

Swiss Confederation

(Schweizerische Eidgenossenschaft, Confédération suisse, Confederazione Svizzera, Confederaziun svizra)



Capital: Berne

Inhabitants: 7.591.500 (2007)

Area: 41.285 km²



Switzerland is a multilingual and multi-confessional nation shaped by a common political will. The first alliance between the founding cantons of Uri, Schwytz and Nidwalden dates to 1291. However, the federal state as it stands today, the oldest federal state in the world after the United States, dates to 1848. Switzerland's federal structure comprises three political tiers: the Confederation, constituting the central State, 26 cantons or half-cantons at the intermediate government level (see map), and 2,715 communes at the local level.

The 1848 Constitution is a minimalist constitution in the sense that it limits the powers and responsibilities of the central State as much as possible, particularly its functions as well as matters pertaining to expenditure and taxes. The cantons are sovereign. Freely administered, each is

endowed with its own cantonal Constitution and the primacy of its powers: a sphere of responsibility can only become federal by popular vote with a double majority of voters and cantons. The function is therefore enshrined in the federal Constitution; the same is true of taxes. Vertical relations between cantons and communes are regulated independently by the cantons: it suffices to say that there are 26 municipal systems, peculiar to each canton but characterised by many common features and approximations introduced over the years for the sake of harmonisation, simplification or by imitation.

The current federal Constitution of 18 April 1999 does not move away from the fundamental laws set forth in 1848. The allocation and execution of State functions is founded on the principle of subsidiarity (Article 5a). Article 50 concerns the communes in three aspects. (1) *Municipal autonomy is guaranteed within the limits fixed by cantonal law.* (2) *The Confederation shall take into account the possible long-term consequences of its activities for communes.* (3) *In so doing, it shall also consider the special situations of cities, conurbations and mountainous regions.* This third aspect is new; it was instituted in 1999. In addition to the political communes established in 1848,



the new federal Constitution nevertheless recognises conurbations and mountainous regions, two forms of territorial structure that bring together several adjoining communes but in different natural environments, urban for the conurbations and Alpine or Jura valleys for the others. Articles 51 to 53 grant a federal guarantee to the democratic cantonal Constitutions (*“approved by the people, and must be subject to revision if a majority of the electorate so requires”*) and protects *the constitutional order, the existence and status of cantons, as well as their territory.*

The cantons were originally States which formed an alliance according to various territorial configurations between 1291 and 1848 to give birth to the Confederation by delegating it with a share of its sovereignty. The Constitution of 12 September 1848 established the federal State by means of a “bottom-up” approach in respect of the principle of subsidiarity. Characteristic of Helvetic states, Switzerland has six half-cantons. The canton of Unterwald is historically constituted, topographically by an Upper (Obwalden) and a Lower region (Nidwalden). For confessional reasons, the canton of Appenzell was split by the Diet of 1597 into Inner Rhodes (Catholic) and Upper Rhodes (evangelical reformists). The Diet of 1833 declared the separation of Basel-Town and Basel-Country in the terms of a “revolution” that saw the rural communes challenge the authority of the town’s patrician government. On 17 March 1832, 46 communes proclaimed their independence under the name of “Basel-Country”. Finally, in 1978, in the wake of a long period of autonomist and cultural claims, followed by a lengthy constitutional process, the northern part of the French-speaking Jura, integrated in the canton of Bern since 1815, became the twenty-third Swiss canton (the twenty-sixth if the half-cantons are taken into consideration). Evidently, geographical, religious, linguistic

and cultural differences, and rural-urban opposition, have shaped the modern Switzerland. The State’s confederal and subsequent federal structure enabled this tension to be quelled without a rupture in the country.

In Switzerland, the commune constitutes the basic regional and political unit. Historical conjunctures in the 18th and 19th centuries were to determine the current state of affairs. A product of the French Revolution, the Helvetic Republic’s Constitution of 28 March 1798 abolished the political privileges of the bourgeoisie and established a uniform municipal system throughout the country, dissociating the local public administration from the management of bourgeois assets. Rural and urban communities, the bourgeoisie and parishes gave way to political communes. In addition to delegated powers and responsibilities, these communes were awarded their own bodies: a primary assembly of citizens, an executive, and personnel to manage the administration. Subsequent to the Mediation Act (1803) and then the Restoration (1813-1815), the communes were subject to, particularly as of 1830, elaborate regulations permanently establishing the supremacy of the political commune over all other types of local authorities. The Constitution of 1848 was to afford the federal State its current form. Thus, Switzerland comprises 25 cantons and half-cantons (excluding the Jura) and 3,204 communes. The highest number of communes was to reach 3,211 in 1860. Currently, there are 2,715 communes; however, their number is in decline as some of them, particularly the smallest communes, tend to merge in order to carry out their tasks more effectively.



2. Territorial organisation

Swiss communes are differentiated by a low average surface area and a low average population. Even if the number of communes has steadily decreased this century in the wake of voluntary mergers – from 3,101 in 1950 to 2,763 in 2005 (table 1) – over half the communes have a resident population that is less than one thousand inhabitants. No more than 125 communes have a population exceeding 10,000 inhabitants. Considerable discrepancies are noted in the municipal populations of each canton. The highly urbanised areas of Basel-Town, Geneva and Zurich show, in addition to Zug, both a low number of communes and an average population per commune that is higher than the other cantons. At the other extreme lie the Jura, Grisons, Ticino and

Fribourg cantons. Switzerland's smallest commune, Corippo, is located in Ticino in the Verzasca valley with 17 inhabitants.

Two difficulties are associated with sparsely populated communes. Firstly, the laws governing the political and administrative organisation, financial and budgetary regulations, and particularly the division of powers and responsibilities between the canton and the communes, and at the level of the commune, between the executive and legislative powers, are the same for small and large communes. Therefore, management criteria must be established for public policies which, in effect, can be applied equally to communes with 400 inhabitants and communes with 40,000 inhabitants. The second difficulty lies in that the economic dimension of public functions, especially to benefit from

Table 1 Number and population of Swiss communes, per canton

Canton	Number of communes ¹⁾				Commune population 2005		
	1950	1988	2005	Variation 1950- 2005	Permanent resident population ²⁾	Commune average population	Commune median population
1	2	3	4	5=4-2	7	8	9
Zurich	171	171	171	0	1,261,810	7,379	3,210
Bern	493	412	398	-95	955,378	2,400	887
Lucerne	107	107	103	-4	354,731	3,444	1,759
Uri	20	20	20	0	35,083	1,754	845
Schwytz	30	30	30	0	135,989	4,533	2,892
Obwalden	7	7	7	0	33,162	4,737	4,456
Nidwalden	11	11	11	0	39,497	3,591	3,012
Glarus	29	29	27	-2	38,317	1,419	720
Zug	11	11	11	0	105,244	9,568	8,001
Fribourg	284	259	176	-108	250,377	1,376	736
Solothurn	132	130	126	-6	247,379	1,963	1,021
Basel-Town	3	3	3	0	186,753	62,251	20,583
Basel-Country	74	73	86	12	265,305	3,085	1,253
Schaffhouse	35	34	32	-3	73,788	2,236	682
Appenzell Outer R	20	20	20	0	52,841	2,642	1,714
Appenzell Inner R	6	6	6	0	15,029	2,505	1,951
St. Gallen	91	90	89	-2	458,821	5,098	3,419
Grisons	221	213	208	-13	187,812	903	314
Aargau	233	232	231	-2	565,122	2,446	1,378
Thurgau	201	179	80	-121	232,978	2,807	1,848
Ticino	257	247	204	-53	319,931	1,568	690
Vaud	388	385	381	-7	647,382	1,695	450
Valais	170	163	153	-17	287,976	1,882	793
Neuchâtel	62	62	62	0	167,910	2,708	996
Geneva	45	45	45	0	427,396	9,498	2,396
Jura	-	82	83	83	69,091	832	404
Total	3,101	3,021	2,763	-338	7,415,102	2,669	959



economies of scale, exceeds the political territory of a single commune. From here stem the organisational problems in the production of local public goods and services. In economic geography, it is noted that the *operational territory* (concerning the maximum production capacity of local public goods and services) no longer coincides with the *institutional territory* (local administrative divisions), with the two as distinct from *relational territory*, which is even larger still (the "private" space in which economic and social activities take place).

Given that the traditional political commune was generally too small to produce local public goods and services effectively and economically, numerous forms of intermunicipal collaboration were created either by public or private law. The main determinants of intermunicipal collaboration combine three categories of criteria:

- economic criteria such as the importance of economies of scale, the magnitude of the effects of overflow or, on the contrary, congestion;
- physical criteria, such as the area, the distance between the site of the service production and the place of residence of claimants, the geographical and topographical conditions;
- political criteria, such as the political orientation of communes, the homogeneity of local preferences, or again the effectiveness of democratic procedures.

There is no definite response as to the optimal size of new local authorities resulting from collaboration or mergers, to the extent that these criteria lead to the simultaneous interplay of centralising and decentralising forces and because the importance accorded to each of them are subject to value judgements and eminently political decisions.

Intermunicipal collaboration is not a new phenomenon. Specific measures were put in place for communes in cantonal legislation from the end of the 19th century. Cantonal laws on the organisation of communes encompass all the measures relative to intermunicipal collaboration, while leaving the forms of cooperation open in a somewhat restricted manner. By simplifying to some extent, three "traditional" forms of collaboration can be distinguished: collaboration based on private law, intermunicipal agreements and the association of communes. To these are added the conurbation, a "new" form of collaboration specifically aimed at urban areas and the merging of communes. Intermunicipal collaboration escalated in almost two thirds of Swiss communes in the last ten years: on average, communes assume some ten functions by means of intermunicipal collaboration institutions, mainly in the fields of compulsory education, home help and care, support for the elderly and social assistance. To these can be added all forms of public service for which economies of scale are important: drinking water supply, water treatment plants; waste removal, sorting and incineration; fire fighting and public urban transport.

Conurbations are specific forms of intermunicipal collaboration in urban settings which particularly seek to resolve the problems caused by overspill effects and traffic congestion brought on by private commuting between the home, the workplace, places of recreation and consumption. Primarily, regional development and mobility issues (public and private transport) are at stake, in addition to cultural, sporting and leisure facilities. As regards "*mountain regions*", they bring together the communes in the peripheral areas of the Alpine and Jura valleys, organised to receive financial aid specific to their more costly infrastructural needs on account of their topography and



climate. In the new regional policy, they will have to foster initiatives to offset the shortfall in economic development.

Some cantons continue to be characterised by an administrative division into districts bringing together several communes under a common historic or geographical area. These constitute devolved bodies of the cantonal authority, exercising the functions or services under the cantonal state exclusively. In this regard, districts do not enjoy any autonomy. They are led by a prefect appointed by the canton, rarely elected by the polls, who runs an administration, the prefecture.

For some years, many cantons have initiated regional reforms. Several among them have drastically reduced their number of districts. Thurgau has brought together the other communes in the political commune (administrative, bourgeois and academic) that coexist in the same locality. The cantons of Fribourg, Ticino and Valais have instigated voluntary mergers of communes (Table 1, columns 3 and 4) with the goal of strengthening the budgetary and financial autonomy of communes to allow better division of responsibilities between the canton and

communes and, if necessary, reduce or make equalisation transfers more effective.

Measured by the yardstick of public expenditure, the importance of the local level stands at 27%, setting a slight downward trend in the long-term in aid of the cantons (Table 2).

Nevertheless, the ratio of public revenue to expenditure between cantons and communes varies greatly from one canton to the other (Table 3, column 16). Certain cantons are highly decentralised with a share of municipal expenditure accounting for less than 80% of cantonal expenditure (Zurich, Schwytz, Solothurn); while others are centralised when municipal expenditure represents less than 40% of cantonal expenditure (Uri, Basel-Town, Appenzell Inner Rhodes, Geneva).

Table 2: Public sector growth 1970-2005

	1970		1990			2005		
	CHF	%	CHF	%	Δ 1980-90	CHF	%	Δ 1995-2005
1	2	3	7	8	9	14	15	16
Confederation	7,834	32	31,616	31	0.80	52,607	31	0.66
Cantons	9,533	39	41,116	40	0.88	70,285	42	0.71
Communes	6,840	28	30,245	29	0.84	45,079	27	0.49
Total	24,207	100	102,977	100	0.84	167,971	100	0.63
GDP	90,558		330,925			463,673		
% GDP	22.4		26.2			30.2		

Sources: "Finances publiques en Suisse 2005", Swiss Federal Finance Administration, Bern, 2007: 2-3 or on website: http://www.efv.admin.ch/f/themen/oeff_haushalte/index.php (18.10.07); GDP for 2005 is provisional.



Canton	Number of communes	Surface area km ²	Cantonal revenue (CR)		Cantonal public finance in 1000 CHF				Ratio expenditure <u>communes</u> canton
			Total millions CHF	CHF per inhabitant	Current expenditure and investments	Revenue	Cantonal public sector in % CR	Public expenditure per inhabitant	
1	2	3	6	7	8	9	10	11	16
Zurich	171	1,661	88,928	68,804	10,754,061	10,397,175	12.09	8,320	1.021
Bern	398	5,841	43,985	45,644	8,407,161	8,753,359	19.11	8,724	0.737
Lucerne	103	1,429	15,622	43,910	2,970,654	3,067,856	19.02	8,349	0.735
Uri	20	1,058	1,584	45,712	451,807	448,134	28.52	13,020	0.270
Schwytz	30	852	6,849	50,170	860,633	833,698	12.57	6,305	0.896
Obwalden	7	481	1,311	39,646	284,174	301,615	21.67	8,585	0.517
Nidwalden	11	242	2,865	73,286	378,902	374,344	13.23	9,691	0.467
Glarus	27	681	2,790	73,236	366,337	344,890	13.13	9,615	0.628
Zug	11	207	9,971	93,753	916,771	957,453	9.19	8,616	0.729
Fribourg	176	1,591	10,106	39,559	2,383,395	2,538,877	23.58	9,328	0.542
Solothurn	126	791	11,564	46,844	1,639,140	1,708,057	14.18	6,639	0.812
Basel-Town	3	37	21,946	115,178	3,820,420	3,929,630	17.41	20,055	0.024
Basel-Country	86	518	14,160	53,502	2,499,874	2,679,538	17.65	9,444	0.400
Schaffhouse	32	298	4,086	55,126	604,349	645,070	14.79	8,156	0.685
Appenzell Outer Rhodes	20	243	2,317	44,215	397,339	410,281	17.15	7,583	0.679
Appenzell Inner Rhodes	6	173	688	45,936	128,936	123,972	18.73	8,596	0.354
St. Gallen	89	1,951	20,680	44,866	3,642,907	3,770,064	17.62	7,904	0.723
Grisons	208	7,105	9,441	49,355	2,039,909	2,193,366	21.61	10,663	0.769
Aargau	231	1,395	27,913	49,209	3,955,061	4,075,243	14.17	6,973	0.650
Thurgau	80	863	10,512	44,918	1,519,426	1,530,877	14.45	6,493	0.724
Ticino	204	2,738	13,316	41,335	2,882,434	2,677,182	21.65	8,949	0.661
Vaud	381	2,822	35,102	52,901	6,754,479	6,932,953	19.24	10,180	0.612
Valais	153	5,213	11,114	38,385	2,219,921	2,406,951	19.97	7,668	0.792
Neuchâtel	62	717	8,425	49,775	1,764,982	1,686,341	20.95	10,425	0.762
Geneva	45	246	27,443	62,839	7,826,074	6,992,578	28.52	17,921	0.218
Jura	83	839	2,585	38,070	816,146	801,033	31.57	12,020	0.542
Total	2,763	39,992	405,300	54,031	70,285,292	70,580,537	17.34	9,370	0.641

3. Local democracy

Every Swiss commune has a legislative authority, at times known as "deliberative", and an executive authority. To this can be added an administrative mechanism which plays a part in preparing and enforcing decisions. Finally, temporary or permanent commissions are often put in place to address concrete problems and to prepare the decisions under the preserve of the legislative.

Under the ordinary system, *legislative authority* is exercised by *direct democracy* (speaking of which, let it be noted that the cantons of Appenzell Inner Rhodes and Glarus continue to hold the public assembly in the form of the *Landsgemeinde*). Citizens with their domicile in the commune come together in the municipal assembly, generally at least twice a year, to decide on local public affairs. In over half the cantons, the municipal assembly is, or can be when the choice is optional, replaced by an assembly elected by a ballot, a type of municipal parliament. The regulations vary from one



canton to another. Table 4 illustrates the situation for Latin and bilingual cantons. In communes in which the local parliamentary system replaces direct democracy, citizens hold the right of initiative and referendum on the main local powers and responsibilities (see section 5).

All the municipal *executives* are collegial, generally elected by the citizens by universal suffrage in a majority or proportional voting formula. The number of executive members varies between three and nine from one canton to another (table 4) according to the commune's population. By and large, the term of office is equivalent to that of the cantonal government, i.e., four to five years. In general, the executive authority appoints a president (mayor or syndic), who does not hold additional powers but is given the responsibility of representing the commune. The president of the executive authority is also, most often, president of

the municipal assembly; however, said president cannot preside over an elected municipal parliament. With the exception of large communes, the position is not permanent and members of the executive are not professionals. Save the cities and a number of regions in proximity, the municipal elections are not highly politicised or partisan. Citizens, above all, elect administrators of municipal affairs – it is the candidate's personality and level of competence which prevails over his/her political affiliation, if he/she is associated with a political party.

The commune entrusts its management to its administrative employees, and the functions it wishes to undertake directly to its technical staff. It freely establishes salaries and working conditions. For special and highly skilled functions, the majority of communes resort to external companies and forms of public-private partnership.

Canton	Legislative		Executive
	Local parliament	Members	Members Permanently odd numbers
Bern	Optional	≥ 30	≥ 3
Fribourg	Municipal assembly under 600 inhabitants Optional from 600 inhabitants + obligatory list (<i>chefs-lieux</i> , main districts giving the commune its name)	30 to 80	5 to 9
Ticino	Municipal assembly under 300 inhabitants Optional from 300 inhabitants Obligatory from 5,000 inhabitants	15 to 60 ≥ 30	3 to 7
Vaud	Obligatory up to 600 inhabitants (then proportional) 10,000 inhabitants and over (max)	≤ 30 75 to 100 max	3 to 9
Valais	Municipal assembly under 700 inhabitants Optional from 700 inhabitants	20 to 80	3 to 15
Neuchâtel	Obligatory, according to population figures	15 to 40	3 to 7
Geneva	Obligatory	9 to 80	3 to 5
Jura	Optional	≥ 30	≥ 3
Grisons	Optional	According to the municipal Constitution	

Sources: Research by the author, cantonal law on communes, situation as of 1 January 2008.



4. Relations between cantons and communes

The federal government does not intervene directly in the supervision of communes; this falls under the remit of the canton. However, federal law provisions are in place concerning the public functions that can be exercised by the commune through trusteeship or prescriptive regulations: this is the case, for instance, in the fields of policies pertaining to health, social affairs and environmental protection.

Cantons exercise the supervision of the communes; nevertheless, this supervisory authority varies from one canton to another. Generally speaking, supervisory authority exerts control on the *legality of decisions* in the communes but it cannot be declared on their appropriateness with the exception of an arbitrary complaint. Cantons cannot dismiss elected municipal representatives except in the event of a criminal conviction. To facilitate intermunicipal coordination and harmonisation, cantons generally set forth regulations or directives to bind the enforcement of local policies. A specific sphere of cantonal supervision, which is more exact and prescriptive, is that of *municipal finances*. All the cantons have published a harmonised accounts plan and have prescribed equalisation regulations for operating accounts or limits on deficits, investment funding and borrowing. In view of communes' fiscal autonomy and their capacity to levy direct taxes, a mechanism providing financial guarantees (bail-out) practically does not exist for cantons except for equalisation.

The rights of the communes, particularly their autonomy, are stringently protected, even if this autonomy is not absolute. However, it falls on the Federal Supreme Court to prescribe the law in its jurisprudence, rather than on the cantons.

In fact, relations between the canton and communes are but very rarely confrontational. Cooperation is the prevailing rule. Following the example of what it means for relations between the Confederation and the cantons, cantons regularly consult the communes before deciding on legislative matters that concern them. That especially holds for the division of functions between a canton and its communes concerning fiscal and equalisation matters. Communes are brought together within cantons in Associations of Communes, sometimes Town and Major City Associations, which constitute the chosen representatives of the canton for municipal affairs, and if necessary somewhat active pressure or lobby groups. At the federal level, the Union of Swiss Towns and the Association of Swiss Communes play this role.

5. Local responsibilities and powers

In all cantons, the municipal assembly holds the decision-making powers on all the important aspects of administrative, financial and property management in the commune. In particular, it decides on the following:

- the operating budget;
- investment expenditure as well as its financial coverage;
- taxes, duties and user fees (causal contributions);
- all transactions concerning municipal buildings;
- municipal regulations;
- membership of an Association of Communes (intermunicipal single-purpose or multi-purpose union);
- merging of communes.

The powers and responsibilities of local parliaments, should they exist, are exactly the same. In this case, citizens generally



hold rights of initiative and referendum on the following matters:

- investment expenditure;
- taxes, duties and user fees;
- membership of an Association of Communes;
- merging with another commune.

The executive power manages municipal affairs, prepares and enforces the assembly's decisions. Its powers and responsibilities are residual.

In 2005, the most important municipal functions constituted education, health and social affairs (Table 5, column 4). Compared to 1990 (column 5), net growth is noted as regards resource allocations to health and social affairs. In the division of functions between the three tiers of government, communes have a predominant role in the following spheres of competence (column 8): administration, culture and sports, as well as the implementation of environmental policy. The changes are marginal compared to 1990. Nevertheless, the simple reading of allocations does not give an accurate indication of municipal autonomy. In the

field of health and social affairs, regulations governing allocations are generally established by cantonal legislation. Communes become executory in a "principal-agent" relationship that comes under the delegation of powers and responsibilities rather than a real devolution of powers. In the environmental field, communes enforce and finance the regulations established by the Confederation – their margin for manoeuvre is in the enforcement, not in the establishment of objectives; cantons undertake the coordination.

The appraisal of large spheres of State responsibility calls for a disaggregation per function to provide a more in-depth approach. Table 6 allows for these nuances. Here it is noted that communes have a predominant role in the financing of pre-school education, compulsory public education and special education classes (logopaedics, school psychology, integration classes, etc.). The cantons themselves decide upon and finance professional training, colleges and higher education establishments as well as universities. The Confederation exercises a

Table 5 Distribution of public expenditure per tier of government, 1990 and 2005

Sphere of competence	According to the functions per government tier				Between the government tiers			
	Confederation	Cantons	Communes 2005	Communes 1990	Confederation	Cantons	Communes 2005	Communes 1990
1	2	3	4	5	6	7	8	9
Administration	3.5	5.2	8.5	9.4	19.8	39.0	41.2	46.6
Public order	1.3	8.0	4.7	4.5	8.2	66.5	25.2	26.8
National defence	8.7	0.3	0.5	1.8	91.2	4.6	4.2	7.8
Foreign affairs	4.7	0.0	0.0	0.0	100.0	0.0	0.0	0.0
Education	8.5	24.9	21.7	22.4	14.1	55.1	30.8	33.1
Culture, sport	0.8	1.9	5.6	6.6	10.3	31.4	58.3	62.4
Health	0.4	18.3	20.5	16.0	0.8	57.8	41.4	39.6
Social affairs	26.9	19.1	16.2	11.1	40.6	38.5	21.0	22.4
Transport	16.3	9.3	7.3	8.6	46.7	35.4	17.9	22.2
Environment	1.2	1.9	7.8	9.1	11.3	24.8	63.9	62.1
Economy	8.4	5.8	1.4	3.4	48.2	44.7	7.1	14.7
Finance	19.4	5.3	5.8	7.1	61.7	22.4	15.9	23.8
Total	100.0	100.0	100.0	100.0	31.3	41.8	26.8	29.8

Source: Swiss Federal Finance Administration, Bern, 2007.



coordinating role for professional training, specialised higher education establishments and cantonal universities. However, the field of federal polytechnic institutes (Lausanne and Zurich) are under its preserve.

6. Financing for local authorities

Sources of finance are listed in Table 7. First place is held by direct fiscal revenue

Table 6 Distribution of expenditure on training and education, 2005, in 1,000 CHF

Function	Confederation		Cantons		Communes	
	1,000 CHF	%	1,000 CHF	%	1,000 CHF	%
1	2	3	4	5	6	7
Pre-school education	0	0	421,647	38	682,058	62
Compulsory public education	18,890	0	5,951,361	43	7,794,430	57
Special education	0	0	719,177	48	777,389	52
Professional training	504,325	13	3,016,929	78	343,046	9
Colleges, higher education	10,718	0	2,112,285	94	114,460	5
Specialised higher education establishments	27,116	16	136,779	83	1,339	1
Universities, polytechnic institutes	2,927,750	38	4,674,253	61	23,623	0
Others	973,755	66	455,707	31	41,269	3
Total	4,462,554	14	17,488,138	55	9,777,614	31

Source: "Finances publiques en Suisse 2005", Swiss Federal Finance Administration, Bern, 2007.

Table 7 State funding, 2005, in 1,000 CHF

Source	Confederation		Cantons		Communes		Average
	1,000 CHF	%	1,000 CHF	%	1,000 CHF	%	
1	2	3	4	5	6	7	8
Direct taxes	18,915,948	35.7	31,688,274	44.9	21,040,193	45.9	42.3
Consumption taxes	28,578,038	53.9	1,962,368	2.8	49,119	0.1	18.1
Monopolies, licenses	340,354	0.6	785,545	1.1	126,662	0.3	0.7
Property revenue	1,797,451	3.4	4,092,733	5.8	3,046,580	6.6	5.3
Proportion of revenue	6,212	0.0	5,361,283	7.6	1,620,364	3.5	4.1
Subsidies	31,491	0.1	15,843,160	22.4	6,359,799	13.9	13.1
. federal	0	-	11,096,542	15.7	10,745	0.0	6.6
. cantonal	31,491	0.1	*1,198,889	-	5,828,233	12.7	4.2
. municipal	0	0.0	3,869,211	5.5	*1,709,413	-	3.3
Sales, user fees	1,726,235	3.3	10,446,459	14.8	12,966,491	28.3	14.8
Repayments	1,589,455	3.0	400,714	0.6	630,259	1.4	1.5
Total	52,985,184	100.0	70,580,536	100.0	45,839,467	100.0	100.0

Source: "Finances publiques en Suisse 2005", Swiss Federal Finance Administration, Bern, 2007: 27, 49, 83.



(taxes on revenue and the wealth of individuals, on company profits and capital) and indirect taxes (VAT and excise duties), accounting for a little more than 60% of public sector resources. Nevertheless, considerable discrepancies between the different tiers of government are palpable, as this figure stands at 89% for the Confederation, 48% for the cantons and 46% for the communes. For the communes, the high percentage occupied by property revenue as well as user fees is noted; in all this represents $6.6 + 28.3 = 34.9\%$ of revenue. Financial transfers are limited: communes only receive 13% of cantons' total revenue. Total municipal public revenue corresponds to 11% of national revenue and approximately 9% of the GDP. These percentages have barely changed in the last ten years. The Confederation's fiscal sovereignty is exclusive for VAT, excise duties (beer, spirits, tobacco, petrol) and customs. This fiscal sovereignty is shared with the cantons and communes as far as direct taxes are concerned.

With the Federal Law of 14 December 1990 on the harmonisation of direct taxes in the cantons and communes, widely applicable since 2001, which establishes the tax bases and possible tax deductions, fiscal sovereignty in the cantons is limited from the official point of view; only the tax brackets and deduction totals continue to fall under the decision of the canton. Communes enjoy a derived fiscal sovereignty, limited by cantonal legislation: they can only decide on and collect taxes and causal contributions if cantonal law so expressly prescribes. In the absence of written laws, the presumption of fiscal competence is cantonal. As far as direct taxes are concerned, the prevailing system for communes in the majority of cantons is a combination of partial sovereignty and fiscal flexibility. *Partial sovereignty* because communes can decide if they wish to levy

direct taxes or not; but if they do, they should adopt the cantonal definitions and regulations relative to the purpose of the tax, taxable persons, tax calculation, tax brackets and maximum sum. *Fiscal flexibility* in the sense that the commune only decides the annual tax coefficient (or tax rate) generally expressed as a percentage of the cantonal reference rate, most often under a somewhat severe constraint aimed at a balanced operating budget.

In 2005, the proportion of own resources in the Confederation, cantons and communes accounted for 37, 35 and 27% respectively; but upon taking into consideration transfers received and disbursed, said percentages changed to 25, 45 and 30% of available revenue (Table 8). These discrepancies illustrate the predominant role of the Confederation in the policy of revenue transfer between the tiers of government, particularly in favour of the cantons: its share falls by 12% (from 37 to 25% - column 2). Cantons are the main beneficiaries at a rate of +10%, with +3% for communes. Net transfers received (transfers received - transfers disbursed) do not account for a significant proportion of municipal finance: 3.441 billion CHF. The ratio between own revenue and available revenue is 0.93 for communes, which characterises a low dependence on local finance compared to the canton and the Confederation.

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