



The Organization and Provision of Public Services

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2.1 INTRODUCTION

The residents of many countries which are comparable to Switzerland all have access to more or less the same types of public services. However, how services are provided varies widely. Health care in the UK, for example, is provided by the National Health Service, but to a large degree in Switzerland, health care is provided by the cantons and communities. Swiss cantons play a central role in education; in France, it is far more centrally organized.

The key to understanding how public services are provided lies in how a country is territorially organized. As a rule in federalist countries, the middle level plays a larger role, potentially at the expense of the communities or of the central state. In unitary countries, by contrast, more tasks are performed directly by the central state, but there are also countries like Denmark or Sweden, where the communities play a very important role.

One also needs to take the relationship between different levels into account. In dual systems, one of the two levels is wholly responsible for a given task and how it is regulated, financed, and implemented, while

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in cooperative systems, more than one level is involved in providing a given service. It is also possible, though for various reasons not always desirable, that different levels address the same task largely independently. In cooperative systems, the relations between different levels can be hierarchical or can be a partnership. Tasks can be performed by decentralized (or deconcentrated) administrative units, implementation can be carried out at lower levels (*Vollzugsföderalismus*), or task fulfillment can be achieved using negotiated contracts for specific programs or outcomes (*Programmvereinbarungen*).

Terms used today, such as the ‘guarantor state’ (*Gewährleistungsstaat*), the ‘activating state’, or ‘governance’, point to the fact that not all tasks have to be fulfilled by public administration bodies, but that a government must ensure that all the necessary services are available in the desired form. This blurs the distinction between public and private sectors; rather than clear, hierarchical structures, services are provided through political networks.

This chapter briefly sketches the development of state functions and describes the various areas of responsibility of different administrative levels. Expenditures at different levels for specific tasks are addressed separately. Relations between the different levels of government are an additional aspect, as is the relationship to private sector providers and the current forms cooperative efforts take.

2.2 THE DEVELOPMENT OF STATE FUNCTIONS IN HISTORICAL PERSPECTIVE

Prior to 1848, expenditures at the national level were limited to paying for diplomatic representation abroad, and covering the costs of the head of state (*Landammann*), the Chancellery, and a small part of the army—at the time, the cantons had jurisdiction over the latter. Beyond military expenditures, the cantons paid for roads, education, the judiciary, and the police (Stalder 2010). Social welfare was a community responsibility but only to a limited degree: when family networks proved inadequate, either the community or private institutions stepped in.¹

At the national level, immediately after the Swiss nation-state came into being in 1848, the largest single category of outlays (55–65%) was for the military. The amount expended for administration (3%) was minimal by

¹This section is based on Ladner (2013) and on the detailed analysis of the development of state activities found in Linder (1983).

comparison. Still, the national government did provide subsidies for cantonal roads, bridges, correcting river courses or lakes, and for reforestation in the higher mountains. With the founding of the Federal Polytechnical School in 1855 (renamed the Swiss Federal Institute of Technology or ETH (Eidgenössische Technische Hochschule) in 1911), the national government began to pay for a tertiary education institution (Halbeisen 2010). Expenditures at the cantonal level, particularly for primary education (*Volksschule*) and scientific research, had begun to play a greater role, along with cantonal spending for administration, the judiciary, the police, health care, and the military.

The military began to centralize in the period from 1874 to 1913. National-level outlays in other areas only began increasing in the 1890s, and included repurchasing railway concessions previously granted to the cantons (1898) as well as the subsequent expansion and creation of a nationwide public railroad system. Subsidies were also given for agriculture, for vocational education purposes, and for primary school teaching (after 1902). In 1884, such subsidies for civilian purposes amounted to only 7.5% of all outlays, but by 1913, this had increased to 40% (Halbeisen 2010). Such increases occurred at the same time as the founding of the Swiss National Bank (1905), the medical insurance system (1914), and the Swiss National Accident Insurance Fund (1918).

Even before the First World War, communities and cantons had begun to build an electricity industry, creating intercantonal enterprises under private law that were funded with public capital. Communities at the turn of the century were primarily engaged in expanding their water supply as well as building residences, with larger cities also expanding their public transportation networks (Linder 1983: 268). Education expenditures also grew in significance at community and cantonal levels: by 1910 in the canton of Zürich, they comprised 30% of public outlays. Spending on health care was over 20% of the canton of Bern's outlays at this time as well. Depending on the canton, there were also significant spendings for poor relief and the churches, or for agriculture and forestry.

In the war and crisis-ridden years, the national government not only faced large expenditures for military defense but it also had to ensure the country was supplied with adequate food and raw materials, alleviate inflation effects, and combat unemployment (Weber 1969: 17 et seq.). Overall, foreign affairs, agriculture, transportation, social insurance, education, and research increased in importance. Though there were fluctuations, there was a steady increase in outlays at the national level.

This began to change after the Second World War. From 1890 to 1950, the Swiss economy grew 2%, on average, but now the increase was over 5%. With a little delay, state expenditures ‘explosively’ increased in the 1960s, first in the outlays for infrastructure. Considerable investment, not least by the communities and cantons, was made in roads, schools, and hospitals, as well as in supply and disposal (Linder 1983: 238). Swiss higher educational institutions expanded and the national road system was enlarged.

New tasks and functions were also transferred to the state. The overall regulation, or steering, of the economy increasingly became a public responsibility, with measures to combat crises added to those meant to ensure the economy did not overheat. Economic imbalances created through urbanization and rural flight, for example, were addressed through regional planning stipulations added to the constitution (1969) and by a regional planning law passed a few years later (1976). Some of the consequences of economic growth were also countered with new water pollution and environmental protection laws (both 1971). Characteristic for these times were efforts to coordinate policy proactively, and over a longer term, by using tools such as regional and financial planning, government directives, and formulating nationwide strategies for defense, transportation, or energy (Linder 1983: 291 et seq.). This was the heyday of the interventionist and performance-oriented state.

During the worldwide recession from 1974 to 1976, the national-level measures to address crises again come to the fore. In addition to the existing instruments, anti-cyclical measures to support specific economic sectors came into play, including investment programs, housing subsidies, and export risk guarantees along with the expansion of unemployment insurance (Linder 1983: 296). Unlike during economic booms, however, the incurred costs could be covered less and less by revenue, and a discussion over the limits to the interventionist, performance-oriented state—as well as about state regulation—began. A pragmatic phase followed, one no longer oriented to bringing about larger reforms or nationwide strategies but instead to ‘perpetuating’ or ‘freezing what already exists’ (Linder 1983: 298). The center-right, in particular, criticized the increasing imbalance between revenues and outlays, and this resulted in freezing new hires in the federal administration and to a greater scrutiny of costs. In the 1990s, efforts to increase efficiency merged into larger reforms known as New Public Management (NPM; see the next chapter as well as Hablützel 2013). Parallel to this,

liberal demands for deregulation focused on making labor law (and shop opening hours) more flexible, as well as preventing the creation of cartels (1996), limiting the expansion of the social welfare state, and reducing taxes (Maissen 2010: 316).

Such reforms affect the organization of services governments provide. Outsourcing efforts have increased, as have efforts to eliminate government-controlled monopolies such as in postal, telephone, and telegraph services which were state-run until the late 1990s. Reforms were carried out with two goals in mind: one was to increase, in an environment more oriented to market forces, the ‘entrepreneurial’ scope in providing public services; the other was to rein in the growth of the state—or to have an answer for those who criticized such perceived growth. Outsourced enterprises and ‘agencies’ (Pasquier and Fivat 2013) now no longer appear (wholly) in the state expenditure column, though what they do—in the case of the Swiss Federal Railroads, the post office, Swisscom, cantonal banks, hospitals, and road traffic offices—can continue to be counted as part of what the state, in a broader sense, provides.

Despite the demands for more deregulation and greater liberalization, economic downturns in the early 1990s, as well as the economic and financial crisis at the end of the 2000s, again necessitated greater government intervention. The role the national government played in 2001 (the grounding of Swissair) and in 2008 (bailing out the UBS bank), and in more recent interventions in response to a weak Euro, has made state interventions in the economy appear necessary. Still, increased globalization sets limits. The bilateral agreements with the EU, reached in the wake of the 1992 Swiss referendum turning down EEA (European Economic Area) membership, along with the fundamental need to find transnational political solutions nowadays, means that in this international context, Swiss public administrators face increasing demands which are difficult to meet if they are based only on domestic political mechanisms.

In sum, the state has continually increased in importance, and steadily taken on new tasks. This is mirrored in the figures. Per capita expenditures in 1848 stood at 24 Francs; in 2010, they were 22,680 Francs. Even when taking inflation into account, per capita expenditures today are more than 60 times greater than they were 160 years ago (Ladner 2013: 31). The growth of the state, however, goes hand in hand with a more complex fulfillment of different tasks.

2.3 TASKS UNDERTAKEN TODAY BY THE THREE LEVELS OF GOVERNMENT

As noted in the first chapter, one of Switzerland's characteristic features is its three-tiered, federalist, and pronouncedly fine-meshed, territorial division into about 2200 communities and 26 cantons. As also noted, the tasks delegated to the national level only gradually increased over time, not least because this alteration or expansion of mandates calls for a change to the national constitution, and these must be approved by the voters and the cantons.

Several basic principles, set out in the constitution, guide the division of tasks and responsibilities, particularly between the national level and the cantons. One of these is that in allocating and performing state tasks, 'the principle of subsidiarity must be observed' (Art. 5a). The national level only undertakes tasks cantons are unable to perform or that require uniform national regulations (Art. 43a (1)). By doing so, the principle of fiscal equivalence has to be respected; it states that whichever 'collective body' benefits from a public service also bears its costs (Art. 43a (2)) or putting it another way, the collective body paying for a public service can also decide about the nature of that service (Art. 43a (3)). The same principles guide the division of tasks and responsibilities between cantons and communities, though depending on canton, these principles may be interpreted or implemented differently.

It is contested whether such principles are applicable to every case, but at least they do offer some guidance. In the case of subsidiarity, one can argue about what calls for uniformity in regulation, or when exactly the power of the cantons is exceeded. The answers depend in part on political preferences and values. There is also a danger, under the subsidiarity principle, that the weakest cantons become the touchstone when it comes to allocating tasks. The smallest cantons reach their limits faster than do the bigger cantons in trying to perform certain tasks, which partly explains why certain responsibilities are shifted and performed by higher levels. In the case of fiscal equivalence, which links together regulation, provisioning, financing, and utilization, it is unclear how directly this utilization must incur. Not everything can be financed by those who directly utilize or can be provided by those who regulate, or regulated by those who provide. (((Drop the next sentences, the system did not accept it))) Not everything can be financed by those who directly utilize or by the providers who regulate or by regulators themselves. One should also not forget, finally, that there can be deviations from basic principles arising through constitution and law, and that certain international obligations may take no account of domestic regulatory principles.

Following the logic of how the Swiss state was structured, the national-level tasks are explicitly limited and stipulated in the constitution. Article 1 (1) of the Swiss constitution states that: ‘The Confederation (*Bund*) shall carry out the duties assigned to it by the Federal Constitution’. There are 81 articles (Title 3, Ch. 2 and 3, Arts. 54–135) in the Swiss constitution listing specific tasks and competencies allocated to the national level, including the following:

- Foreign relations
- Security, national defense, and civil defense
- Education, research, and culture
- Environment and spatial planning
- Public works and transportation
- Energy and communications
- The economy
- Housing, employment, social security, and health
- Temporary and permanent residence of foreigners
- Civil law, criminal law, and weights and measures
- The financial system

The competencies, the form regulations take, the degree of national involvement and participation in provisioning, and the financing share vary by task area.² There are various tasks the national government shares with the cantons. The classic form of cooperation between the national government and cantons is described in Art. 46 (1): the cantons are to implement national law in accordance with the national constitution and national legislation. This organizational form is commonly referred to as implementation federalism (*Vollzugsföderalismus*). This arrangement is often criticized, since cantons receive no guarantee they will be able to participate in decision-making and may simply be required to carry out superordinate tasks—which they may even have to partly finance.

More recently, and as part of the reform of the financial equalization scheme, it has become common to talk of joint tasks (*Verbundsaufgaben*). These include those which, as part of deconcentration or ‘unbundling’ efforts, cannot be assigned to one or another level. The idea is that the

²For a detailed typology, see the 2006 corporate governance report from the Federal Council (Bericht des Bundesrates zur Auslagerung und Steuerung von Bundesaufgaben), and Waldmann and Spiess (2015).

responsibility for carrying out and financing (the fulfillment of) a given task should be shared by the national and cantonal levels, on the basis of a new type of partnership. Examples of such joint tasks include the official cadastral survey, the penal and correctional system, scholarships, nature and cultural heritage preservation, major roads, flood control, transportation in metropolitan areas, noise control, water pollution control, supplementary benefits entitlements, reduction of health insurance premiums, and improvements to structural development in agriculture, forestry, hunting, and fishing.

Within their area of competence—Art. 3 of the constitution states that they exercise all rights not vested in the national government—cantons themselves decide which tasks, and to what extent, they wish to fulfill. In that sense, cantons possess what is called a ‘Residualkompetenz’ (residual competencies). This also means that the portfolio of tasks will vary from canton to canton.

In recent years, cantonal constitutions have increasingly included lists of cantonal tasks and goals, in an effort to make citizens better aware of them. These give a useful survey of what the ‘collective body’ at this level is responsible for (Buser 2011). Detailing all the differences between the cantons would go too far, but the following list of responsibilities noted in Bern’s cantonal constitution gives some idea of the scope:

- Environmental protection
- Protection of nature and cultural heritage
- Regional/land-use planning and building codes
- Transportation and roads
- Water and energy supply
- Sewage treatment and waste disposal
- Maintaining public order and security
- Social welfare
- Labor
- Habitations
- Health care
- Schools
- Universities and polytechnics
- Media
- Culture
- Leisure, sports and recreation
- Agriculture and forestry
- Cantonal usage rights (to salt, water, mountains, hunting, and fishing)
- Cantonal bank

Communities, in turn, carry out tasks determined by local, cantonal, and national policies, and in so doing, distinguish between those in their own sphere of influence and those delegated to them by canton or the national government. In delegated tasks, the community is charged with implementing decrees from canton or national government. Federal law is carried out by the communities, for example, when implementing water pollution or food inspection laws, or by civil defense regulations; cantonal laws are carried out, for example, in the school system.

Statutory regulation is also in a community's jurisdiction. Unlike tasks delegated from above which must be carried out, having this power means communities have the right to set their own laws and administrative procedures, and can on occasion even administer justice, as when they set penalties for violating community regulations (Steiner and Kaiser 2013: 150). Within a community, one can distinguish between obligatory and self-chosen tasks. In the case of obligatory tasks such as land-use planning or setting building codes, these must be carried out in accordance with national or cantonal law. Self-chosen tasks, inasmuch as they do not lie within the sole jurisdiction of the national government, the canton, or other organizations, and inasmuch as they serve the general good, may include such things as building a multipurpose community hall or a community tennis court.

In practice, it is not always easy to establish which tasks belong to which level; it often calls for an interpretation of the relevant regulations. Wastewater disposal in the canton of Zurich, for example, is a community-level task, but because cantonal law and regulations have an influence on the financing, there is little scope for communities to act as they might wish.

The tasks carried out, or services provided, by communities and their administrators vary from canton to canton. The following is a list of what is often provided (Steiner 2002):

- Kindergarten, primary school, and middle school (lasting three years)
- Welfare, outpatient care, elder care, and certain social insurance tasks
- Wasser, wastewater, refuse, and electricity
- Public transportation within the community
- Community zoning and land-use planning, building inspection, nature and cultural heritage preservation, roads and paths, sports infrastructure, and cultural institutions
- Appointment or election of officials, organization of the administration, and personnel management

- Budgeting and accounting, administering the community's property and wealth, and setting the community's tax rate
- Fire prevention authorities, traffic police, and workplace inspectors
- Granting community citizenship to foreign residents

The guiding principle behind dividing tasks between canton and community is again that of subsidiarity. Communities, inasmuch as this is objectively feasible and leads to results that are both qualitatively and quantitatively acceptable, should take on as many tasks as possible. The hope is that this will lead to better legitimation and greater responsiveness in governmental action, as well as to both more effective and more efficient service provision (Steiner and Kaiser 2013). The division of tasks between cantons and communities, however, is also a result of historical developments and political power relations. In the last ten years, numerous Swiss cantons have newly regulated the division of tasks between them, in keeping with the restructuring of tasks brought about by changes to the financial equalization scheme and the redefinition of national and cantonal tasks. Noteworthy here is the shifting of tasks upward from the communal to the cantonal level, a move often justified with reference to the greater professionalism and stronger financial position of the cantons. Smaller communities are no longer in a position to fulfill their tasks. New regulations promulgated at the federal level are often the trigger, as they call for changes to cantonal law, as in the reordering of the civil registration system in the 1990s or in changes made to child and adult protection laws in the 2010s.

2.4 FULFILLING STATE TASKS IN LIGHT OF REVENUES AND EXPENDITURES

Increasing governmental responsibilities and the importance of the various actors in fulfilling tasks is mirrored in the finances. This is all the more significant because each level in Switzerland has its own sources of income and its own budgets, and must pay for its own expenditures. This is particularly true for the communities, as there is relatively little vertical transfer of funds. Of much greater significance are the transfers between the national level and the cantons, a large part of which is made up of contributions from the national level to joint tasks and implementation costs.

In terms of expenditures, when the Swiss federal state began in 1850, the national level was the least significant: communities accounted for 47% of the expenditures, and cantons 45% (Guex 1998: 102). By 1913,

the national level accounted for 22%, the cantons for 40%, followed by communities at 38%. The national level continued to increase in importance, so by the 1950s, it was the most significant source of expenditures, with communities now comprising less than 30% of the total. This trend reversed after 1960, with cantonal expenditures reflecting the expansion of the state and the economic boom. The trend has persisted: in 2014, cantons accounted for 43.4%, the national level for 33%, and communities for 23.6% of expenditures.

The low proportion of outlays at the community level is striking, particularly in international comparison. If one includes social insurance in calculating total expenditures, as is done in comparative Organisation for Economic Co-operation and Development (OECD) studies, then Switzerland belongs, at less than 20% as of 2009, to the countries with low community expenditures (OECD 2011). The share of community expenditures is still lower in German, Austrian, Spanish, and Greek communities but higher in Italy, Norway, and the Netherlands (30–35%). They were exceptionally high in Sweden (about 50%) and Denmark (over 60%). This is in contrast to the repeated assertion of how significant communities are in Switzerland. Yet this is not really so surprising, given the small average size of Swiss communities and their consequent limited ability to provide services. The part of the national level is also comparatively small. By contrast, the share of social insurance costs is large (in other countries, these form part of the expenditures of a central state, or these costs are integrated into the communities), as is the share of the cantons, an administrative and political level that is only significant in federalist countries.

If one looks at the national-level expenditures for specific tasks, then at 33.4%, social welfare—a responsibility accepted haltingly and relatively late (early nineteenth century) in Switzerland—takes the lion's share (see Table 2.1). The second largest category, considerably smaller, is transportation (11.8%), followed by education (9.5%) and the military (8.5%). Especially noticeable, historically speaking, is the relative decline in importance of the army, and the relative increase in importance of education, transportation, and the environment. That health expenditures by the national level are so low is due to the fact that the provision of health services is organized by the cantons and communities. Furthermore, the costs of treatment are borne to a very large extent by privately run health-care insurance funds, so their expenditures do not form part of state expenditure tallies.

Table 2.1 National, cantonal, and community expenditures, plus social insurance (2014)

	National govt.		Cantonal govt.		Local govt.		Social insurance		Total		
	↓	→	↓	→	↓	→	↓	→	↓	→	
	In %	In %	In %	In %	In %	In %	In %	In %	In mil. CHF	In %	In %
General administration	9.3	34.3	7.7	37.4	10.7	28.3	0.0	0.0	17,476,676	6.8	100
Public order and security, defense	8.5	34.0	9.0	47.6	6.4	18.4	0.0	0.0	16,185,942	6.3	100
Education	9.5	14.5	28.1	56.6	26.3	28.9	0.0	0.0	42,259,405	16.5	100
Culture, sports, leisure, Churches	0.7	8.8	2.0	31.2	7.0	60.0	0.0	0.0	5,397,629	2.1	100
Health	0.4	2.0	14.1	84.9	4.0	13.1	0.0	0.0	14,153,441	5.5	100
Social security	33.4	20.2	20.2	16.2	18.5	8.0	99.3	55.6	106,797,417	41.7	100
Transportation and communication	13.8	45.5	7.3	31.6	9.6	22.9	0.0	0.0	19,592,226	7.6	100
Environmental protection, planning	1.4	14.1	1.7	21.9	9.2	64.0	0.0	0.0	6,655,877	2.6	100
Economy	8.1	45.8	5.2	39.0	3.7	15.1	0.0	0.0	11,458,646	4.5	100
Finances and taxes	14.9	59.5	4.7	24.6	4.6	13.2	0.7	2.6	16,174,834	6.3	100
Total	100	33.0	100	43.4	100	23.6	100		256,152,093	100	
	64,726,027		85,220,441		46,403,528		59,802,097				

Source: Federal Finance Administration, financial statistics

Education (28.1%) is the large single expenditure category at the cantonal level, followed by social security (20.2%) and health (14.1%). Education is also the largest category of outlays for communities (26.3%), followed by social security (18.5%).

If one combines expenditures at all three levels, and adds social insurance outlays to it (independent of territorial entity), then the distribution of expenditures proves to be quite lopsided: more than 40% flows into social security, followed by a little more than 15% into education. All other expenditure categories are under 10%. Adding the full costs of health care (including health insurance) means more than 70% of all public spending goes to social security, health, and education.

However, listing the expenditures for specific task areas at the three political levels provides only limited information about how much leeway there is or how large an influence a particular level has in a given case. If one level is responsible only for covering the costs and another has decision-making power or room to act, then, despite contributing more funds, the significance of the former will be markedly smaller. In the cooperative federalism typical for Switzerland in which the national level lacks its own implementing administrators—unlike, say, in the US—an expansion of tasks at the national level can therefore lead to more implementation activity at the cantonal level. This increased importance of the cantonal level is thus sometimes the result of the increased scope of federal-level tasks (Vatter 2006: 223).

Cantons, and at times communities as well, have complained since the 1970s that tasks and costs increasingly are being shifted to them without a corresponding increase in decision-making power. The political interlacing (*Politikverflechtung*) of the system makes it generally more cumbersome, and it can be accompanied by a lack of clear responsibilities. Changes to the financial equalization scheme, and the reassignment of tasks,³ particularly to be in accordance with the principle of fiscal equivalence anchored in the constitution, along with a reorganization of ‘vertical cooperation’, were attempts to counter such tendencies.

The largest share of revenues, which are gathered at all three levels, is provided by income taxes (see Fig. 2.1). The maximum tax rate which the national level can levy is laid out in the constitution, but cantons and communities—within certain limits—are free to set their own level of taxation

³The corresponding Federal Council decision of 3 October was clearly accepted by a plebiscite of the people and the cantons (64.4% and 18 5/2 cantons in favor; the electoral participation rate was 36.9%) on 28 November 2004, and came into force at the beginning of 2008.

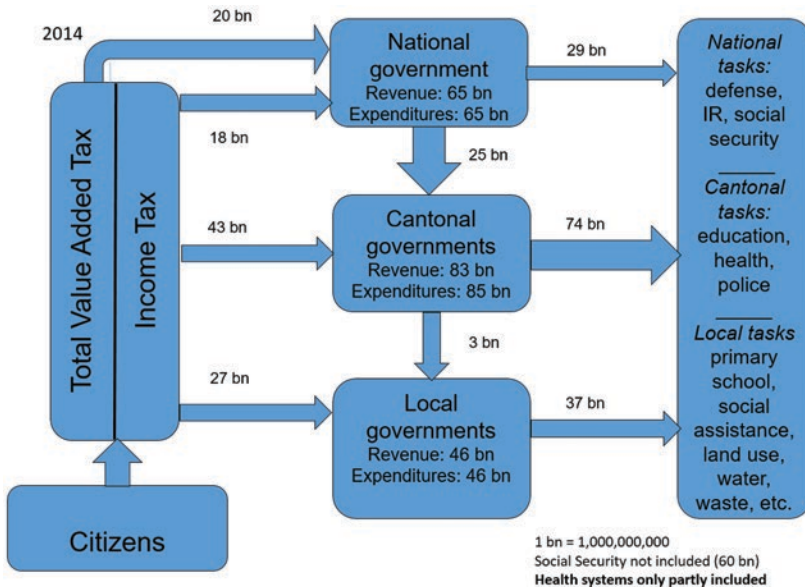


Fig. 2.1 Expenditures and revenues of the three political levels

according to their needs. As a result, the tax burden varies quite widely depending on where one lives. Most political communities also have balanced budget requirements, forcing them to keep expenditures and revenues in balance. In European comparison, the value-added tax is low and currently stands at 8%; this tax is paid directly to the national government and is its most important source of revenue.

A clear division of tasks, or of revenue sources, between political levels was not strictly observed even when the Swiss federal state began in 1848. Over time, however, the interlacing has increasingly meant lower levels carry out or implement decisions they did not participate in, with the financial flows becoming ever more complex and opaque. As noted several times, reform of the financial equalization scheme in 2008 was undertaken precisely in order to counter this tendency and to ‘revitalize’ Swiss federalism. But despite a new division of tasks, the financial autonomy of the individual political levels, and a declared commitment to fiscal equivalence, considerable interlacing, especially between the national level and the cantons, remains. Of the 63 billion Francs revenue received at the national level in 2010, nearly 19 billion (nearly 30%) of that was transferred to the

cantons, and about 14 billion was transferred to social insurance, especially for pensions and disability insurance. Most of the transfers to the cantons, which amount to more than 11 billion Francs, are linked to tasks performed by the cantons and come in the form of contributions, compensation, or investment. The cantonal share of federal revenues run to about 4.5 billion (direct federal tax, withholding tax, gasoline tax, heavy vehicle tax, etc.), and about 3 billion are accounted for by the federal share of the financial equalization scheme between the cantons.

That the higher level spends less money directly than it receives, and that a part of its revenues flows to the lower level, is a phenomenon one finds in all (federalist) states (Anderson 2010: 50). Herein also lies the justification for a central state to steer activities at the lower level, as well as to equalize the differences between the various territorial bodies. Characteristic of Switzerland, however, is how low the national share of total expenditures is, and how much of that flows, as transfers, into other public budgets. The national government, and this can be read out of how it developed historically, was in many areas never given the sole competence to provide state services. It was also not given independent power to increase its resources by raising value added or direct federal tax rates. The power to do so is set out in the constitution, and such increases cannot even be decided by parliament but must be approved by a majority of the voters and of the cantons.

2.5 INTERGOVERNMENTAL RELATIONS AND COOPERATION WITH THE PRIVATE SECTOR

If one examines the expenditures, one can see that the political levels are seldom solely responsible for a given policy area or for fulfilling a specific task. Instead, vertical cooperation between political levels as well as horizontal cooperation between cantons, or between communities, matter considerably more.⁴ To this one should add the cooperation with private sector actors, at all three levels.

2.5.1 *Vertical Cooperation*

In the case of vertical cooperation, the first question is how hierarchical, or conversely how egalitarian, the relationship between the three levels is—and more to the point, how independent lower levels are. The relationship

⁴On intergovernmental relations in Switzerland, see Ladner (2010).

between the national level and the cantons is often discussed in terms of sovereignty, and that between canton and community is often couched in terms of autonomy.

The determinative question is who is responsible for which aspects of task performance and to what degree. Without going into too much detail, one can distinguish between regulation, financing, and implementation. Following the principle of fiscal equivalence (see the constitutional articles noted above), these three should coincide—though this is not always possible to achieve in jointly implemented tasks.

As a rule, authority to set regulations lies at higher levels, with lower levels given less or more decision-making scope in this process. But part of the financing and implementation are in the competency of the cantons. Depending on the particular area, the national government may help finance but as a rule is not involved in actual implementation: Article 46 (1) explicitly states that the cantons are the implementers of federal law.

Reform of the financial equalization scheme in 2008 tried to modernize, and clarify, vertical cooperation in the country. As part of the ‘program agreements’ (*Programmvereinbarungen*), cantons and the national government (at times, with the communities and in consultation with private sector service providers) may sign four-year agreements which clearly define the tasks to be undertaken. They also contain a fixed funding formula. The idea is to complete stated tasks based on a partnership, one in which strategic questions are handled at the national level and the operative implementation is left to the cantons.

Cooperation between communities and cantons is less complex, though communities, of course, do insist on their independence and resist efforts to increase the financial burdens they already bear. Generally speaking, and in international comparison, Swiss communities have a very high degree of autonomy (Ladner et al. 2016). However, they are weaker than Scandinavian communities when it is a matter of political discretion they are granted in fulfilling tasks.

As far as vertical cooperation is concerned, the standard view has been that the national level negotiates with the cantons, and the cantons then negotiate with the communities. In more recent times, this model has proven inadequate, since there are cases of multi-level policy-making (tripartism) of this kind found in descriptions of multi-level governance. Art. 50 provides the constitutional basis, as it not only guarantees the autonomy of the communities, in accordance with cantonal law, but also explicitly

states that the national government must take the possible consequences of policies for communities into account. Indeed, the national government is also obligated to take the special position of cities and urban regions, as well as that of the mountain regions, into account. Regional planning in urbanized areas or integration/inclusion policies are examples of policy areas coordinated through tripartite practices.

2.5.2 *Horizontal Cooperation*

Horizontal cooperation plays an important role in carrying out tasks at lower levels; here it refers to cooperation either between the cantons or between the communities. For a long time, the former played a relatively subordinated role, but this has changed and now is of considerably more importance (Bochsler 2009). Such cooperation includes coordination between cantons over policy areas (without including the national government), exchange of information about cantonal experiences with policies, representing common cantonal interests vis-à-vis the national government, and in more recent years, organizing common implementation of political tasks (Bochsler and Sciarini 2006; Vatter 2016: 468).

The organizational expression of such cooperation includes the Conference of Cantonal Governments (since 1993), four regional (Western, Northwestern, Eastern, and Central) conferences of cantonal governments, policy-specific conferences (Cantonal Finance Directors' Conference, Cantonal Education Directors' Conference, etc.), as well as intercantonal meetings between specialized officials. More than 500 such bodies exist in the various branches of the cantonal public administrations, which create a dense and influential network of relationships (Iff et al. 2010). The organizational center for this activity is the House of the Cantons in Bern—and this degree of activity has led to some grumbling that it competes with the *Ständerat*, the upper house of Parliament which represents the cantons.

There are also more than 800 *Konkordate* ('concordats', meaning contracts or agreements) between the cantons, the vast majority of which are less than 40 years old (Bochsler 2009). Their main purpose is to regulate intercantonal and regional cooperation. About three-quarters of the concordats are bicantonal; only a dozen or so involve all the cantons (Vatter 2016: 470). Most concordats address tax or finance, education, research, or cultural issues.

Intercantonal cooperation efforts are often criticized for their ponderousness and a tendency to be technocratic or over-determined by administrators and executives. Cantonal parliaments do have less influence in preparing and carrying out concordats than they have in the case of cantonal laws, though there have been efforts to address this through greater cantonal inter-parliamentary cooperation.

A special form of intercantonal cooperation is laid out in Art. 48a of the Swiss constitution, which identifies areas (including cantonal higher education institutions, cultural institutions of supraregional importance, urban transportation, and advanced medical science) over which the national government, at the request of interested cantons (as a rule, 18 are needed), can declare intercantonal agreements to be binding or can require cantons to participate in them. This constitutional article was a direct result of changes made to the financial equalization scheme. Interestingly, it is a way cantons can initiate nationwide rules without the national parliament being involved in shaping them. That no such generally binding agreements have yet been crafted shows that this invitation for cantons to coordinate their efforts works.

Cooperation between communities is equally widespread, following a variety of organizational models. The ‘community seat’ model (*Sitzgemeindemodell*) foresees a (larger) community fulfilling certain defined tasks for other communities or a special purpose association (*Zweckverband*, a juridical entity) can be designated as the entity responsible for fulfilling a certain task. Communities do cooperate in service provisions, including in common fire brigades, providing medical services, school cooperation, wastewater and sewage systems, eldercare, or in waste disposal. Most Swiss communities say they work with at least one other community in providing such services (Steiner and Kaiser 2013: 164). Numerous newer cantonal constitutions also have articles which make it possible to force communities to cooperate should they not themselves be in the position of providing certain services in a satisfactory manner.

The small size of certain communities and cantons is a factor which favors cooperation. Very small communities may not be able to have their own schools for lack of pupils and therefore cooperate with neighboring communities to provide education. In consequence, inter-community cooperation is often seen as an alternative to community mergers—which have increased sharply in recent decades. Similarly, the smaller cantons do not have their own universities, so it has been necessary for them to find cooperative solutions with the cantons which do.

2.5.3 *Cooperation with Private Actors and Outsourcing*

Public tasks are fulfilled not only by the state in a narrower sense, but also in cooperation with the private sector. These can range from dependent institutions given contracts to provide services to private enterprises given public sector contract to fully private enterprises which provide services that are of a public nature.

Enterprises, institutes, or agencies under public law, which belong fully to the national government but which may be separate legal entities, include the Swiss Institute for Intellectual Property, the two Federal Institutes of Technology (ETH), and the Federal Pension Fund (Publica). Furthest away from the core of the administration one finds enterprises under public law or under special provisions in which the national government is the sole or majority owner. This includes former state monopolies, such as the SBB(Schweizerische Bundesbahnen)/the Swiss Railway, Swisscom, and the Swiss Post. Similarly, the maintenance and production facilities of the Swiss army have been turned into Ruag, a joint stock company under private law; it describes itself as engaged in aerospace defense technology. Similarly, the national government's former control of Swiss airspace and air navigation, both civilian and military, is now in the hands of Skyguide, a joint stock company.

According to 'The Cantons as Enterprises' (Meister and Rühli 2009), a 2009 study, cantons cooperated with or participated in about 600 independent (private) enterprises in the following sectors:

- 190 in public transportation
- 146 in financing (banks, insurance companies, credit or surety cooperatives)
- 102 in energy
- 56 in education
- 42 in health (esp. hospitals)
- 447 other (esp. in agriculture)

Our own community surveys (see *Gemeindemonitoring* 2017) found that in areas such as the computerization of administrative services, zoning and regional planning, energy supply, or supplementary childcare, one in five communities made use of private sector providers.

In addition to certain entrepreneurial freedoms granted in Switzerland, the subsidiarity principle is at work here too, though in its horizontal manifestations. In keeping with the tradition of Catholic social thought, this principle argues that as much as possible, all tasks should be carried out

through private efforts. The state should only intervene when this is objectively justifiable, thereby reinforcing the reluctance to having a strong state.

A further force encouraging cooperation with the private sector is size. Many communities, and even certain cantons, are too small to be able to afford an extensive, efficient public administration, so it is not surprising that relief is sought from the private sector. Preparations for construction permits or local land-use plans, the maintenance of streets, or the care provided to the elderly are given into the hands of private providers. The call for greater private involvement in public tasks in the ‘provider’ or ‘guarantor’ state (*Gewährleistungsstaat*) also comes from advocates of NPM. This effort is meant, among other things, to create competitive structures as well as to profit from greater entrepreneurial and economic liberties.

2.5.4 *New Cooperation Forms: Multi-level Governance*

Multi-level politics and cooperation with private actors merge into an organizational form called multi-level governance in the literature. Cooperation between the political levels is no longer hierarchical, and both public and private actors participate in shaping politics and implementing policies. With this, all the characteristics of the concept of governance, as suggested by Kersbergen and Van Waarden (2004: 152) and others, are fulfilled. One can see it illustrated in urban development or integration policies, in the various program agreements, or in national policy discourses about welfare, health, energy, or culture. Given their experience(s), private service providers, together with local, cantonal, and national authorities, are involved in helping to formulate policy.

However, studies of this new organizational form, not to speak of experience with it, are still largely lacking, so that one cannot yet speak of a new, promising form of policy coordination and policy steering. But there are certainly efforts being made to address ever more complex demands being made on the various policy areas.

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