



## Press release

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# Federal Council approves parameters for the multi-year financing decisions and sets priorities for Armed Forces expenditure, the environment and Ukraine

**With regard to the next legislative period, the Federal Council approved the target growth rates for the multi-year financing decisions during its meeting on 10 March 2023. These are upper limits. The development of the federal budget will dictate whether they are actually utilised. The financial outlook remains strained, with structural deficits in the financial plan years.**

At the start of each legislative period, the Federal Council adopts the dispatches on the major multi-year financing decisions. Around one quarter of federal expenditure is driven by these financing decisions. This concerns, in particular, education and research, the Armed Forces, international cooperation, agricultural policy, regional passenger transportation, the environment and culture. Defining the target growth rates provides the Federal Council and Parliament with the opportunity to set the policy priorities for the forthcoming 2024-2028 legislative period. At the request of Parliament, the Federal Council sets clear priorities for Armed Forces expenditure. It is due to increase by just over 5% per annum and reach 1% of GDP by 2035. The environment is also a high priority, especially the area of biodiversity. In addition, given the likely very high costs of reconstruction in Ukraine, the Federal Council has already set priorities in international cooperation.

*Table: Target growth rates and upper limits for multi-year financing decisions*

	Ø Nominal growth rate in percent	Upper limit in CHF bn
ERI dispatch 2025-2028	2.0%	29.7
Armed Forces 2025-2028	5.1%	26.0
Agricultural policy 2026-2029	-0.1%	13.7
International cooperation 2025-2028	2.5%	10.6
Reg. passenger transport. 2026-2029	1.9%	4.7
Environment 2025-2028	4.6%	2.2
Culture 2025-2028	1.2%	1.0

By setting the target growth rates, the Federal Council confirmed the decisions already taken in January and February. Following a temporary decline in 2024, all areas except agriculture are nonetheless expected to achieve positive growth. On this basis, the departments will now prepare the bills for consultation and the dispatches for Parliament in the areas mentioned.

International cooperation poses a particular challenge. It can be assumed that the costs for the reconstruction of Ukraine will be very high. Not all of the federal government's contribution to the reconstruction of Ukraine can be taken from the international cooperation budget. Is it also unclear when these costs will be incurred. The Federal Council therefore wants to reserve the growth in international cooperation expenditure from 2025 onwards for the reconstruction. According to the current plan, this amounts to a cumulative CHF 650 million for the 2025-2028 period.

There are also significant challenges in regional passenger transportation, due namely to changes in mobility behaviour and inflation. The federal government will therefore approach the cantons and transportation companies with a view to defining joint measures to ensure compliance with the set growth rate.

### **Financial situation remains strained**

With the increase in Armed Forces expenditure to 1% of GDP in 2035 and the ongoing strong growth in the high expenditure for social welfare (esp. retirement provisions, supplementary benefits, healthcare, childcare outside the family), the federal budget is reaching its limits. This is accentuated by the Federal Council's desire to stick to the existing target growth rates as far as possible. The set target growth rates and contributions are therefore upper limits whose utilisation depends on the further development of the federal budget. In the financial plan years, there is still a considerable need for consolidation, in order to comply with the debt brake in the years after 2025. The effective need for consolidation will depend, in particular, on other decisions by the legislature in pending items of business.

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