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Government Venture Capital?

How Switzerland can strengthen its innovation capacity without relying on the government to fund startups

Federal policymakers are considering that the state should financially support startups in their growth phase. However, a new analysis by Avenir Suisse shows that already increasing amounts of venture capital are flowing into Swiss startups, without any public involvement. To strengthen the country's innovation capacity, the federal government should focus on removing existing barriers instead.

Switzerland is among the world's leading innovation hubs. Numerous new companies emerge each year from universities such as the Swiss Federal Institutes of Technology, and the startup ecosystem continues to grow. Yet, when it comes to financing, young companies sometimes face difficulties. Politicians from various parties therefore argue that the government should step in as a venture capital provider.

A well-developed venture capital market is important for Switzerland. It promotes the creation of innovative companies and thus contributes to the competitiveness of a high-wage economy. However, three arguments speak against government intervention:

- **Promising development:** The Swiss venture capital market is still recent. Three quarters of active funds have existed for less than ten years. Market maturity is nevertheless steadily increasing in 2024, startups attracted CHF 2.5 billion in venture capital - five times more than a decade ago. These investment volumes are now comparable to those in other European countries that have a thriving startup scene.
- **Exaggerated concerns about relocation:** Swiss startups seeking capital are not relocating abroad in significant numbers. According to the latest figures from Avenir Suisse, only about one in 20 startups relocates its headquarters abroad. The strong presence of international investors highlights the appeal of Swiss startups, giving them access to international expertise and global markets.
- **Disappointing experiences in Europe:** Finally, it is often argued that government-backed venture capital is necessary to offset competitive disadvantages vis-à-vis European countries. In these countries, the government has increasingly acted as a venture capital provider for around 20 years. However, the expected boost to innovation has failed to materialize. Public funds often perform worse than private ones, crowd out private investment, and channel capital into potentially less productive areas.

Sustaining a Successful Innovation Policy

Rather than turning the government into a venture capital provider, policymakers should focus on the government's core competencies. Maintaining a strong knowledge and research base in Switzerland, while improving framework conditions for startups, is crucial

First, Switzerland should continue **to adhere to the priorities of its research and innovation policy**. It should keep investing primarily in fundamental research, with a focus on STEM (science, technology, engineering and mathematics) and life sciences. Many innovations build on advances in these disciplines.

Second, the federal government should implement three reforms to strengthen framework conditions:

- **Abolish stamp duty:** The issuance tax on equity capital makes capital increases more expensive and hinders larger financing rounds.
- **Open access to the global talent pool for startups:** In the international race for talent, Switzerland must become more attractive. There is a need for startup visas and simplified procedures for highly qualified graduates from non-EU countries.
- **Modernize labor law:** A flexible labor market is central to Switzerland's prosperity. This requires more flexible working-time models and simplified recording of working hours for a digital economy.

Lukas Schmid, the author of the study, highlights: "Commercializing good ideas requires risk capital – but not from the government. Anyone who truly wants to promote startups should therefore focus on improving framework conditions, such as abolishing stamp duty."

avenir analyse: "Staatliches Risiko(-kapital)?" (Government Venture Capital?), by Lukas Schmid and Noa Reggiani, available online from 3 February, 2026, 5.00 am in German and in French at www.avenir-suisse.ch.

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