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# Fresh wind for federalism

*By reorganising the financial equalisation system, the Federal Council and parliament are aiming to breathe fresh life into federalism and balance out financial disparities between cantons. At the end of November, voters will also be asked to vote on the new financial structure and the law on stem cell research.*

**RENÉ LENZIN**

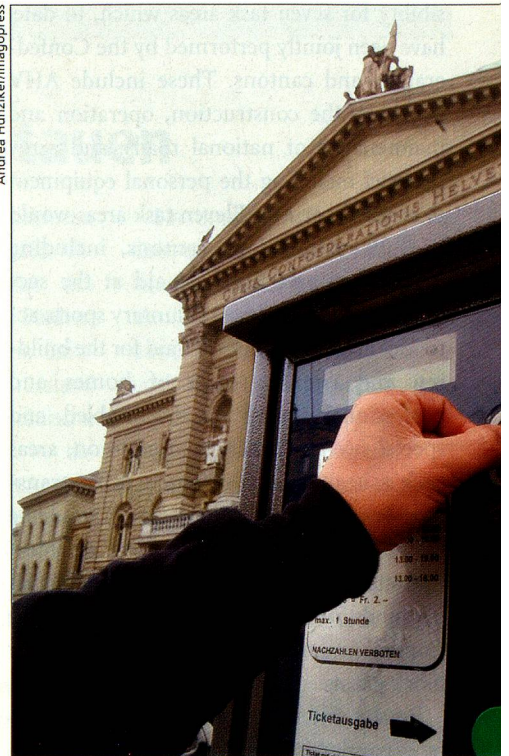
**RFE** – this acronym stands for a project that is as complex as it is critical to national policy: the “Reorganisation of Financial Equalisation and the Distribution of Tasks between Confederation and Cantons”. It has taken the Confederation and cantons ten years to formulate this reform, which they claim is nothing short of a means of revitalising Swiss federalism. The reform was prompted by the fact that the current equalisation mechanism falls short on two counts: Firstly, the numerous sources of funding have become completely unmanageable and frequently provide false incentives. For instance, cantons that upgrade their road network by building expensive new roads instead of renovating existing ones are rewarded with abundant federal funds. Secondly, the tax burden in different cantons is becoming more and more unequal.

The RFE aims to rectify these failings through a more transparent division of tasks and a new equalisation mechanism. In its narrowest sense, the financial equalisation mechanism is to be reduced to three parts: resource equalisation, whereby the portion of federal subsidies that is graduat-

ed according to ability to pay is replaced by un-earmarked transfers targeted at the financially weakest cantons, so that they might attain a level of resources equivalent to at least 85 percent of the Swiss average; cost equalisation, whereby alpine cantons are compensated for their topographic burdens and agglomerations for their socio-demographic burdens; and finally, equalisation for a fixed term for difficult cases, to ensure that no financially weak canton suffers unduly during the transition to the new system.

According to current model calculations, some CHF 2.7 billion is available for resource equalisation, up to 80 percent of which would be borne by donor cantons. The rest is provided by the Confederation, as is the estimated CHF 600 million for cost equalisation. The cost of equalisation for difficult cases will be some CHF 200 million. Basel Country, Geneva, Nidwalden, Schwyz, Zug and Zurich will have to pay more than at present. All other cantons would benefit from the RFE. The effective

Andrea Hunziker/imagopress



Does the franc go to the Confederation or the canton?

amount for these equalisation mechanisms will be set by the federal assembly and reviewed at four-year intervals.

## **Clearer division of tasks**

The second central element of the RFE is a clearer separation of tasks, whereby the Confederation would take over sole respon-

## Research using human stem cells?

Scientists believe that stem cell research may some day lead to treatment for currently incurable diseases such as Parkinsons and Alzheimers. Stem cells are protocells which can be used to develop different body cells. Embryonic stem cells are obtained from in-vitro fertilisation. Cells which are no longer required for impregnation, for instance if the women falls ill, are regarded as surplus and are theoretically available for research purposes.

However, a number of scientific and – in particular – ethical questions hang over this form of research, and the draft law on new stem cell research represents the efforts of the Federal Council and parliament to address such issues. It proposes that research should be permitted but under strict conditions: scientists must credibly demonstrate that they cannot achieve their research goal in any other way. Their project must be examined by authorities as well as the National Ethics Committee. Stem cells must be taken only from embryos that are up to seven days old, and concerned couples must give their consent. Finally, the draft law bans therapeutic clones i.e. the deliberate creation of embryos for research purposes. Left-wing environmental groups and religious groups believe the bill still takes things too far, and are calling for a complete ban on stem cell research on embryos. To this end they have launched a referendum, and voters are now being asked to decide.

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sibility for seven task areas which, to date, have been jointly performed by the Confederation and cantons. These include AHV pensions, the construction, operation and maintenance of national roads, and army materiel including the personal equipment of enlisted persons. Eleven task areas would be fully assigned to cantons, including scholarship and financial aid at the secondary education level, voluntary sports activities at school, grants-in-aid for the building and running costs of homes and professional schools for the disabled, and special needs schooling. In addition, areas such as healthcare, main roads, urban transport, law enforcement and forestry would be defined as joint federal-cantonal or inter-cantonal tasks. However, instead of providing funds for concrete projects as before, the Confederation would provide cantons with block grants earmarked for a specific target.

Finally, inter-cantonal cooperation is to be expanded in the interests of greater efficiency. If one canton uses the services or resources of another canton, it must pay for them but in turn is accorded co-determina-

tion rights. This cooperation is governed by inter-cantonal framework agreements. At the request of a majority of cantons, the federal assembly can declare such agreements generally binding and oblige individual cantons to participate. This form of cooperation would primarily benefit the more urban cantons with their universities and cultural facilities.


#### **Opposition from the Left**

On 28 November, Swiss voters and cantons will go to the polls to decide on the constitutional provisions of the RFE. While the laws governing implementation of the RFE will be voted on at a second stage, the constitutional text already defines the framework conditions which set limits on arbitrary cantonalisation and ensure a balance between donor and beneficiary cantons.

A clear majority of parliament and all cantons apart from Zug have declared their support for the RFE. Opposition has been expressed by the majority of associations for the disabled, which fear that cantonalisation will lead to a reduction in services. For the

same reason, the reform is also opposed by the political Left, which claims that the new system falls short of effectively balancing disparities. Exactly the opposite is argued by some members of the Swiss People's Party, who say that the extra burden on donor cantons will be excessive.

#### **New financial structure undisputed**

Direct federal tax and value added tax (VAT) are the government's two main sources of revenue. Under the Swiss constitution, both taxes are subject to a time limit and must now be extended. The Federal Council and parliament are recommending that these taxes be extended at the existing maximum rates. In contrast, however, to the Federal Council (which wanted to define a financial structure without any time limit), parliament has decided to set a time limit on both taxes by extending them up to 2020, and to continue charging the special VAT rate for the hotel sector, which the Federal Council wanted to lift. Despite these differences, all parties are in favour of the financial structure. 

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