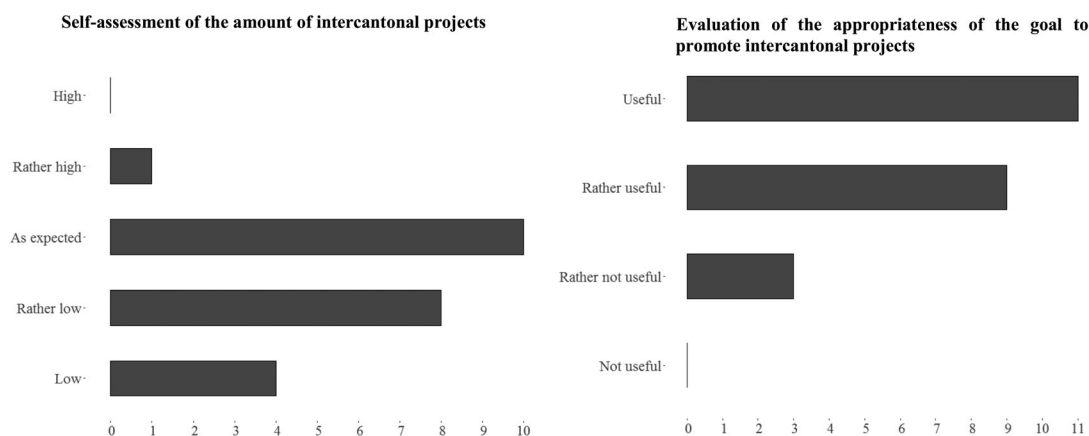


FIGURE 1 Assessments of the goal of intercantonal projects.

Note: The author's own figures based on a survey of the actors responsible for implementation at the cantonal level

projects is appropriate (20 out of 23), 12 out of 23 were not satisfied with the output achieved and expected more intercantonal cooperation, 10 did not expect there to have been more success, and one actor expected fewer intercantonal projects. Therefore, examining the reasons behind these low numbers is crucial for improving implementation in Switzerland and beyond.

Due to the broad range of regional development projects that the NRP can support in terms of regional scope, volume (costs), sector, and management, these characteristics can already help to explain differences in inter- and intracantonal projects (see figures 2.1–2.3 in the online Appendix) and give a descriptive overview of the implementation of the NRP.

Intercantonal projects are more likely to be managed by associations and private actors than by public actors (i.e., institutionalized regions or municipalities, see figure 2.2 in the online Appendix). However, there is no relationship between project costs and cooperation, as figure 2.1 in the online Appendix shows. A negative relationship, that is, that intercantonal projects are comparatively less costly than cantonal projects, could imply that intercantonal projects are mainly used as symbolic means to simulate cooperation and that each canton keeps larger, more expensive, and prestigious projects for itself (see, e.g., Kaufmann & Sager, 2019). Additionally, projects in the agriculture sector and projects that focus on export-oriented added-value services are more likely to be intercantonal while intracantonal projects in the tourism sector are overrepresented (see figure 2.3 in the online Appendix).

While these initial insights at the macro level help to understand the characteristics of intercantonal projects in relation to intracantonal ones, the data do not directly help to explain cooperation from a collective action point of view. Therefore, the next section analyzes the micro level to understand which factors facilitated or impeded intercantonal cooperation.

6 | INTERCANTONAL COOPERATION IN THE IMPLEMENTATION OF THE NRP IN SWITZERLAND

In this section, we discuss the costs of cooperation before turning to the institutional factors that help to overcome ICA dilemmas.

6.1 | Transaction costs and risks of cooperation in a heterogeneous and competitive setting

First, we address questions about the nature of the dilemma that cantonal actors face when seeking to implement the NRP's goal of intercantonal cooperation and the adequacy of the governance mechanism used to overcome the dilemma. We categorize and weigh subjective assessments by cantonal actors in order to examine whether they are in line with the hypothesized determinants of low cooperation.

The NRP's cooperative mechanism, which has led to very limited cooperation, has only been vaguely formulated in the federal implementation program as "encouraged from the point of view of federal regional policy" (Swiss Federal Council, 2007, p. 2490). Intercantonal projects require the cooperation of, what Feiock (2013, p. 404) calls, "institutional actors without central planning," that is, self-organized relationships, in which at least two cantons work together.

Hypothesis 1.1 expects low benefits to impede cooperation. Cantons are the most powerful political entities with respect to policymaking in Switzerland (Sager & Zollinger, 2011). Hence, they often have different strategic emphases regarding regional economic development policies, which may be reflected in the implementation concepts. Additionally, the institutions responsible for implementation in cantonal projects already have a very heavy workload. This is especially true of smaller cantons that have limited financial and personal resources (Sager & Huegli, 2013). These smaller cantons already face challenges when carrying out their own cantonal projects (see Biela et al., 2012; Bochsler, 2009), and they would prefer to invest their resources in projects that require the lowest negotiation and division costs, that is, projects that do not rely on intercantonal cooperation. This is clear from the answers provided by the implementing cantonal actors. Sixteen of the 23 cantonal actors mentioned low anticipated benefits because of the higher costs as a major reason for the low number of intercantonal projects. The following statements illustrate this point of view:

The cantonal offices responsible for the implementation of the NRP do not possess sufficient implementation capacities. They are sufficiently burdened with the implementation of cantonal projects. (Survey respondent 4).

The larger the area a project covers, the more territorial and institutional parties need to be included. The most diverse interests collide. It often makes projects stagnant (Survey respondent 5).

Negotiations between cantonal actors are very difficult and cumbersome (Survey respondent 3).

Why is this [the low share of intercantonal projects] a problem (Survey respondent 6)?

Although it is difficult to foresee the benefits of projects, it can be argued that the benefits that cantons anticipate from intracantonal projects are similar to the benefits they anticipate from intercantonal projects with their higher costs—consequently, cantonal projects have less costs while providing similar benefits. This supports Hypothesis 1.1, which postulates that low anticipated benefits lower incentives to cooperate. The fact that the cantonal actors referred to lower benefits only in terms of the costs of cooperation not in terms of benefits of intercantonal

projects can be interpreted in the sense that the low benefits are a consequence of the high costs, not of potentially low anticipated payoff of intercantonal cooperation per se (see table A1 in the online Appendix).

Larger cantons also mentioned low potential benefits as a result of costs as the reason for the low number of intercantonal projects, indicating that the benefits of cooperation are also low for cantons with sufficient financial and personal resources. The next hypotheses therefore deal with potential sources of the low anticipated benefits of cooperation.

Hypothesis 1.2 expects that intercantonal heterogeneity impedes cooperation. Mechanisms of low bindingness are appropriate if the problem to be solved clearly benefits from joint action and if political and institutional barriers are low (Feiock, 2013, p. 410). In the case of the NRP, the heterogeneity of the cantons is a main challenge expressed by the actors responsible for implementation. Fifteen of the 23 cantonal actors directly addressed the issue of heterogeneity when asked about the reason for the low number of intercantonal projects. No canton mentioned heterogeneity as an advantage for intercantonal cooperation.

The actors stated that they possess different decision-making procedures, administrative cultures, and capacities and also different economic policy strategies, which lead to high information and negotiation costs. The following statements demonstrate these issues:

As usual: Each canton has its own economic policy, its own idea of regional development and land use policy and so forth and so on. The low share [of intercantonal projects] is therefore not the result of a “wrong” approach by the NRP but is a structural implication of our political system (Survey respondent 1).

There are different ideas of what a good implementation of the NRP means and, consequently, the different prerequisites and goals based on cantonal implementation programs (Survey respondent 2).

The interests of the cantons do not always correspond, and they sometimes even diverge. Negotiations between cantonal actors are very difficult and cumbersome (Survey respondent 3).³

In order to prevent information and negotiation costs, the cantons continue to foster projects at a cantonal scale. As postulated in Hypothesis 1.2, intercantonal heterogeneity impedes incentives to cooperate voluntarily.

Hypothesis 1.3 expects that competition between cantons impedes cooperation. Another relevant factor is that cantons compete with each other for individual and corporate tax bases (Gilardi & Wasserfallen, 2016). Hence, taking an intercantonal focus and participating in projects that also benefit competing cantons can be problematic. However, the evidence for competition costs is less clear than for the first two hypotheses. While no actor mentioned competition as a catalyst for cooperation, six of 23 actors directly mentioned competition as a reason for the low number of intercantonal cooperation projects, which can be illustrated by the following statements:

Cantons have different orientations and strategies and stand in economic competition to each other (Survey respondent 7).

Interests and priorities do not match chronologically and substantially. There are other geographical orientations, no shared functional areas, only few physical

borders to neighbouring cantons, competitiveness between cantons, and fears (Survey respondent 8).

Due to the different ideas about the NRP and the occasional lack of political will, this structure is not beneficial for intercantonal projects (Survey respondent 9).

This also impedes cantons from overcoming the problem of positive externalities and supports Hypothesis 1.3. If cantons compete with each other, the incentives to limit the scope of projects to cantonal borders are not only strong because of information, division, and negotiation costs, they are also strong due to strategic considerations. Interestingly, the six cantons that mention competition all share a border with another canton that also mentioned competition. Competition as a reason for the low number of projects is thus possibly a phenomenon that is only regionally restricted.

To sum up, even though the transaction costs of the governance mechanism of working groups and informal networks are very low, the anticipated net benefits of cooperation are not high enough to encourage cooperation. Because the actors that are supposed to cooperate are very heterogeneous and, sometimes compete with each other, the costs of cooperation and the risk of engaging in cooperation is too high to incentivize it. This is in line with Hypotheses 1.1, 1.2, and 1.3. Consequently, it is unrealistic to expect that common interest itself is a sufficient condition for cooperation (O'Toole, 2014, p. 258). While regions benefit from intercantonal projects, cantonal actors face substantial costs.

Before turning to the question of how to increase the incentives for intercantonal cooperation, the next subsection sheds light on examples of successful cooperation between cantons. While the quotes above highlight the problems that are inherent to voluntary cooperation in the particular federal institutional arrangement for all cantons to certain degrees, the next section examines the variation between the cantons, which may explain the difference in the amount of cooperation between cantons.

6.2 | The importance of institutions and networks for overcoming ICA dilemmas

Hypothesis 2 states that relational factors can foster ties and cooperation. Successful cooperation projects have four similarities that can be seen when examining the qualitative (assessments by the cantonal actors) and quantitative data (projects that cantons implemented cooperatively). These include: originating from the same geographic area, speaking the same language, originating from Latin speaking parts of Switzerland,⁴ and participating in institutionalized regional intercantonal conferences. *First*, cantons from the same geographic area implement intercantonal projects. Shared borders can lead to interdependencies in shared functional areas and make collective action more likely (Fischer & Jager, 2020, p. 649). Consequently, as cantonal actors also stated, cantons that only share short borders or borders that are special topographical conditions (lakes, small valleys, or mountains) state that this is a problem for cooperation. *Second*, no intercantonal project crossed the language border, that is, all intercantonal projects occurred in either the French, German, or Italian language regions where the language is the same and political similarity is greater (Linder et al., 2008, pp. 41–44).⁵ This is in line with assessments by cantonal actors that indicate that different mentalities or administrative cultures across these language barriers make cooperation more difficult. *Third*, cantons

from the Latin speaking parts of Switzerland are disproportionately better represented than those in the German speaking part, especially in terms of the financial substance of projects. Cantonal actors from the French-speaking part of Switzerland corroborate this observation by mentioning that cooperation in this part already works well; however, they do not mention the reasons for this successful regional cooperation:

This [the low share of intercantonal projects] is hardly true for Western Switzerland. (...) We have many inter-cantonal projects in Western Switzerland (Survey respondent 10).

The *fourth* similarity could help our understanding of why cooperation is clustered in the Latin speaking part. Cooperation predominantly took place in cantons that are members of the same institutionalized regional intercantonal conference of ministers for economic affairs that was already established before the NRP. For the French-speaking part, this conference (CDEP-SO⁶) encompasses all cantons that have French as an official language.

[Our canton] participates in the CDEP-SO's intercantonal programme, which is a substantial and important programme (Survey respondent 11)

The fact that cantons of the CDEP-SO cooperated while other, German speaking parts also engage in their own regional intercantonal conference but cooperate far less can also be linked back to Hypothesis 1.2 on heterogeneity. In the French speaking part of Switzerland that forms the language minority region, the cantons share a more interventionist interpretation of the role of the state (Linder et al., 2008) and, as Steiner (2001, p. 145) puts it, there is a “perception of a common French-speaking identity” that can reduce negotiation costs. Due to this more interventionist interpretation of the state, we argue that cantons in the French-speaking part see themselves more as central actors in the implementation of the NRP in order to reach the goal of intercantonal cooperation and thereby to economically foster the whole language region.

These factors that enable intercantonal cooperation support Hypothesis 2. Relational factors can reduce collaboration risks and help to overcome sources of collective action dilemmas that the ICA framework postulates (Feiock, 2013). While the type of ICA dilemma is the same in cantons with less intercantonal projects, data from the NRP support the assumptions that similar preferences and existing institutions facilitate cooperation in cases of fragmented authority.

Cantons that are relatively homogenous, such as those in the French speaking part or in similar small rural cantons, were the ones that mainly implemented cooperative intercantonal projects. This again supports Hypothesis 1.2 on heterogeneity. Shared borders, the same language, and ideological similarities reduce decision costs when aggregating preferences because it is easier to find a consensus with cantons from the same functional areas and a similar institutional setting (Feiock, 2013, p. 412; Fischer & Jager, 2020). Shared borders and similar economic and political positions hence increase the likelihood that cantons participate as members of the same intercantonal conference of ministers (Gerber et al., 2013). As O'Toole (2014, p. 259) argues, organizations that have learned to work with others and to gradually draw on the contributions of others are very likely to increase their mutual trust (Ansell & Gash, 2007; Percoco, 2016). Research on the impact of these conferences in Switzerland shows that they not only promote learning processes through the diffusion of ideas (Füglister, 2012; Strebel, 2011) but that they can also attenuate competition through continuous interaction and the establishment of social norms (Gilardi & Wasserfallen, 2016). Additionally, as Bochsler (2009) shows,

cantons with an already institutionalized cooperation in intercantonal conferences have less incentives to find new partners outside of these conferences and hence they remain in the already institutionalized frame.

Despite the availability of the abovementioned factors for lowering the costs of cooperation, in most cases they were not balanced by perceived benefits. Considering that only 7% of all projects were implemented intercantonally while a vast majority support the goal of intercantonal cooperation (see Figure 1), it is arguable that the cooperative agreement in the NRP did not sufficiently take into account cooperation risks. The next section discusses other, arguably better, suitable mechanisms for resolving the ICA dilemma in the case of the NRP.

7 | IMPROVING HORIZONTAL COOPERATION— ALTERNATIVE MECHANISMS

In situations of market failure, manifested in an underproduction of services, where the collaboration risk is high and the potential gains of joint action are not high enough to cover the emerging transaction costs, more investment in relationships and higher-cost mechanisms can help to overcome the ICA dilemma (Feiock, 2013; Steinacker, 2010). Even though transaction costs in such a mechanism increase, cooperative incentives can be maintained in situations with a high collaboration risk.

Given that cooperation in the implementation of the NRP is based on single projects with different scopes, an institutionally consolidated regional authority would be too rigorous and too restrictive an integration mechanism. More appropriate mechanisms include binding contracts or agreements. These can either be a bottom-up product of interactions among cantons (“creatures of local governments”) or a top-down mandate by higher level governments (“creatures of the state”) (Feiock, 2013, p. 413).

Contracts as a bottom-up product of cantonal interactions could be advertised as a simplification of interactions since negotiation processes can be formalized. However, based on the analysis of the collaboration risks that stem from the heterogeneity of cantons, the net benefits of such collaboration would arguably be too low. In order to increase incentives to cooperate, trust and experience needs to be built first (Ansell & Gash, 2007; Feiock et al., 2009; Hawkins, 2010; Hawkins et al., 2016; Percoco, 2016).

We argue that, based on top-down implementation literature, if the federal regional policy's goal to foster intercantonal cooperation is central to the success of the policy, and it is democratically derived, it is crucial to set up vertical mechanisms in the implementation process in order to guarantee the achievement of goals (Sabatier & Mazmanian, 1980). Steinacker (2010, p. 64) also supports this conclusion, arguing that in ICA dilemmas where positive or negative externalities are produced, “while the horizontal dimension of intergovernmental relationships is the focus for many of the other transaction cost issues, the vertical federalism aspect may be critical in addressing externality problems.” A more promising approach would therefore be for the federal central government to intervene more by creating and facilitating interactions between cantons (Ansell, 2002, p. 310). It could either mandate cantons to build contracts or partnerships that formalize cooperation between cantons or to tie the disbursement of funds to the achievement of the goal of implementing a predefined share of projects intercantonally. Statements from actors responsible for implementation at the cantonal level who agreed with the federal goal of fostering intercantonal cooperation and with the OECD's recommendations support this approach (2011). While this approach runs the risk of resulting in undesired alibi-

projects, the former approach could help to overcome some of the collaboration risks described above by shaping the strategies for the cantons (Feiock, 2013, p. 412).

Cantons that share a border or that are located in the same functional area can be mandated to formulate contracts that structure interactions, propose meetings, and broad intercantonal program goals. This could be achieved by establishing intercantonal, purpose specific, regional associations. As figures 2.2 and 2.3 in the online Appendix show, associations were most likely to implement intercantonal projects and the project purpose the NRP supports are very broad. Through these initiatives, cantons can strengthen networks and related social capital and thereby promote cooperative solutions (Feiock et al., 2009, p. 267; also Ansell & Gash, 2007; Olberding, 2002). As previous research highlights, socialization in repeated meetings in informal or formal settings can help to mitigate competitiveness (Gilardi & Wasserfallen, 2016; Lee, 2016; Olberding, 2002; Percoco, 2016). Additionally, by mandating cantons to interact, the deterrent effect of information and negotiation costs in voluntary interaction could be overcome and cantons would need to find and deliberate on a common denominator in their cantonal economic development strategies.

An institution that shapes the choice of cooperation partners in the established projects already exists in the form of the four regional intercantonal conferences of cantonal ministers for economic affairs. Vertical interventions must therefore be aware that only crude guidelines that mandate more cooperation are likely to result in more cooperation inside the perimeters of these conferences where the bulk of cooperation already takes place and where there are also numerous other functional areas that overlap these parameters. A requirement for cantons could therefore be that a certain share of cooperation must take place beyond regional intercantonal conferences.

We therefore argue that a top-down intervention is necessary if intercantonal cooperation fails due to collaboration risks that are too high and direct benefits that are too low *and* if the goal of intercantonal cooperation formulated at the federal level is crucial for the overall success of the policy. From a public administration point of view, federal central government actors that are responsible for the implementation of the policy require compliance when they are confident in the causal theory of their policy concept (Sabatier & Mazmanian, 1980). In federal systems with fragmented authority in subnational entities, the federal level has the competence to formulate strategic goals. Therefore, a more formalized specification of cooperation between cantons would not conflict with federalist principles. Additionally, in the longer term, repeating interactions could foster trust and strengthen bottom-up incentives to cooperate (Ansell & Gash, 2007) and may even undermine the need for top-down interventions in the longer term.

As for our test case, first steps to encourage contracts between cantons were already made in the renegotiating of the NRP in 2016. By utilizing this window of opportunity, the federal government encouraged cantons to formulate intercantonal implementation programs. These programs can be seen as a contractual instrument where two or more cantons agree on common strategies and goals through intercantonal projects. However, the recommendation-based approach did not lead to much success: Only one additional intercantonal program was formulated, which corresponds to an increase from three to four programs.⁷ This outcome supports the case for more top-down interventions.

8 | CONCLUSION

The present findings demonstrate that the ICA framework provides helpful guidance for analyzing cooperation in fragmented institutional arrangements on higher-tier-levels, such as

decentralized member state implementation in Switzerland. We show that cooperation between historically grown and highly institutionalized higher-tier subnational member states is challenging but possible. Cantons are the most important actors in policymaking in Switzerland (Sager & Zollinger, 2011). Horizontal interorganizational cooperation based on voluntary mechanisms does not do justice to the complexity resulting from high coordination and division risks due to the competitive attitude, structural heterogeneity, and high information and negotiation costs caused by high institutional obstacles (see Figure 1). The literature on ICA dilemmas argues that higher collaboration risks require more institutionalized integration mechanisms. Top-down implementation argues that central governmental actors who are responsible for implementation at the federal level must guarantee compliance with central policy goals by clearly structuring the implementation process in favor of these goals. By combining these two arguments, we conclude that a suitable solution for guaranteeing more intercantonal cooperation in the implementation of the NRP may consist of mandating cantons to engage in interactions by formulating general intercantonal implementation programs on a contractual basis. Such programs would ensure repeated interactions and general mutual program goals and thereby help to overcome obstructive collaboration risks. In the long term, mandated intercantonal goals and repeated interactions can increase trust and experience and thereby foster interactions that produce “creatures of local governments” (Feiock, 2013, p. 413) as a bottom-up product.

Higher-tier subnational institutions, such as the heterogeneous Swiss cantons, face higher cooperation risks than the well-studied municipalities (see, e.g., Kaufmann & Wittwer, 2019; Koch, 2013; Sager, 2005; Wittwer, 2020). Not only do cantons stand in direct economic competition with each other and possess historically rooted institutionalized administrative processes and practices, but there are also voluntary mechanisms that make more institutional integration more difficult to achieve. Therefore, research findings on intermunicipal cooperation should not be directly transmitted to higher-tier cooperation situations and more emphasis should be put on the vertical dimension of cooperation, including at the national level (Kim et al., 2020).

We use detailed qualitative and quantitative data on the implementation of the NRP in Switzerland and consider project-specific characteristics and institutional factors that impede cooperation. While promoters of economic development usually act at the local level by initiating innovative projects, highly institutionalized member states in federalist systems are typically responsible for the allocation of resources. In order to set up framework conditions and steering mechanisms, it is crucial to understand how member states can be incentivized to cooperate in areas where functional perimeters do not coincide with institutional borders.

Our conclusion ultimately consists in a *contradictio in adiecto*: voluntary cooperation is not so voluntary after all. This means that if a federal program aims at voluntary cooperation of subnational units, it cannot hope for them to spontaneously collaborate but must employ some sort of top-down intervention. Promoting cooperation at the expense of competition is a symptomatic dilemma in economic development policy. A voluntary arrangement favors self-interest and competitive behavior. Therefore, as long as the policy's goal is to use horizontal cooperation to balance unlevel playing fields, hierarchical steering remains a crucial factor for achieving this goal.

ENDNOTES

¹ CHMOS stands for Swiss monitoring service.

- ² Switzerland has 26 cantons but three did not implement the policy as they do not fit into the perimeter.
- ³ All quotes are the authors' own translations from German and French, and they answer the question: "What are, according to your assessment, the reasons for the comparatively low share of intercantonal projects?"
- ⁴ Latin speaking parts of Switzerland are the cantons of Geneva, Waadt, Neuchatel, Valais, Jura and parts of Bern and Fribourg (French speaking) and Ticino and parts of Grison (Italian speaking).
- ⁵ This includes bilingual cantons where German and French is an official language such as Bern and Fribourg. The regions in those areas where intercantonal projects were implemented did not cross language borders.
- ⁶ La Conférence des chefs de département de l'économie publique de Suisse occidentale.
- ⁷ See <https://regiosuisse.ch/umsetzungsprogramme> (last access June 18, 2020).

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the corresponding author upon request.

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SUPPORTING INFORMATION

Additional supporting information may be found online in the Supporting Information section at the end of this article.

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