



Fiscal Policy

Unbundling 27: The Business Community ***Awaits Results***

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At a glance

- The review of the division of responsibilities is an important project undertaken by the federal government and the cantons.
- From the business community's perspective, the findings of the interim report are insufficient.
- It expects results that go beyond a minimal consensus.

Who does what in Switzerland? In principle, the division of responsibilities is clear. The cantons are generally responsible for carrying out public tasks. The federal government assumes only those responsibilities expressly assigned to it by the Federal Constitution. These include, for example, foreign policy and the armed forces, national surveying and traffic regulations, ETH, the postal service, and AHV. “True” joint responsibilities are not provided for in Switzerland’s federal system. The guiding principle is that each level of government does what it does best. The lower down the hierarchy and the closer to the people a task can be carried out, the better (subsidiarity). And whoever gives the orders also pays. And vice versa (principle of equivalence). So much for the theory.

Ever-changing interconnections and interdependencies

In Switzerland, the situation is more complicated. The political and financial interdependencies between the federal government and the cantons are countless. This became strikingly clear with the 27th relief package. Whether in education, transportation, or environmental protection: there was hardly a single cut that did not affect the cantons in some way. The fact that the federal government transfers a full third of its revenue to the cantons illustrates the extent of these interdependencies. The last major federalism reform—the 2008 restructuring of fiscal equalization and the division of responsibilities between the federal government and the cantons (the NFA)—clarified many areas of jurisdiction and led to significant decoupling. However, this initiative—rightly hailed as the “project of the century”—could not solve all problems. In the nearly twenty years since its implementation, conditions have deteriorated once again. New interdependencies—such as those currently seen in external child care—have emerged, and financial dependencies have once again increased. An initial follow-up project (“NFA 2”) was derailed by the COVID-19 pandemic. A new attempt was launched in 2024. An [interim report](#) on this project, “Decentralization 27,” has been available since April.

Preliminary Results of “Entflechtung 27” Disappointing

The report takes stock of the division of responsibilities. Mixed working groups comprising representatives from the federal government and the cantons examined 21 major and minor tasks that had been identified in advance by the project leadership (the Federal Council and the Conference of Cantonal Governments). For each task, options for separation of responsibilities were examined and recommendations were made. As encouraging as the broad scope of the “Separation of Responsibilities 27” exercise is, the interim results are disappointing.

The working groups were able to reach a consensus on unbundling for only one-third of the tasks—though in this context, “unbundling” still largely means (financial) centralization. As in the case of feeder lines and rail infrastructure, the task is thus to be transferred entirely to the federal government. Where deconcentration toward the cantons is concerned, there is generally no consensus. Well-known areas of shared responsibility, such as regional passenger transport, universities, and vocational training, fall into this category. In these and other areas, decentralization is viewed “mostly critically” by federal and cantonal officials responsible for these matters. Concerns include reduced funding, declines in quality, and increasing cantonal disparities in service delivery.

In a commentary, the report dismisses such concerns as unfounded, citing experiences from the NFA. On the contrary, it argues, intertwined financing structures are what restrict room for maneuver and make it difficult to set independent priorities. Even after decentralization, the fulfillment of tasks would continue to be guided by the preferences of citizens. Cantons could coordinate and cooperate even without the federal government. When deciding on how to proceed, it is therefore necessary to weigh “sectoral interests against political objectives” —which, in other words, means: even if the specialized bureaucracies resist, overarching goals argue in favor of continuing to pursue the chosen broad-based approach and beginning in-depth work on a large portion of the tasks. The final report, including recommendations for action, is to be available by the end of 2027. The Federal Council and the cantonal

governments then intend to decide which deconcentration options will be proposed in a consultation draft.

It must be possible to clearly define the division of responsibilities based on a minimum consensus

The “Entflechtung 27” project is undoubtedly ambitious, but it is important. Government functions should be carried out effectively and efficiently—that is, in a tax-efficient manner—in the interest of the population and the economy. This requires a well-structured federal system that clearly allocates powers and responsibilities and minimizes areas of friction. It is undeniable that the federal system today is burdened by legacy issues from the pre-NFA era and by new missteps. A clear division of responsibilities yields fewer direct savings—since there is a consensus that shifts in burdens will be offset within an overall balance—but it does provide indirect benefits by better enabling each federal level to decide how tasks are structured and resources are allocated. The business community therefore supports the project. It expects results that go beyond the minimal consensus achieved so far.



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