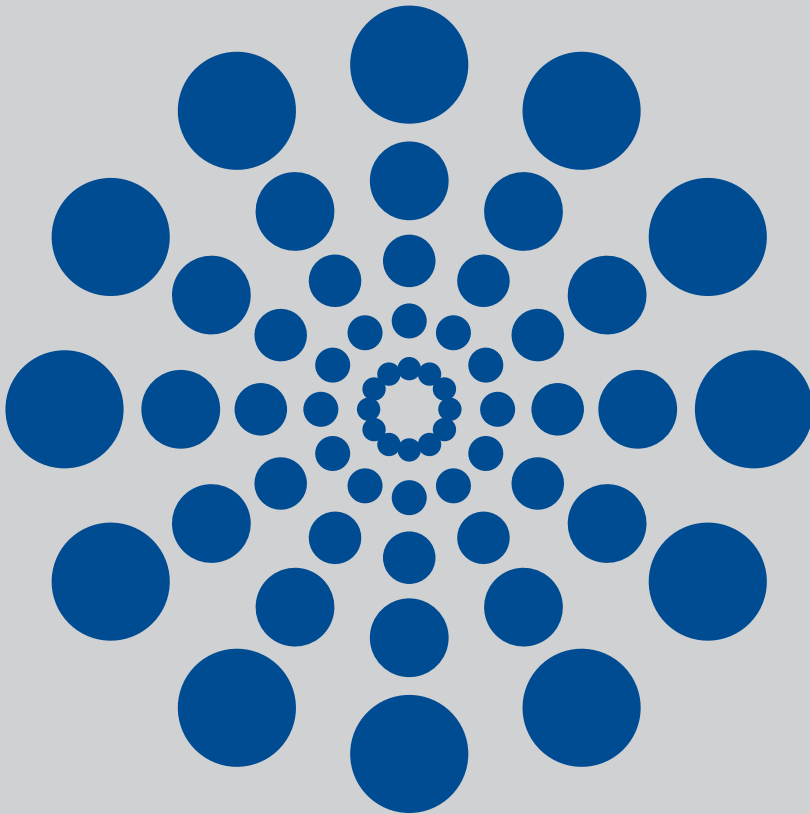




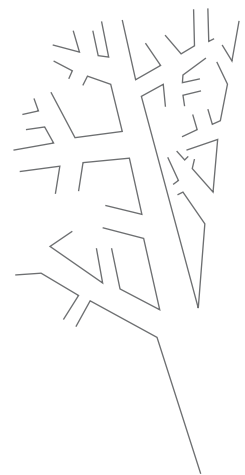
Decentralisation in practice



European patterns and experiences

DECENTRALISATION IN PRACTICE

EUROPEAN PATTERNS AND EXPERIENCES



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Dear reader,

We are presenting you an expert publication dedicated to the experiences of the selected Member States of the European union in the decentralization process, which has been prepared as part of an initiative aimed at creation of conditions for better understanding of the public administration reform in the context of the European integration of the Republic of Serbia.

This publication gives an overview of the European models and practices in the decentralization process implementation in France, United Kingdom, Denmark, Finland, Norway and Sweden.

The publication has been prepared within the project “ Support to the Serbian Public Administration Reform Strategy – second phase”, which is implemented by the Ministry for Public Administration and Local Self-Government, in cooperation with the United Nations Development Programme (UNDP) and financially supported by the Swedish International Development Cooperation Agency (Sida).

Sincerely yours,

Milica Dražić

Assistant Minister

Sector for European Integration, International Cooperation and Projects

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INTRODUCTION

Decentralisation is about transferring powers, resources and functions to subnational units of government that operate under the political control of elected leaders accountable to the citizens of those subnational units. In public administration parlance a distinction is usually maintained between decentralisation and deconcentration – the latter term normally refers to a geographical dispersal of functions without the centre relinquishing political control. Enhancing the status and spread of functions allocated to national district offices of central government would be an example of deconcentration while transferring functions from central to local government would amount to decentralisation, and so would a reduction in central government supervision and control over local government decision-making.

In unitary states, in practical terms, decentralisation means building strong (er) local and/or regional government. Strategies for strengthening local and regional government may include enhancing the autonomy, effectiveness and/or democratic qualities of local units. More autonomy means more independent decision-making powers for local units. More effectiveness means more capacity of service delivery. More democracy means more citizen control over local decision-making. Programmes of decentralisation that involve some or all of these elements can be found in many European countries. However, European countries vary considerably as to how far they have proceeded in terms of decentralisation along the lines mentioned and also as to the practical solutions that have been put in place. The latter is strongly influenced by perceptions of political feasibility and historical traditions that vary from country to country. Therefore, patterns and scope of decentralisation also vary.

Why do national governments embark upon decentralisation programmes? The purpose of decentralisation initiatives can usually be attributed to one or more of four drivers: over-load at the centre and a concomitant wish to let local or regional bodies take over responsibilities that clutter up central decision-making; modernisation: hopes of achieving greater flexibility and efficiency of decision-making and service-delivery by drawing on local knowledge that will ensure locative efficiency – services better tailored to the needs of local populations; wishing to enhance democracy by bringing more public issues under the control of locally elected councillors and possibly also opening up opportunities for direct citizen participation in decision-making (so-called policies of proximity); finally, decentralisation may be a primarily political response to pressures for autonomy emanating from regions with distinct cultural traditions and identities different from those of a

dominant centre; in such cases decentralisation may be a pre-emptive move by national governments to forestall cession.

* * *

In the first part of this paper, a bird's eye view of decentralisation in Europe is presented¹. The purpose is to alert policy-makers to the range of choices open to them regarding levels of government, allocation of functions, financial systems, procedures of supervision, etc. Against this background, in the second part, a more detailed account is given of strategies of decentralisation in selected countries (France, the UK, and the Nordic countries). These countries have been selected a) because of the inventiveness or radicalism of their decentralisation programmes, and b) because these countries represent the main types of politico-administrative systems of Europe: France carries the Napoleonic heritage common in Southern Europe with its unified, hierarchical administrative system, Roman law tradition and Jacobin republican history. The UK demonstrates the quintessential Anglo-Saxon tradition based on Common Law with an emphasis on parliamentary sovereignty and a majoritarian political system in which "the winner takes all". The Nordic countries are influenced by a Germanic, North European state tradition (Dyson 1980) imbued with notions of partnership across levels of government; policy-making is consensual rather than confrontational with many features of what the political scientist Leijphart (1999) has termed "consociational democracy". The course of decentralisation programmes are shaped by such basic features of the respective politico-administrative systems.

¹ This part is a revised version of a paper presented at the conference on *A Forward-Looking Administration for a European Serbia - Public Administration Reform 2009-2012*, Belgrade 1-2 December 2008.

DECENTRALISATION CHOICES

EUROPEAN PATTERNS OF LOCAL GOVERNMENT

The variety of “models” of local government that is actually found in European countries today demonstrates that decentralisation can entail a series of choices as to number of tiers, functional range, scale (size of local government units) and financial systems.

One-tier systems or unitary local government has been a goal in a number of countries but this goal has turned out to be very hard to achieve. A greater number of countries have opted for a two-tier system of municipalities and regions under a variety of designations (province, department, region, etc). The second tier often performs functions that require larger catchment areas than that of the bulk of the municipalities. Quite a few countries also have a third tier of local government, e.g. France, Italy and Spain. The third tier may be granted extensive autonomy such as in Spain or Italy or may have been introduced largely for purposes of planning and co-ordination, such as in France (although in later years the French regions have become powerful units of local government in their own right). We may even speak of a fourth level of local government since in many countries, especially those with numerous small municipalities, extensive co-operative arrangements have developed across municipal borders. Normally, enabling legislation will have been introduced to provide a legal framework for such inter-municipal consortia. To some extent private company law has provided models for inter-municipal companies.

TABLE 1: LEVELS OF LOCAL GOVERNMENT

1-TIER SYSTEMS (UNITARY)	UK*, FINLAND**, PORTUGAL, SERBIA, ETC.
2-TIER SYSTEMS: MUNICIPALITIES + PROVINCES	NORWAY, SWEDEN, GREECE, NETHERLANDS, HUNGARY, LATVIA, ETC.
3-TIER SYSTEMS: MUNICIPALITIES + PROVINCES + REGIONS	FRANCE**, POLAND, ITALY, SPAIN, ETC.
* IN PARTS OF COUNTRY	
** SUPPLEMENTED WITH EXTENSIVE MUNICIPAL FEDERATION	

LOCAL GOVERNMENT FUNCTIONS

Are there tasks that may genuinely be termed local government functions? The functional palette of local government varies extensively from country to country. It is hard to come up with a definite series of functions that “must” be performed through local government.

TABLE 2: LOCAL GOVERNMENT FUNCTIONS

<p>CORE FUNCTIONS</p> <ul style="list-style-type: none"> ■ STREETS, GARBAGE, WATER/SEWAGE, URBAN PLANNING, BUILDING PERMISSIONS, ETC. DEVELOPMENT, SCHOOL BUILDINGS 	<p>MOST EUROPEAN COUNTRIES.</p>
<p>WELFARE</p> <ul style="list-style-type: none"> ■ EDUCATION, HEALTH, SOCIAL SERVICES 	<p>NORDIC COUNTRIES, UK & OTHERS.</p>
<p>PUBLIC SAFETY</p> <ul style="list-style-type: none"> ■ POLICE 	<p>UK, BELGIUM, NETHERLANDS.</p>

Still, there are a series of functions that are allocated to local government in most countries; these may be called the “core” functions of local government, such as the maintenance of streets, street lighting, garbage collection and dumps, water supply and sewage, land use planning and building permissions and the maintenance of school buildings. The Nordic countries stand out in a European context having allocated extensive welfare functions to local government, for example, primary and secondary education, primary and secondary (hospitals) health care, homes and services for the elderly, kindergartens, etc. Local government in these countries is often said to be endowed with cradle-to-grave functions for their citizens. Then there are a few countries where local government is also responsible for public safety, i.e. police services – the UK, Belgium and the Netherlands.

The overall conclusion in this respect is that the range of functions allocated to local government is a question of national decentralisation policy - and will!

THE SCALE OF LOCAL GOVERNMENT – WHAT IS AN APPROPRIATE MUNICIPAL SIZE?

As the table below demonstrates the average size of local government varies considerably across Europe. The largest local government units are found in Great Britain and the smallest ones in France and the Czech Republic. Historical traditions, political developments and features of natural geography are behind this variation. Overall, the trend in most countries has been towards increasing the size of municipalities through amalgamations. Drivers in this respect have been forces of social and economic modernisation that seem to require local government functions to be performed on an increasingly large scale. This has, however, been seen by some as problematic with regard to local democracy. Larger size may be needed in order to perform certain functions effectively, but enlargement may result in loss of democratic qualities, such as closeness to citizens.

TABLE 3: SIZE OF LOCAL GOVERNMENTS ACROSS EUROPE

COUNTRY	AVERAGE MUNICIPAL SIZE (INHABITANTS)	NUMBER OF MUNICIPALITIES	% MUNICIPALITIES WITH LESS THAN 5000 INHABITANTS
GREAT BRITAIN	137 000	435	0
LITHUANIA	56 700	60	2
DENMARK	55 600	98	3
SERBIA	45 732	164	?
NETHERLANDS	36 795	443	?
IRELAND	35 965	114	?
PORTUGAL	35 500	308	11
SWEDEN	31 100	290	5
BELGIUM	17 900	308	14
POLAND	15 798	2418	?
FINLAND	12 700	416	50
NORWAY	10 900	431	55
GREECE	10 735	1034	?
SLOVENIA	9 500	210	53
ITALY	7 000	8 101	72
GERMANY	6 700	12 340	77
ESTONIA	6 100	227	80
SPAIN	5 500	8 111	85
LATVIA	4 300	527	90
HUNGARY	3 200	3 175	91
SWITZERLAND	2 700	2 758	89
CZECH REPUBLIC	1 600	6 244	96
FRANCE	1 600	36 783	95

Territorial reform and the issue of the appropriate scale of local government, has come on the agenda in many European countries in recent years. However, as highlighted by the next table, there are several ways of dealing with the problem of scale: amalgamation, co-operation, regionalisation and differentiation.

TABLE 4: DEALING WITH THE PROBLEM OF SCALE

TERRITORIAL REFORM – RE-SCALING LOCAL GOVERNMENT	RECENT CASES
AMALGAMATION	DENMARK, GREECE
CO-OPERATION	FRANCE, CZECH REPUBLIC
REGIONALISATION	ITALY, FRANCE, GREECE, SWEDEN
DIFFERENTIATION	CZECH REP.

Amalgamation can often be difficult to achieve, which is demonstrated by Norway, where amalgamation initiatives have failed twice during the last 10-15 years; the most recent failure (2008) was an ambitious plan to reduce the number of regions from 19 to 7. Where amalgamations have met obstacles, the answer has often been to establish co-operative ventures - consortia - across municipal borders. This is a practice known in most countries but is especially widespread in France and the Czech Republic under the umbrella of sophisticated enabling legislation. Differentiation is a reform strategy that allocates functions to local government in an asymmetrical manner, in which some municipalities perform functions for a wider district, for example on behalf of the national government or through hosting arrangements jointly established by a number of municipalities.

Nevertheless, amalgamation *is* achieved in many countries. *Strategies of amalgamation* can vary, however. The table lists comprehensive, roving, ad hoc and voluntary strategies.

TABLE 5: AMALGAMATION STRATEGIES

AMALGAMATION STRATEGIES	RECENT CASES	ROOM FOR LOCAL VOICE	INCENTIVES
COMPREHENSIVE	DENMARK (2007) GREECE (1998)	RESTRICTED	DK: NEGATIVE GR: POSITIVE
ROVING	NETHERLANDS	BERGAINING, REFERENDA	DEPENDS
AD HOC	ALL COUNTRIES	BARGAINING, REFERENDA	DEPENDS
VOLUNTARY	NORWAY	LOCAL VETO	MARGINAL

A comprehensive strategy means that the borders of all or most municipalities are reviewed, often by a committee of inquiry, to be followed up by a government White Paper and a parliamentary decision. There is normally only limited room for local input in such a strategy, and to achieve a comprehensive result, strong incentives may be needed – either positive ones in the form of promises of further resources for enlarged municipalities or negative incentives such as threats of loss of functions if mergers do not take place. In recent years, Greece exemplifies the former course of action and Denmark the latter. The Netherlands makes use of a roving strategy, i.e. a procedure through which committees are appointed to analyse the need for amalgamation district by district in a systematic

manner. There is a lot of room for local input in such a procedure and also bargaining between municipalities, although the initiative in the Dutch case lies with the provinces. The ad hoc procedure can, of course, be resorted to in all countries whenever there is a need for adjustment of municipal boundaries. The contrast to the roving procedure consists chiefly in the absence of a systematic, long term master plan for enlargement. A strategy of voluntarism exists when amalgamations can only be carried out when the municipalities concerned consent to them, which amounts to a local veto. Norway is such a case according to a parliamentary decision in 1995, which de facto suspended legislation that gives Parliament the final say in disputed amalgamation cases.

FINANCES – WHO PAYS, AND HOW, FOR LOCAL GOVERNMENT?

There are as many local government financial systems as there are local government systems, with differing permutations of revenue sources and allocations of decision-making powers. The overarching issues in designing a good financial system are those of fiscal equivalence and transparency.

The problem of *fiscal equivalence* is that of achieving a close correspondence between the decisions that incur expenses and those that are needed to finance those expenses. Or put more bluntly: how to make sure that those who benefit from spending are also required to pay for it? A close correspondence in this respect is expected to discipline decision-makers and to make for efficiency in service provision, especially if the decision-makers are elected by those who have to pay – the local taxpayers. The problem with this admirable principle is that wealth and thus the ability to pay taxes is rarely distributed equally across the national territory – there are rich municipalities and poor municipalities. Therefore, some intervention in the form of central government support or redistribution of revenues is required if certain minimum standards of local service provision are to be met. Thus the principle of fiscal equivalence becomes diluted to some extent in most countries. Some countries have almost fully dispensed with the principles; in the Netherlands, for example, almost all local government income is in the form of central government grants with no relationship to local sources. The principle of *transparency* means that it should be easy for local citizens to understand how local services are financed and to see the connection between the services they receive and what they pay in taxes and other charges, which also makes for predictability.

The normal *revenue sources* for local government are taxes, grants and fees and charges. There are a variety of sources of taxes. Personal income taxes are paid directly to local governments in the Nordic countries and Switzerland. In a number of other countries the personal income tax is a shared source of revenue for central and local government, e.g. Austria, Germany and Hungary. In these cases the central government normally collects the taxes and distributes a share to local government; the sharing formula varies – sometimes municipalities receive a direct proportion of what is collected from inhabitants in its territory, in other cases there is no such connection. In many countries businesses also pay a tax to local government; this tax may be based on a company's profit or on the number of

employees (so-called pay roll tax). In the US a usual source of local government revenue is the sales tax, which is a charge on purchases in local shops.

The most ubiquitous source of local revenue is the property tax, paid by property owners in almost all European countries. The property tax is often claimed to be the ideal source of local government revenue: The source is highly visible, it cannot be easily removed, and the core functions of local government are clearly related to servicing properties (water, sewage, street maintenance, garbage collection, etc.). And when the property tax is the most important source of local government income, the principles of fiscal equivalence and transparency are also easier to fulfil.

TABLE 6: THE TAX REVENUE SOURCES

TAXES	IMPORTANT IN THE FOLLOWING COUNTRIES:
PERSONAL INCOME TAX	
– DIRECT	NORDIC COUNTRIES, SWITZERLAND
– SHARED	AUSTRIA, GERMANY, HUNGARY, POLAND
BUSINESS TAX (PAY ROLL OR PROFIT BASED)	AUSTRIA, DENMARK, FRANCE, GERMANY, NORWAY, PORTUGAL
SALES TAX	USA
PROPERTY TAX	ALL EUROPEAN COUNTRIES (EXCEPT SWEDEN)

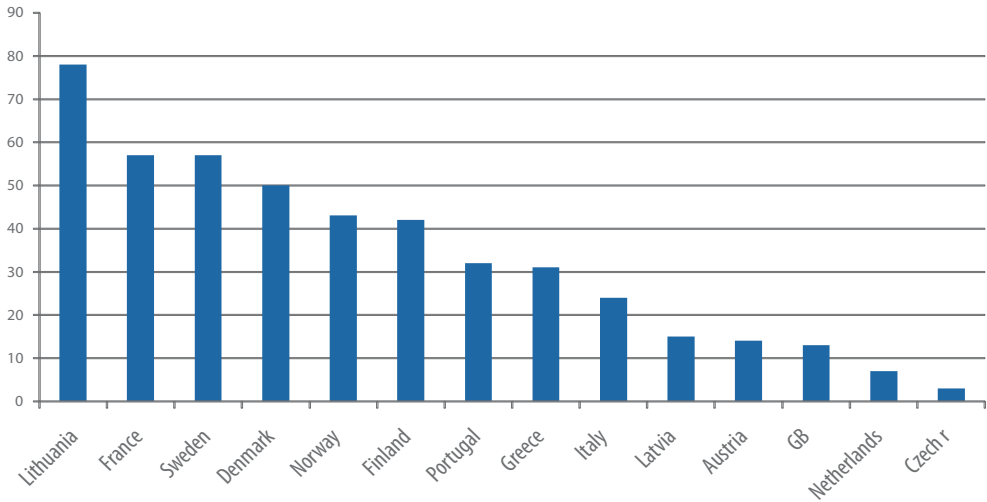
However, in most countries local government is to some extent dependent upon central government transfers in order to finance local services. The dependence on transfers varies. The greater the dependence the less extensive the level of decentralisation. The graph below presents the proportion of local revenues that stem from local sources over which local government units have discretionary authority, which are mostly local taxes and fees and charges.

The proportion of local government income from “own” sources varies from almost 80 percent in Lithuania to just three per cent in the Czech Republic.

The “freedom” of local government with regard to financial sources and decision-making is not closely related to the overall *importance* of local government, however. The next graph illustrates the volume of local government spending as a proportion of the gross national product. A large volume of spending indicates that a large range of socially and economically important functions have been allocated to or taken on by local government. The larger the proportion of local government spending the more important local government is for the overall functioning of the political system and for society as a whole.

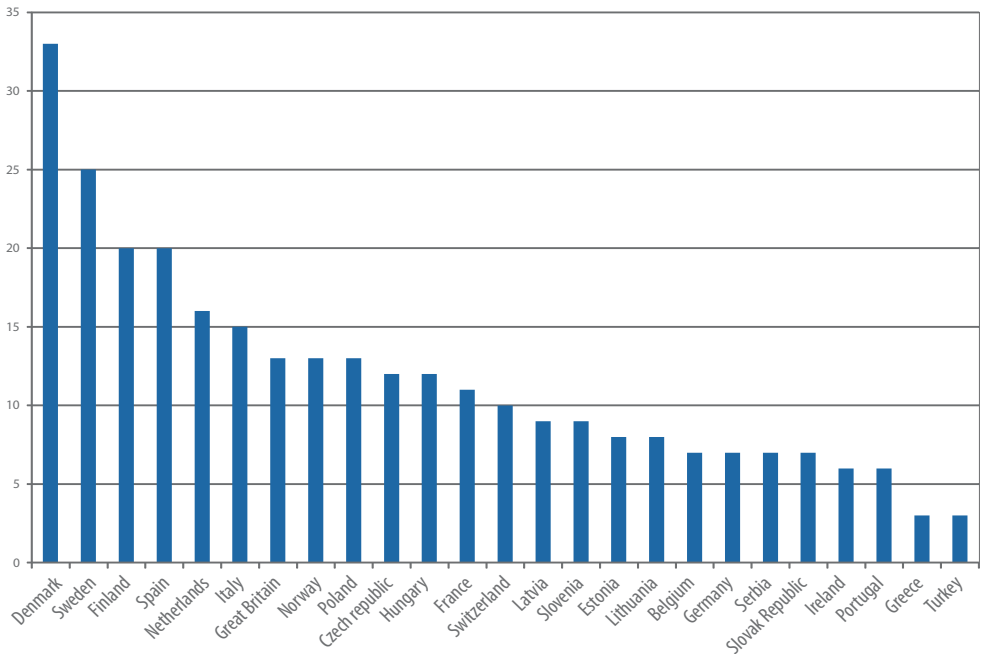
As can be seen, the importance varies a lot. Local government is of greatest importance in the Nordic countries, Spain, Italy and the UK. It is of low importance in, for example, Greece, Portugal, Ireland or Slovakia. Note also that countries which are financed to a large extent from their own sources, are not necessarily countries where local government is of great importance (e. g. Lithuania, France). Denmark and Sweden stand out as countries that combine local governments of great importance

FIGURE 1: OWN REVENUES (MUNICIPALITIES) AS PCT. OF TOTAL REVENUES



Source: Key indicators on local governments (UCLG): http://www.cities-localgovernments.org/gold/indicators_keys.asp

FIGURE 2: MUNICIPAL EXPENSES AS PERCENTAGE OF GNP



Source: Key indicators on local governments (UCLG): http://www.cities-localgovernments.org/gold/indicators_keys.asp

and fairly high financial independence in the sense of local government being financed from own sources. Are these two the most decentralised countries in Europe?

The formula for calculating central government grants to local government is often an issue of great controversy. There will always be municipalities who feel they are losing out in some way (but there are rarely municipalities that come forward and declare themselves to be winners of the game!). The formula for absolute territorial justice has yet to be invented and factors taken into account in distributing and redistributing resources vary a lot, but normally variations in local needs and means are taken into consideration. Below, a brief version of the British system of financial support for local government is presented. Then a demonstration is given of how the Norwegian system of local financial support can change dramatically the overall allocation of resources between local authorities.

CENTRAL GOVERNMENT FINANCIAL SUPPORT FOR LOCAL GOVERNMENT – A UK EXAMPLE

The central government's financial support to local government is set out in an annual Local Government Finance Settlement². Central Government has set up three separate systems to fund the three main blocks of local authority spending in England. These blocks are:

- spending on capital projects such as roads, school buildings or computers;
- revenue spending on council housing; and
- revenue expenditure, mainly on pay and other costs of running services other than council housing. Government supports local councils' revenue expenditure through formula grants and ring-fenced grants.

Councils also fund their spending by raising local Council Tax.

DIFFERENT TYPES OF REVENUE GRANTS

Formula Grant. Distributed by formula through the Local Government Finance Settlement. There are no restrictions on what local government can spend the money on.

Specific formula grants are distributed outside the main settlement. Some of these are known as ring-fenced grants which control council spending. These usually fund particular services or initiatives that are a national priority. For example, funding for schools is paid through the Dedicated Schools Grant reflecting the priority the Government places on education.

Other specific formula grants are unfenced and are sometimes called targeted grants. They are distributed outside the annual settlement, because the general formulae are not appropriate. There are no restrictions on what councils can spend the money on.

² This example draws extensively on *A guide to the Local Government Finance Settlement*, Office of the Deputy Prime Minister, January 2006.

RELATIVE NEEDS FORMULA

To work out each council’s share of Formula Grant the Government first calculates the *Relative Needs Formula* (RNFs). The RNFs are mathematical formulae that include information on the population, social structure and other characteristics of each authority. The Government (in consultation with local government) has developed separate formulae to cover the major services which local authorities provide. RNFs are divided into these major service areas, because there are different factors influencing each service area. For example, the factors which appear to explain variations in the cost of providing social services for the elderly, are very different from those which appear to explain variations in the cost of maintaining roads. These formulae apply to all authorities providing a particular service structure and other characteristics of each authority.

The funding blocks for services areas are shown in the following table:

TABLE 7: THE FUNDING BLOCK FOR SERVICES

SERVICE BLOCK	SUB-BLOCK (WHERE RELEVANT)
<p>CHILDREN’S SERVICES</p> <p>COMPOSED OF:</p>	<p><i>YOUTH AND COMMUNITY</i></p> <p><i>LOCAL EDUCATION AUTHORITY CENTRAL FUNCTIONS</i></p> <p><i>CHILDREN’S SOCIAL CARE</i></p> <p><i>CHILDREN’S SOCIAL CARE DAMPING</i></p>
<p>ADULTS’ PERSONAL SOCIAL SERVICES</p> <p>COMPOSED OF:</p>	<p><i>SOCIAL SERVICES FOR OLDER PEOPLE</i></p> <p><i>SOCIAL SERVICES FOR YOUNGER ADULTS</i></p> <p><i>SOCIAL SERVICES FOR YOUNGER ADULTS DAMPING</i></p>
<p>POLICE</p>	
<p>FIRE</p>	
<p>HIGHWAY MAINTENANCE</p>	
<p>ENVIRONMENTAL, PROTECTIVE AND</p>	
<p>CULTURAL SERVICES</p> <p>COMPOSED OF:</p>	<p><i>SERVICES PROVIDED PREDOMINANTLY BY NON-METROPOLITAN DISTRICT COUNCILS IN NON-METROPOLITAN AREAS (DISTRICT LEVEL EPCS)</i></p> <p><i>SERVICES PROVIDED PREDOMINANTLY BY COUNTY COUNCILS IN NON-METROPOLITAN AREAS (COUNTY LEVEL EPCS)</i></p> <p><i>FIXED COSTS</i></p> <p><i>FLOOD DEFENCE</i></p> <p><i>CONTINUING EA LEVIES</i></p> <p><i>COAST PROTECTION</i></p>
<p>CAPITAL FINANCING</p> <p>COMPOSED OF:</p>	<p><i>DEBT CHARGES</i></p>

Relative Needs Formulae are designed to reflect the relative needs of individual authorities in providing services. They are not intended to measure the actual amount needed by any authority to provide local services, but simply to recognise the various factors which affect local authorities' costs locally. They do not relate to the actual monetary amount of the grant that a council needs to provide services for its residents. The amount of the grant a council will receive from Government depends also on the results of the other three blocks detailed below. The formula for each specific service area is built on a basic amount per client, plus additional top-ups to reflect local circumstances. The top-ups take account of a number of local factors which affect service costs, but the biggest factors are deprivation and area costs.

RELATIVE RESOURCE AMOUNT

The Relative Resource Amount is a negative figure. It takes account of the fact that areas that can raise more income locally require less support from Government to provide services. The negative Relative Resource Amount is balanced against the positive proportion calculated for each authority by the Relative Needs Amount.

This block recognises the differences in the amount of local income which individual councils have the potential to raise. This is done by looking at authorities' council taxbase data. The greater an authority's taxbase the more income it can raise from a standard increase in council tax.

Below is an illustration of the workings of the formula used in Norway and its effects in terms of territorial equalisation. The Norwegian system has many features in common with the British formula. The end result is that the poor municipality in Northern Norway is considerably better off than its apparently richer sister in Southern Norway.

TABLE 8: EXAMPLE OF MUNICIPAL INCOMES IN NORWAY

EQUALISATION OF MUNICIPAL INCOMES AND EXPENDITURES AN EXAMPLE (NORWAY)
<i>DISTRIBUTIONAL COMPONENTS</i>
A) INCOME-RELATED EQUALISATION
MUNICIPALITIES ABOVE NATIONAL INCOME AVERAGE – DEDUCTION OF 55% OF DIFFERENCE
MUNICIPALITIES BELOW NATIONAL AVERAGE – RECEIVE 55% OF DIFFERENCE
C) ALLOCATION ACCORDING TO COST-RELATED COMPONENTS
FIXED SUM PER CAPITA
DEMOGRAPHIC STRUCTURE COMPONENTS (PCT. YOUNG, ELDERLY, ETC. WEIGHTED)
SETTLEMENT DISADVANTAGE (SCATTERED POPULATION)
SMALL-SCALE DISADVANTAGE
BIG-CITY DISADVANTAGE
LOCATIONAL DISADVANTAGE (NORGHERN NORWAY)



	RICH MUNICIPALITY (SOUTH)	POOR MUNICIPALITY (NORTH)
TAX REVENUES	19 680	9 691
PER CAPITA ALLOCATION	6 430	6 430
INCOME & COST-RELATED EQUALISATION	-2 500	2 763
DISADVANTAGE-BASED EQUALISATION	0	10 137
DISCRETIONARY ALLOCATION	579	6 805
TOTAL INCOME	24 236	38 515

Source: Hagen&Sorensen, 2006:85

LOCAL DEMOCRACY – THE CHALLENGE OF WANING CITIZEN INTEREST IN LOCAL POLITICS

Representative democracy established through regular, competitive elections is the mainstay of local democracy everywhere, although some countries also have cherished traditions of more direct forms of local democracy, such as Switzerland, to supplement representative democracy. In many countries voters seem to be losing interest in local elections, however, and electoral turn-out shows trends of long-term decline. In many communities local leaders fear this may signal diminishing interest in and respect for local politics. New means of citizens involvement have also been put on the agenda of the Congress of Local and Regional Authorities in Europe (CLRAE - a subsidiary of the Council of Europe).

In representative democracies, political legitimacy grows with voter turnout. The CLRAE is concerned to note the tendency towards lower participation in elections to all levels of government observed in virtually all the member states of the Council of Europe.

Democracy is not confined to the act of voting. Citizens can and must be allowed to influence politics in other ways. This entails not only developing forms of direct democracy but also exploiting the knowledge and commitment of citizens, as those directly affected by political and administrative decisions, to arrive at appropriate solutions acceptable to local people. This makes it necessary to develop a culture of dialogue between administrative authorities, politicians, citizens, social groups, associations, representatives of industry and other operators. In this connection, the CLRAE particularly welcomes the basic principles for improving political participation at local level set out in Appendix I.

(Opinion 15 (2001) on the draft Recommendation of the Committee of Ministers to the member States of the Council of Europe on "participation of citizens in local public life").

Against this background local authorities are trying out new forms of citizen involvement in local politics in order to bridge the gap between local politicians and citizens. The list of such approaches is a long one, and local authorities show great ingenuity in devising ways of getting closer to their citizens: Neighbourhood councils, local referenda, citizen initiatives, citizen budgeting (Porto Alegre model), citizen panels/juries, citizens' Q&A hour in the municipal council..... High hopes are also placed in new electronic communication technologies, and especially the web. Local authorities are putting vast amounts of information on services and political issues on the web to ease access to information for citizens. Some municipalities also try to involve citizens in debates through chat pages or electronic debating forums.

A common finding in evaluation studies on various methods of citizen involvement is that it is important to state clearly the objectives of the exercise so that people have realistic expectations as to the outcomes of their involvement; furthermore, to maintain people's involvement and interest the stakes of involvement must be real, i.e. the issues must be of some importance and be related to the normal affairs of the municipalities.

EFFICIENCY – BUILDING SYSTEM CAPACITY

What is the most efficient way of running a municipality? Learning from the private sector has been an increasingly popular answer over the last 15-20 years under the name of New Public Management. The central ideas of NPM are: governing by objectives and results indicators, a distinction between purchasing and provider functions, and more use of competitive tendering. In Europe, these ideas were first introduced in Great Britain in the 1980s and were also most fully developed there. An American version was popularised by the bestselling book by Osborne & Gabler (1992), *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. These ideas have spread to local government in most European countries but have probably had more impact in the Nordic

countries than in the rest of Europe outside the UK. Evaluation studies suggest that the introduction of competitive practices in local service provision may yield from five to twenty percent efficiency increases in local service provision. A full review of the spread of NPM and its impacts is beyond the scope of this paper, however. There are also signs that NPM is losing some of its appeal although it is difficult to outline any precise successor ideas to this concept. “Collaborative management” and “joined-up government” are some of the new labels that are emerging to denote fresh approaches to management and organisation of local services.

REGIONALISATION

Since the 1980s processes of regionalisation have gained ground in many European countries, to some extent stimulated by European integration (Wagstaff 1999). “Europe of the Regions” is an expression coined to denote such developments. Spain and Italy have often been presented as exemplary cases of the emergence of regionalised states. Lately, the UK may also qualify for this category. In this section, regionalisation of Spain and Italy will be briefly reviewed. The case of the UK will be treated in detail in the next section.

Under the Franco regime *Spanish regionalism* remained suppressed but came to the fore in the post-Franco settlement and was legally recognised in the 1978 Constitution³. Eventually, 17 “autonomous communities” were established. The Constitution opened up three routes to regional autonomy: First, the historic regions (Catalonia, the Basque country and Galicia) were automatically granted a high level of autonomy. Second, a provision was made for other regions to argue that they had an exceptional case for a higher level of autonomy. Four regions took this route. Three, the remaining regions were granted lower levels of autonomy but were offered the opportunity to apply for higher status after five years. All of them took this opportunity and succeeded in enhancing their status within the stipulated period.

The Spanish variety of regionalisation is variously termed “dynamic” and “asymmetrical”. It is dynamic in the sense that regions may strive to enhance their status through developmental efforts. The specific competencies assigned to the regions are established through a complex mechanism of negotiation, dependent in the first instance on the route to autonomy (Article 151 or Article 143) and subsequently on the basis of bilateral agreements which are subject to approval by the Spanish parliament and the Constitutional Court. Regionalisation is asymmetrical in the sense that competencies vary between regions in terms of fiscal and legislative powers and functions.

Power-sharing between the state and the regions is based on a distinction between exclusive, shared and concurrent powers. The former are powers reserved to the state. Article 149.3 of the

³ The outline of the Spanish case draws largely on Andy Smith & Paul Heywood, *Regional Government in France & Spain*. The Joseph Rowntree Foundation, August 2000. Peter Wagstaff, ed. *Regionalism in the European Union*. Oxford: Intellect Books, 1999.

Constitution stipulates that powers in all areas not expressly attributed to the state under the terms of the Constitution may be taken over by the Autonomous Communities, in accordance with the provisions of their respective statutes.

Around the turn of the millennium the regions accounted for around 25 per cent of all public spending, while the state shouldered 60 per cent and local government 15 per cent. Most regions are highly dependent on state grants to finance their expenditures (approximately 50 per cent of income comes from state transfers), but are also able to levy taxes within limits set by the state.

The *Italian* Constitution of 1947 decreed the establishment of regions. However, with the exception of four “special” regions the creation of regions only began in earnest from the early 1970s onwards. Today, Italy has five special regions and 15 ordinary regions. The former ones are areas with special historical roots and a certain tradition of “separateness”; these regions include Sicily, Trentino-Alto Adige, Sardinia, Valle e’Aosta, Friulia-Venezia Giulia. All regions are run by directly elected councils with powers of taxation and legislation. From 1999 the regional “mayors” are also directly elected.

While the competences of regions used to be positively enumerated in legislation they are now mostly stated negatively, i.e. regions can take on functions that are not explicitly reserved for the state and that do not infringe on tasks allocated to provinces or municipalities. The supervision, regulation and financing of local government are competences allocated to the special regions but not to the remaining ones. Italian regions do make use of their legislative powers. In 2002, for example the 17 regions passed a total of 779 laws with a volume of 9392 articles⁴. For regional laws to become effective a central state Commissioner has to sign them. The state can, however, challenge regional laws through the Constitutional Court.

In budgetary terms hospitals and other health services are the most important tasks of the regions. Hospitals and health care account for 70 per cent of the regional budgets, while land use planning and construction take up 8 per cent, transport 7 percent, education and vocational training 5 per cent and economic development initiatives 2.4 per cent (figures for the year 2000). The regions have the right to keep a proportion of all levied taxes. The proportion varies from 100 per cent (Sicily) to 60 per cent (Friulia-Venezia Giulia). Around 30 per cent of incomes derive from own resources, but this proportion varies between the regions: higher in the North, lower in the South which indicates a higher level of state dependency in the South. The State-Regions Standing Conference seeks to mitigate these disparities by an equalisation fund.

Regional audit chambers audit regional accounts. Spending decisions may be annulled if considered illegal by the auditors.

⁴ Gérard Marcou, ed., *Les régions entre l'état et les collectivités locales. Etude comparative de cinq états européens a autonomies regionales ou constitution federale (Allemagne, Belgique, Espagne, Italie, Royaume-Uni)*, Partie 2, Paris: Ministère de l'interieur, Centre d'Etudes et de Prévision, Janvier 2003, Peter Wagstaff, ed. (1999), *Regionalism in the European Union*, Oxford: Intellect Books.

Today, overall, the regions are responsible for around 17 per cent of total public expenditure, municipalities and provinces account for 35 per cent and the state for 48 per cent. These proportions suggest a remarkable level of fiscal decentralisation.

Co-ordination between the state and the regions takes place i.a. through the Conference of the Regions and Autonomous Provinces, where the regional presidents meet to develop joint points of view in relation to state policies and to share information on good practices. A parallel Conference seeks to maintain good relations between regions and municipalities and provinces.

Important landmarks of regionalisation in recent years are the Bassanini reforms of 1997 which led to comprehensive transfer of administrative functions to the regions. A constitutional change in 2001 modified relations between levels of government, placing the regions and local government on an equal footing with the state. This was widely perceived as a possible step towards a federal state. A further step in this direction, which would have transferred health care and education fully to the subnational level, was rejected in a referendum in 2005. It is unlikely, however, that Italian regionalisation has come to a halt.

MANAGING DECENTRALISATION

IMPLICATIONS FOR CENTRAL GOVERNMENT: A CHECK LIST

Decentralisation also requires a series of administrative capacities in central government. Central governments must develop capabilities for i.a. supervision and arbitration; devise grants systems and procedures for monitoring local government finances, and also procedures for the regulation and revision of municipal boundaries, including amalgamations.

The check list of such capabilities and associated choices includes:

- Supervision and review of local decisions;
- How far-reaching powers of review: only legality of local decisions or also the merits of decisions?
- Types of supervision: general inspectorates or specialised inspectors; review only in exceptional circumstances (e.g. based on complaints) or regular review of all local decisions?
- Procedures for handling complaints over local decisions (who shall have the power of initiating complaints and review proceedings: local councillors, citizens, prefects or other central government officials?);
- Systems of arbitration: administrative courts, arbitration committees or prefectural powers?
- Systems for monitoring local expenditures and finances;
- Grants systems: ear-marked or open grants?
- Systems for allocation of grants and transfers: indicators and components;
- Boundary regulation: who shall have powers to initiate boundary reviews: local councils, central government agencies, groups of citizens?

- And how should such decisions be made: only after local consultation, by province authorities or central government? are local consultations, including referenda, to be mandatory?

The overarching issue is how central government regulation and supervision can be carried out in a way that will ensure that central government stimulates further decentralisation and development of local system capacity rather than stifling it. The principle of subsidiarity may provide a guide in this respect.

CASE STUDIES

THE PRACTICE OF DECENTRALISATION IN FRANCE, THE UK AND THE NORDIC COUNTRIES

FRANCE — THE SECOND WAVE OF DECENTRALISATION 2002 - 2008

INTRODUCTION AND BACKGROUND

With the arrival of the presidency of F. Mitterrand in 1981 France embarked upon a radical programme of decentralisation⁵, the essence of which was an enhancement of the scope of independent decision-making in local government (*administration libre*)⁶. In practical terms this meant the abolition of *tutelle* as exercised through the prefects, while regions and *départements* obtained their own administrative apparatus under the control of elected council presidents. A series of supplementary legislation transferred functions and control over resources to the subnational units⁷.

A new wave of decentralisation was initiated 20 years later under the government of Jean- Pierre Raffarin. An amendment to the constitution in 2003 proclaimed the organisation of the Republic to be *decentralised*. The amendment i.a. recognised the right of subnational units (*collectivités territoriales*), inside a stipulated period of time, to carry out experiments with procedures that deviate from national legislation.

Another constitutional amendment (article 72-1) opened up new ways of deepening local democracy by giving local voters the right, through petitions, to put items on the agenda of local assemblies. An additional Act of 2003 enabled local councils or executives to organise referenda on issues within their competence.

MECHANISMS OF DECENTRALISATION

These constitutional amendments became forces driving a series of legislative acts aiming at strengthening and stabilising the positions of subnational levels of government in France, including

⁵ *Votée en première lecture à l'Assemblée nationale dès le mois d'août 1981, la loi promulguée en mars 1982 a pour titre "loi relative aux droits et libertés des communes, des départements et des régions".*

⁶ Gerard Marcou (2003), *Un nouveau Processus de décentralisation. Décentralisation: approfondissement ou nouveau cycle? Décentralisation, État et territoires.* Cahiers français n° 318.

⁷ *La loi du 29 juillet 1982 portant réforme de la planification, les lois des 7 janvier 1983 et 22 juillet 1983 relatives à la répartition des compétences entre les collectivités locales et l'État.*

La loi du 26 janvier 1984 et la loi du 13 juillet 1987 fixent le statut de la fonction publique territoriale dont les effectifs augmentent de 36 % de 1980 à 1996, au gré des transferts de compétences et de personnels

a host of inter-municipal bodies that have been established over the years to compensate for the small-scale nature of most French municipalities. Supplementary legislation has further enhanced the financial autonomy of local and regional government⁸ and transferred functions from central to local and regional government⁹.

Experimentation was a second road to decentralisation. The Act of 2004 entitled local and regional authorities to apply for the right to carry out experiments in designated fields of public responsibility. Largely this meant taking over state functions on a temporary basis in order to try out new methods or organisational models. Appendix A lists the functional areas that were designated as objects of either transfer through the legislative procedure or the experimental procedure. The latter covered seven public programmes to do with, broadly speaking, economic development, public health and primary schools. The experimentation avenue was a much narrower passage than the preceding experimental programmes carried out in the Nordic countries a decade earlier and which will be presented in a later section of the report.

By June 2006 the mandatory transfers had mostly taken place or were well underway, according to a parliamentary report¹⁰. 120,000 personnel were affected by transfers, the bulk of whom were technical personnel in secondary educational establishments. Transfer of personnel took place in two stages. In the first stage, staff employed by the central government were simply placed at the disposal of local governments. In the second stage staff were given the option of shifting employer, i.e. to stay on as central government staff or become employees of the relevant local authority. As to the transfer of functions through experimentation, few applications had been received by 2006, with the exception of applications regarding economic development plans for regions¹¹.

DECENTRALISED FUNCTIONS

Stated in broad terms, the regions have gained responsibility for strategic planning and economic development, while *départements* became responsible for social policy and local infrastructure and municipalities for local affairs. Financial resources and personnel were also transferred to make sure the subnational units had the means to shoulder their new responsibilities.

The table below illustrates in detail the division of functions between the state and the various subnational governments in selected fields of public responsibility. The table

⁸ La loi organique n° 2003-704 du 1er août 2003

⁹ La loi n° 2004-809 du 13 août 2004

¹⁰ Assemblée Nationale, Enregistré à la Présidence de l'Assemblée nationale le 28 juin 2006. Rapport d'information déposé en application de l'article 86, alinéa 8, du règlement par la Commission des lois constitutionnelles, de la législation et de l'administration générale de la République sur la mise en application de la loi n° 2004-809 du 13 août 2004 relative aux libertés et responsabilités locales et présenté par M. Alain Gest, Député.

¹¹ Ibid.

demonstrates that decentralisation in France covers a wide array of functions, but also that it is difficult to present clear-cut profiles of the respective levels of government in terms of functions. As a result, problems of co-ordination and demarcation remain.

TABLE 9: DISTRIBUTION OF FUNCTIONS BETWEEN SUBNATIONAL GOVERNMENTS AND THE STATE AFTER DECENTRALISATION.

	RÉGIONS	DÉPARTMENTS	MUNICIPALITIES	STATE
EDUCATION & VOCATIONAL TRAINING	SECONDARY SCHOOLS - LYCÉES (BUILDINGS, TECHNICAL PERSONNEL)	COLLEGES (BUILDINGS, TECHNICAL PERSONNEL)	PRIMARY SCHOOLS (BUILDINGS)	UNIVERSITIES (BUILDINGS, PERSONNEL) EDUCATION POLICY
HEALTH AND SOCIAL AFFAIRES		ORGANISATION (PMI, ASE) & DELIVERY (RMI- RMA, APA)	DISCRETIONARY SOCIAL MEASURES (CCAS)	ORGANISATION AND DELIVERY (AAH, CHRS)
TRANSPORT	REGIONAL RAILWAYS	RURAL ROAD TRANSPORT AND SCHOOL BUSSING	URBAN TRANSPORT AND SCHOOL BUSSING	REGULATION
ECONOMIC DEVELOPMENT	DIRECT AND INDIRECT AID	INDIRECT AID	INDIRECT AID	POLICY
PHYSICAL PLANNING	REGIONAL PLANS - OUTLINES (CPER)	REGIONAL PLANS (OPINIONS, APPROBATION)	REGIONAL PLANS (OPINIONS, APPROBATION)	POLICY ATR CPER
URBAN DEVELOPMENT			BUILDING PERMISSIONS	PIG, OIN, DTA
ENVIRONMENT	NATURAL PARKS WATER	NATURAL PARKS WASTE (PLANS) WATER	NATURAL PARKS WASTE (COLLECTION, TREATMENT) WATER (DISTRIBUTION, CLEANING) ENERGY (DISTRIBUTION)	NATURAL PARKS WATER ENERGY
PUBLIC SECURITY		TRAFFIC CONTROL CRIME PREVENTION FIRE & EMERGENCY SERVICES	MUNICIPAL POLICE TRAFFIC & PARKING CRIME PREVENTION	GENERAL & SPECIAL POLICE FORCES
CULTURE & LEISURE	MONUMENTS TRAINING FOR THE ARTS LIBRARIES MUSEUMS ARCHIVES SPORTS TOURISM	TRAINING FOR THE ARTS LIBRARIES MUSEUMS ARCHIVES SPORTS TOURISM	TRAINING FOR THE ARTS LIBRARIES MUSEUMS ARCHIVES SPORTS TOURISM LEISURE CENTRES FOR THE YOUNG	MONUMENTS TRAINING FOR THE ARTS LIBRARIES MUSEUMS ARCHIVES SPORTS TOURISM

Adapted from Comite pour la reforme des collectivites locales « Il est temps de décider », Rapport au Président de la République, 5 mars 2009, p. 31.

EXPENDITURES AND REVENUES

However, table 9 does not give a precise impression of the relative importance of the various decentralised functions. Which are the most important of the decentralised functions? One way of answering the question is to analyse the budgetary weight of the respective functions. This is done in table 10 below.

TABLE 10: EXPENDITURES ACCORDING TO LEVEL OF GOVERNMENT AND FUNCTION. 2007 (M €)

	RÉGIONS	DÉPARTEMENTS	MUNICIPALITIES*	CONSORTIA*	TOTAL
GENERAL SERVICES	2 458,3	6 091,8	17 098,3	4 224,0	29 872,4
VOCATIONAL TRAINING	4 886,5				4 886,5
EDUCATION	5 122,3	4 759,4	6 114,1	375,5	16 371,3
CULTURE, LEISURE	914,4	2 139,1	8 918,8	2006,5	13 978,8
HEALTH & SOCIAL SERVICES	144,2	29 586,6	5 312,9	680,2	35 723,9
PLANNING & ENVIRONMENT	1 829,5	4 021,5	11 009,8	6 357,9	23 218,7
TRANSPORT	5 947,7	8 843,7	259,6	1 749,5	16 800,5
ECONOMIC DEVELOPMENT	1 821,2	1 854,9	1 391,4	1 127,9	6 195,4
SECURITY (SDIS, POLICE)		2 277,2	821,2	696,0	3 794,4
TOTAL	23 124,0	59 574,1	50 926,1	17 217,5	150 841,88

Adapted from Comité pour la réforme des collectivités locales «Il est temps de décider», Rapport au Président de la République, 5 mars 2009, p. 20.

*Only municipalities above 10,000 inhabitants; these account for around 60 percent of all municipal expenditures.

When expenditures are presented according to function it appears that all four levels of subnational government are involved in almost all of the nine functions listed, which was also suggested by table 10. Nevertheless, the respective levels have the bulk of expenditures concentrated on different functions. Some specialisation has been taking place. Inter-municipal consortia are heavily involved in planning and environmental functions. Municipalities expend the largest portion of their resources on general services, with planning and environment as the second-most important function. The *départements* spend around half of their budgets on health and social services while the regions are strongly involved in education and transport. Health and social services are the functions that weigh most heavily in the budgets of all subnational levels taken together. Planning and environment come third, after general services. These three functions represent almost 60 percent of the total budgets of subnational governments. It should also be noted that the expenditures of subnational governments

have *increased* substantially since the start of the first wave of decentralisation of 1982. Between 1980 and 2007 their combined expenditures have grown from 8 percent of GDP to 11.2 percent. The growth is largely due to decentralisation measures.¹²

How are subnational expenditures financed? How important are central government contributions compared to local sources over which subnational units have direct control? The larger the proportion of local finances that stem from the latter source, the further decentralisation may be said to have progressed. This issue is explored in table 11.

TABLE 11. SOURCES OF REVENUE FOR SUBNATIONAL GOVERNMENTS, 2007 (Mds €)

	RÉGIONS	DÉPARTEMENTS	MUNICIPALITÉS	CONSORTIA	TOTAL
CURRENT EXPENDITURES:					
CENTRAL GOV. CONTRIBUTIONS	8,3	13,2	19,2	7,0	47,7
OF THIS DGF	5,2	11,6	16,0	6,1	39,0
TAXES AND CHARGES	10,5	35,0	40,1	16,5	93,7
OF THIS 4 DIRECT TAXES	4,4	19,0	26,2	12,9	62,5
OTHER SOURCES	0,8	6,1	10,3	2,7	19,9
SUB TOTAL (1)	19,6	54,3	69,6	26,2	161,3
INVESTMENTS:					
CONTRIBUTIONS AND SUBVENTIONS	1,6	2,6	8,2	2,2	14,6
OTHER SOURCES	0,3	0,6	4,0	1,1	5,9
SUB TOTAL (2)	1,9	3,2	12,2	3,3	20,5
TOTAL (1) + (2)	21,5	57,5	81,8	29,5	181,8

Adapted from *Comite pour la reforme des collectivites locales. « Il est temps de décider », Rapport au Président de la République, 5 mars 2009, p. 22.*

The most important sources of revenue are local taxes and charges. A large proportion of this comes from four direct taxes. The four direct taxes are the personal tax, tax on buildings, tax on un-built properties and tax on employed personnel (*taxe professionnelle*). Of these, the latter is the most important one, especially for municipalities. Central government contributions amount to around 30 percent of the finances for current expenditures. Overall, the system of subnational finances demonstrates a fairly decentralised pattern with substantial local control.

CO-ORDINATION

In practical terms there are many points of contact and seeming overlap between the responsibilities allocated to the respective levels of government. For reasons of national policy as

¹² *Comite pour la reforme des collectivites locales. « Il est temps de décider », Rapport au Président de la République, 5 mars 2009, p. 19.*

well as practical problem-solving *co-ordination* is required across levels of government. How is co-ordination achieved? Here, six different mechanisms of co-ordination will be highlighted: accumulation of mandates, planning contracts, administrative supervision, the lead manager notion, a new system of performance management (LOLF) and the research programme GRALE. Accumulation of mandates (*cumul des mandats*) means that politicians often hold elective offices at several levels at the same time. A usual combination is that of being mayor of an important city, serving on a regional council, and being a senator or a member of the National Assembly. Most MPs or senators will also hold regional and/or local offices. This practice gives subnational levels of government clout at the national level. Local voices can count on being listened to. Despite steps taken to curb accumulation of a large number of offices the practice continues.

Planning contracts are agreements between state agencies and subnational bodies regarding the use of state funds, for example on infrastructure inside the borders of a given territorial unit. These agreements give local units the opportunity to influence national decisions and ensure that national funds are used in a manner that corresponds to local needs. Planning contracts may also take the form of private-public partnerships that include private sector actors.

In the French Napoleonic tradition, administrative supervision was of the *tutelle* format, which meant that local decisions needed the approbation of state authorities; this was mostly a function of the prefects. In 1982, *tutelle* was abandoned in favour of review of the legality of decisions *a posteriori*. With regard to so-called administrative decisions this is still carried out by the prefects. Budgetary decisions are reviewed by a separate body of regional auditors (*Chambre régionale des comptes*). Still, review procedures can be rather varied and complex, depending upon the matter in question. If review opinions are contested by local authorities administrative tribunals may be called upon to settle matters¹³.

The lead manager (*chef de file*) notion stems from the world of banking where it denotes a banker with the role of co-ordinating a syndicate of lenders for a particular purpose.

In administrative affairs the notion of lead manager is intended to help clarify who holds chief responsibility when concerted action is needed across levels of government. The region can for example take on the role of lead manager regarding projects that are primarily in the interest of the region but which require the co-operation of *départements* or municipalities. Similarly, the municipality may take on such a role if the co-operation of regions or *départements* is necessary for the implementation of a project in the interest of the municipality. To what extent this has actually helped clarify administrative responsibilities is debatable.

A new system of performance management has been put in place since 2006 (LOLF)¹⁴. The system operates on four levels of action: *missions* (objectives or main policy areas of which there are 34), *missions* are specified into *programmes*, which correspond to the specific responsibilities of individual ministers, *programmes* consist of *activités* the successes of which are measured through

¹³ <http://coursdedroit.free.fr/droit/public/collocales/ctrlolcl.htm>.

¹⁴ <http://www.minefi.gouv.fr/lof/4clics/clic1.htm>

various *indicators*. A drive is already in place to extend the system to local and regional governments. If successful, this could further integrate public action across levels of government. Whether such a move would enhance or constrain local and regional autonomy is a different matter.

A research programme known by the acronym of GRALE (*Groupment de recherche sur l'administration en Europe*) has been established at the University of the Sorbonne (Paris I Panthéon-Sorbonne) working in partnerships with research teams throughout the country¹⁵. The research teams publish an annual handbook (*Annuaire*) which reviews developments over the past year as well as analytical articles which discuss specific issues pertaining to the decentralisation process¹⁶. Through a series of conferences researchers as well as practitioners come together regularly to analyse developments and draw lessons. The research programme is remarkable also for its connections to the National Assembly and the involvement of high profile MPs.

PROSPECTS

Growing public recognition of the complexity of the French system of territorial governance led to the appointment in 2008 of a commission charged with the mission of making decentralisation more comprehensible to ordinary citizens. Shortly after the formation of the commission of information a *committee on territorial reform* was set up under the chairmanship of former Prime Minister Édouard Balladur. The committee reported in March 2009 with 20 propositions of reform, including the creation of 11 metropolitan regions and amalgamation of regions and *départements*; the latter is to take place on a voluntary basis, however. Furthermore, procedures are outlined through which inter-municipal bodies may be transformed into proper municipalities, replacing the municipalities of which they are composed, thus reducing the number of municipalities – a truly revolutionary ambition given the entrenched position of French municipalities¹⁷.

¹⁵ <http://grale.univ-paris1.fr/prxthese/thespre.htm>

¹⁶ The latest issue is *Annuaire 2008. Où en est la gestion locale?* Paris: CNRS Éditions.

¹⁷ Comité pour la réforme des collectivités locales. « Il est temps de décider » *Rapport au Président de la République* 5 mars 2009

UK – DEVOLUTION AND THE RISE OF REGIONS

INTRODUCTION AND BACKGROUND

In the UK, a decentralisation programme was initiated by the Blair government in 1998 in the wake of the election victory of New Labour. The programme was truly radical seen against the British governmental tradition known in political science as “the Westminster model”, which strongly emphasises parliamentary sovereignty and governance based on majoritarian principles backed up by an election system in which “the winner takes all”. The programme was radical also in the sense that it represented a break with government policy which had prevailed until then. In Scotland, the Scottish National Party had long campaigned for home rule, but such claims had fallen on deaf ears in London. The New Labour decentralisation policy, known as “devolution”, was largely a political move to counter the growing support for the Scottish nationalists (which threatened Labour’s long-standing position as the dominant party in Scotland). As a result the UK is evolving towards a regionalised state with emergent federal features; however, in a formal sense devolution involves only 15 percent of the population (the proportion of the British population living in Scotland, Wales and Northern Ireland); in reality, devolution has also triggered discussions on the governance of England since the asymmetrical institutional pattern that is emerging may be unsustainable in the long run.

FEATURES OF DEVOLUTION

The primary feature of devolution was the establishment of directly elected parliaments/assemblies for Scotland and Wales alongside the one already existing (but long suspended) for Northern Ireland. The parliament/assemblies are endowed with legislative competences in specific fields but have extremely limited powers of taxation. Devolution has not only changed governance in Scotland, Wales and Northern Ireland but has also had repercussions for central government in several ways. In the following an outline will be given of the competences that have been transferred to the regional level, methods of financing devolved functions, how co-ordination between central and regional levels is ensured, and the consequences for central governance.

DEVOLVED FUNCTIONS

What are the fields of responsibility of the new governments for Scotland, Wales and Northern Ireland? The short answer is that these bodies have taken over the responsibilities that used to be assigned to the respective UK government offices for Scotland, Wales and Northern Ireland. In terms of legislative powers those of the Scottish parliament and Northern Ireland assembly are stated in negative terms. In the Scottish case parliament may legislate in any field that is not a *reserved* field for the UK government, while in the case of Northern Ireland there are fields that are reserved for the UK government and also fields that are *excepted* from the competence of the Northern Ireland Assembly. The Welsh Assembly has been granted powers of legislation only since 2006. These powers

are stated positively and encompass a quite wide array of functional areas¹⁸. In the Welsh case legislative procedures are somewhat complex and require the co-operation of the UK parliament or Government¹⁹. The “reserved powers” include foreign relations and defence; macro-economic affairs; regulation of businesses, consumer protection and the labour market; social security; asylum and immigration policy; energy strategy; broadcasting; and the constitution. In addition, the UK government retains control of the criminal and civil justice systems, other than in Scotland.

Although the list of reserved powers may give the impression of significant limitations to decentralisation, the functions that are devolved are of great importance to the daily lives of citizens as well as to the overall development of the respective regions and the UK as a whole, such as health, education, local government, culture, the environment, many transport responsibilities, and (in Scotland) police and justice. The overall picture is that the functional responsibilities of the regional assemblies are remarkably wide. Moreover, functions are mostly devolved unconditionally; the regions and the UK government have separate spheres of influence rather than shared competences, as in the French case. “The layer cake model” is a term used to describe the UK system of power-sharing²⁰. Jeffery and Wincott conclude that “This far-reaching devolution of powers has enabled the Scottish parliament at least to embark on an active legislative program, with some 89 acts passed between the opening of the parliament in 1999 and September 2005. The profile of the Northern Ireland Assembly as a

¹⁸ The National Assembly for Wales can now legislate, in the form of Assembly Measures, on the matters listed under the fields in Part 1 of Schedule 5 to the 2006 Government of Wales Act. The fields are:

Field 1 – agriculture, fisheries, forestry and rural development; Field 2 – ancient monuments and historic buildings; Field 3 – culture; Field 4 – economic development; Field 5: education and training – Field 6: environment; Field 7 – fire and rescue services and promotion of fire safety; Field 8 – food; Field 9 – health and health services; Field 10 – highways and transport; Field 11 – housing; Field 12 – local government; Field 13 – National Assembly for Wales; Field 14 – public administration; Field 15 – social welfare; Field 16 – sport and recreation; Field 17 – tourism; Field 18 – town and country planning; Field 19 – water and flood defence; Field 20 – Welsh language
<http://www.cabinetoffice.gov.uk/devolution/what/wales.aspx>

¹⁹ “...the (Welsh) Assembly may acquire legislative competence – by two routes. One is the inclusion of ‘framework powers’ in Bills before the UK Parliament, enabling the National Assembly for Wales to legislate on specified matters following the White Paper Better Governance for Wales (see paragraph 3.12). The other is an Order in Council – a Legislative Competence Order – to specify matters on which they may then legislate.

Both routes require agreement of the UK Government, and of both Houses of Parliament. An Order in Council must also be approved in draft by the National Assembly for Wales.

Once matters have been inserted into Schedule 5, the Assembly’s competence to pass Measures in relation to those matters is enduring. Assembly Measures can make any provision that could be made by Act of Parliament, subject to certain restrictions set out in Part 3 of the 2006 Act and the remainder of Schedule 5”. Ibid.

²⁰ Akash Paun and Robert Hazell. *Centralised Power and Decentralised Politics in the Devolved UK*, University College London

legislative body is less well developed as the progress of devolution has been stunted by difficulties in the wider peace process there²¹.

Legislation also opens the way for further devolution, as it is possible for the regional bodies to request further transfer of functions while the UK government may also, initiate such transfers on its own. Devolution may also happen “automatically” since the regional bodies may engage in any activities that are not of a reserved or excepted status. Thus, devolution is a dynamic, open-ended process. If devolution is taking hold it is to be expected that the four regions (England, Scotland, Wales, Northern Ireland) will gradually become subject to different policy regimes in the devolved fields of competence. This is indeed happening, for example in regard to health services; Scotland has chosen a path different from England in organising its health services, with fewer features of new public management²².

FINANCES

The devolved bodies receive most of their finances from the central government. Only the Scottish parliament is endowed with separate powers of taxation although of a very limited nature (in Scotland national taxes can be adjusted inside a range of three per cent relative to the national level of taxation) but parliament has so far not made use of this power. The formula for allocating revenues to the three devolved regions is known as the Barnett formula. Basically, the three regions are allocated their funding based on their share of the UK population.

The Barnett formula does not determine the overall size of the budgets but provides that, where comparable, changes to programmes in England result in equivalent changes in the budgets of the devolved administrations calculated on the basis of population shares. The Barnett formula does not directly reflect public expenditure ‘need’. The formula applies to the Scottish and Welsh ‘blocks’ which cover most of the expenditure within the responsibilities of the Devolved Administrations. In both territories the block only accounts for some 80% of spending. The formula is used in determining the aggregate size of the block which the relevant administrations are then free to allocate between services as they see fit. However, as much public spending is on-going or demand-led, the scope for the exercise of this discretion is limited in practice. Public expenditure is now determined within the framework of the Comprehensive Spending Review (CSR). So far this has taken place biannually. The CSR determines departmental expenditure plans for three years ahead so that in the case of the 2000 round, the years were 2001/02, 2002/03 and 2003/04. At the start of the following review a new year is added to the survey: in the case of the 2000 round, the year would have been 2003/04. The formula works in an analogous way in Northern Ireland²³.

²¹ Charlie Jeffery and Daniel Wincott, Devolution in the United Kingdom: Statehood and Citizenship in Transition, Publius: *The Journal of Federalism* volume 36 number 1, pp. 3–18).

²² Daniel Wincott, Social Policy and Social Citizenship: Britain’s Welfare States, Publius: *The Journal of Federalism*, volume 36 number 1, pp. 169–188).

²³ House of Commons RESEARCH PAPER 01/108 30 NOVEMBER 2001 The Barnett Formula, p.10.

Historically, public spending has favoured the regions of Scotland, Wales and Northern Ireland, with per capita spending being substantially higher there than in the regions of England. These disparities of spending have arisen as a result of policies that have sought to compensate for disadvantages related to declining industries, higher levels of unemployment and problems of peripheral location. Disparities have continued since devolution, as demonstrated by table 12.

TABLE 12: PUBLIC SPENDING IN THE UK

£/HEAD (OUTTURN)	2002–03 (OUTTURN)	2003–04 (OUTTURN)	2004–05 (OUTTURN)	2005–06 (OUTTURN)	2006–07 (OUTTURN)	2007–08 (OUTTURN)
ENGLAND	5,522	6,026	6,442	6,802	7,076	7,535
SCOTLAND	6,696	7,213	7,458	8,077	8,544	9,179
WALES	6,515	6,945	7,315	7,796	8,172	8,577
NORTHERN IRELAND	7,437	7,868	8,294	8,672	8,990	9,789
UK	5,726	6,225	6,624	7,012	7,308	7,790

Source: *The Calman Commission*

The Barnett formula has come under criticism in recent years but no definite substitute has yet been officially proposed. Following a long campaign by Lord Barnett, the House of Lords approved an *ad hoc* committee to assess the effectiveness of the Barnett formula and to investigate possible alternatives, and the new Committee was appointed and held its first meeting in December 2008. The new Committee is due to report by the 2009 Summer Recess.

CO-ORDINATION²⁴

Has devolution put much strain on inter-governmental co-ordination in the UK? Jeffery and Wincott have observed that.

Before 1999 Scottish, Welsh, and Northern Irish concerns were co-ordinated with English/UK-level concerns in largely informal processes of discussion between departments of central government. That intragovernmental practice of informal territorial accommodation has been projected forward into an intergovernmental practice for the postdevolution era. Perhaps surprisingly, it has worked even though the governments involved are accountable to different electoral processes. The postdevolution United Kingdom has seen no significant intergovernmental conflict, at least in public²⁵.

How is this seemingly harmonious state of affairs achieved? Five mechanisms of co-ordination are at work in intergovernmental relations.

²⁴ This section draws extensively on the Calman Commission, pp.77-82.

http://www.commissiononscottishdevolution.org.uk/uploads/2008-12-01-new-scot-devsummary_v6.pdf

²⁵ Charlie Jeffery and Daniel Wincott, *Devolution in the United Kingdom: Statehood and Citizenship in Transition* Publius: The Journal of Federalism volume 36 number 1, pp. 3–18

MEMORANDUM OF UNDERSTANDING (MoU)

The Memorandum of Understanding between the UK Government and the devolved administrations underpins the day-to-day operation of the devolution settlement and sets out the principles that underlie relations between them. It is a statement of political intent, and is not binding in law. It sets out principles for good communication and cooperation between the administrations. Key to the principles enshrined in the Memorandum is that of co-operation. This includes the possibility that administrations may choose to undertake activities on behalf of one another and that each administration will seek to supply information reasonably requested by another but within certain limits. How co-operation works in practice is a matter for interdepartmental Concordats and for the overall management of relations between the UK Government and devolved Governments.

CONCORDATS

Bilateral relations between the UK Government and the devolved administrations are Underpinned by a series of departmental Concordats. A Concordat is a guide to the working relationship between Ministers and officials. It is not an exhaustive description of the relationship. Some Concordats – on Co-ordination of European Policy Issues, on Financial Assistance to Industry, International Relations and Statistics – are supplementary to the Memorandum of Understanding. Others have been reached bilaterally between UK Government departments and their equivalents in Scotland. They tend to share common features in terms of placing an emphasis on co-operation and information sharing, rather than formalising relationships.

THE JOINT MINISTERIAL COMMITTEE

The MoU provides for a Joint Ministerial Committee (JMC) consisting of UK Government, Scottish, Welsh and Northern Irish Ministers, to provide some central co-ordination of the overall relationship.

The terms of reference for the JMC are:

“(a) to consider non-devolved matters which impinge on devolved responsibilities, and devolved matters which impinge on non-devolved responsibilities;

(b) where the UK Government and the devolved administrations so agree, to consider devolved matters if it is beneficial to discuss their respective treatment in different parts of the United Kingdom;

(c) to keep the arrangements for liaison between the UK Government and the devolved administrations under review; and

(d) to consider disputes between administrations. It should be noted that the MoU makes no provision for the resolution of such disputes: it merely provides a forum at which they can be aired.”

The JMC has not met as regularly as was originally envisaged. (Until the meeting earlier this year the most recent plenary JMC meeting took place in 2002.)

CABINET OFFICE CO-ORDINATION

The UK Government charges the Cabinet Office with co-ordinating the mechanics of devolution, in addition to co-ordinating the UK Government's own policy on devolution (devolution strategy being part of the remit of the Ministry of Justice).

Perhaps the most important role of the Cabinet Office is to provide (together with counterparts in devolved administrations) the Secretariat for the JMC and the JMC(E) - Joint Ministerial Committee for EU affairs. The Cabinet Secretary also hosts a weekly meeting to which the Permanent Secretaries of the devolved administrations are invited. This allows for interaction of ideas and exchange of information at an official level.

THE ROLE OF THE SECRETARIES OF STATE, ILLUSTRATED BY THE CASE OF SCOTLAND

The role of the Secretary of State for Scotland is to promote the devolution settlement and to act as guardian of it. The Secretary of State promotes partnership between the UK Parliament and the Scottish Parliament, and the UK Government and the Scottish Government. The Secretary of State also continues to represent Scottish interests in reserved matters within the UK Government, advising the UK Government about any distinctive Scottish aspects that arise for reasons other than the impact on devolved matters and supporting them in presenting UK Government policies in Scotland. The Scotland Office, which supports the Secretary of State, was established on 1 July 1999, following devolution. The Scotland Office maintains working relationships with the Scottish Executive, but is entirely separate from it, remaining part of the UK Government.

The Secretary of State also retains certain limited executive functions, notably in relation to the financial transactions between the UK Government and the Scottish Government and in relation to parliamentary elections. Scotland Office Ministers also make orders (subordinate legislation) under the Scotland Act, including orders to alter the legislative competence of the Scottish Parliament or the executive competence of Scottish Ministers. Around 200 such orders have been made so far. The Scotland Office has an important role in facilitating the delivery of the work of the Scottish Government and the UK's legislative programme through the operation of the Sewel Convention.

The Secretary of State also has the power under section 35 of the Scotland Act to prohibit a Scottish Parliament Bill from being submitted for Royal Assent in certain circumstances.

A UNIFIED CIVIL SERVICE

Essentially, devolution meant that from 1999, the regional assemblies took over responsibility for functions until then carried out by UK agencies headed by cabinet ministers, i.e. the offices for Scotland, Wales and Northern Ireland respectively. Corresponding personnel was also transferred to the assemblies. In the Scottish case this amounted to 45,000 civil servants. Nevertheless, there is still – as before devolution – a unified Home Civil Service for the whole of Great Britain (though not Northern Ireland). Officials working in the Scottish or Welsh administrations are formally part of the same

organisation as their counterparts working for the UK government. The maintenance of a unified civil service was done to ensure continued high standards of professionalism and equity in administrative operations across regions. However, recent commentators have found that in practice fragmentation along territorial lines is well under way (Greer 2008).

RESEARCH

Devolution is followed up and monitored also through an extensive research programme, as in the French case. The research is co-ordinated by a research unit at University College London²⁶ but also involves collaboration with research teams located at universities throughout the UK. The teams produce several monitoring reports annually, reporting on developments in the respective regions as well as in the central government. A book series is also published (*The State of the Nations*)²⁷ as well as books dealing with specific aspects of the decentralisation processes.

²⁶ <http://ucl.ac.uk/constitution-unit/research/devolution/index.htm>

²⁷ <http://ucl.ac.uk/constitution-unit/publications/unit-publications/J.htm>

DECENTRALISATION THE NORDIC WAY – FREE COMMUNE EXPERIMENTS

INTRODUCTION AND BACKGROUND

From the mid-1980s and through the 1990s the Nordic countries – Denmark, Finland, Norway, Sweden - pioneered a new approach to decentralisation – that of *free commune experiments*²⁸. The approach sought to combine the objectives of administrative modernisation, enhancing local autonomy and deepening local democracy at the same time. The background to the free commune programmes were national initiatives of administrative modernisation going on in all four countries. Labour leaders as well as conservatives agreed that the large welfare state bureaucracies were in need of a shake-up. Focussing on just the central government machinery was deemed insufficient given that the local government sector accounted for more than half of all public expenditures in the Nordic countries and employed around two thirds of all public employees. The public sector of the Nordic countries was already highly decentralised with responsibility for central welfare functions such as primary and secondary education, primary health care and hospitals, care for the elderly, kindergartens and energy supply as well as traditional local tasks such as land use planning, construction permits, streets, water and waste removal, to name the most obvious functions.

Another important driver of the free commune programmes should also be mentioned: long-standing complaints from local authorities and their associations about excessive national regulation; of and state meddling in local affairs. Here was finally a procedure through which such complaints could be met constructively by the central government.

It was a Swedish minister who came up with the idea of involving the local government sector in national modernisation programmes through an experimental scheme. The minister headed a newly established ministry charged with administrative modernisation. He was at the same time a keen defender of local autonomy. Enlisting local authorities in the modernisation programme by encouraging them to come up with ideas of their own about how they could improve their performance seemed a good way to defend local autonomy and at the same time appear as champion of modernisation. Enabling legislation was quickly passed by the National Assembly that allowed local authorities to apply for exemptions from national legislation and regulations in order to perform specific functions in a different way, hopefully better suited to local conditions. The Swedish example quickly caught on in the other Nordic countries of Denmark, Norway and Finland.

PROGRAMME STRUCTURE

The regulation of the experimental programmes varied somewhat from country to country, but the basic features were similar. Local authorities were supposed to “suffer” under excessive national

²⁸ The main source of this section is Harald Baldersheim & Krister Ståhlberg, eds. (1994). *Towards the Self-Regulating Municipality. Free Communes and Administrative Modernization in Scandinavia*. Aldershot: Dartmouth.

regulations of their operations. The experimental schemes would allow them to try out alternative ways of organising operations. Local authorities were expected to apply for status as “free communes”. This meant they had to work out an experimental programme as a substitute for the one from which they sought exemption. The experimental programme had to be inserted into a set of regulations or local bye-laws that was a substitute for the national regulations. The experimental bye-laws had to be approved by national authorities. The local experiments were to go on for a specified time period, after which they would be reviewed by national authorities. Evaluation and learning were important features of the free commune programmes. The experimenting authorities were expected to be forerunners testing out potential modernisation schemes that could become national standards if successful.

The procedures of national approval of experiments varied somewhat, however. As pointed out, experiments meant that local authorities applied for wavers from national legislation, which meant that experiments were based on substitute regulations. In Sweden such wavers had to be approved by Parliament, but once approved, wavers applied also to other recognised free communes. The Ministry for Civil Affairs (responsible for modernisation programmes) was charged with overall co-ordination of applications, which might touch upon the remits of any number of other ministries. The respective ministries worked out recommendations in “their” cases, but all cases were to be passed on to Parliament *via* the Ministry for Civil Affairs. In Denmark the co-ordinating function was even more weakly established; the respective ministries reviewed and decided on applications according to which ministry the relevant regulation and concomitant application “belonged”. Much the same procedure applied in Finland. Norway developed the strongest co-coordinative mechanism with regard to free commune applications. Here, the free commune legislation gave the Minister for Local Government powers to decide all applications regardless of subject matter, although the opinions of other relevant ministries had to be heard.

How widespread did free commune experiments become? The number of local authorities that applied for free commune status was much lower than anticipated. The proportion of applicants relative to the total number of municipalities was 9 percent in Norway (lowest) and 15 per cent in Denmark (highest). The idea of local authorities being “crushed” under inappropriate national regulations did not seem to hold water. However, the low number of applicants could also be accounted for by fairly demanding application procedures and often short notice given. Interestingly, though, the scope of the experimental programmes in terms of subject matter was quite wide. Each applicant normally sought wavers from several regulations and wanted to start up to five or six experiments. In Norway, for example, 49 local authorities applied in all; their applications amounted to a total of 260 potential wavers from 80 different acts (half of these applications were granted). Most ministries were affected one way or another by the experiments, so that the review procedures could be quite lengthy. In the end the selection procedures seem to have been most stringent in Norway and Denmark where around half of the applicants were approved and got the status of free communes.

In Finland all municipalities that applied ended up receiving this status, while the Swedish procedure really was one of pre-qualification so that those deemed qualified ended up getting the nod from the minister and being passed on for parliamentary approval.

The Danish procedures had a dynamic element which the other countries lacked; once a free commune regulation was approved other municipalities were also allowed to implement the regulation. In this way free commune experiments spread even before the trial period was over.

What were the free commune experiments *about*? Where did local authorities feel the national regulations to be out of step with their needs? The Norwegian experiences may serve as an example. Out of 260 waiver applications the most frequent ones concerned legislation on local management and budgeting, education, agriculture, roads, economic development support, child protection, and hospital management. Experiments were finally approved in all of these fields plus a series of other scattered experiments, a total of 121 experiments altogether.

Evaluation and learning were supposed to be inherent features of the free commune experiments. Co-ordination and monitoring was organised in somewhat varied manners. In Sweden, as pointed out above, the Ministry of Civil Affairs had overall responsibility for the programme, a task which was undertaken as part of the ordinary responsibilities of the Ministry's Section for Local Government Affairs. The Section had a network of liaison persons in other ministries with whom they were in regular contact regarding the free commune affairs. The Section's personnel tended to see themselves as champions of the free commune experiments, and their support and defence of experimental schemes was often necessary to get other ministries to play along. Denmark also organised responsibility for free commune experiments as part of the ordinary tasks of a group of civil servants in the Ministry of the Interior's 2nd section for local government affairs. Members of the group divided up monitoring of free communes so that each had a specific set of communes to follow up; these municipalities were visited by the respective civil servants once a year. In Norway, in contrast to the other countries, the Ministry for Local Government Affairs set up a special task force to monitor and review free commune experiments. The task force had the assistance of an inter-ministerial working group and an advisory group composed of representatives of the National Association of Local Authorities and the largest public sector trade unions. The latter was of particular importance as the experiments proposed by local authorities could sometimes infringe on or demand waivers from tariffs or working conditions. The task force emphasised the value of close contacts with local personnel in charge of experiments while also making efforts to disseminate information about the free commune programme, e.g. through an annual, open conference. As in Denmark, the personnel in the other countries charged with overseeing the experiments also tended to see themselves as champions of the local authorities, often putting up a fight for the experiments in the face of opposition from other ministries.

RESULTS AND IMPACTS

Learning and evaluation through *research* programmes were also conspicuous features of the experimental schemes. In three of the countries (Finland, Norway, Sweden) extensive research efforts were part of the overall experimental schemes. In Denmark individual researchers published reports on selected subjects but there was no official research programme. All countries published official reports submitted to the respective parliaments, in which experiences were summarised and lessons drawn. One conclusion drawn in all four countries concerned the need to adjust existing local government legislation and grant greater leeway to local authorities regarding how they were to organise their own operations. Consequently, during the 1990s local government legislation was overhauled in all four countries. Less detailed regulation of local operations meant that the lasting legacy of the free commune experiments was more flexibility and thus greater *variation* with regard to the management of local affairs. Although some local authorities carried out experiments that implied the transfer of state functions, these experiments did not leave a lasting imprint on central-local relations. The overall outcome of the experiments was enhanced autonomy in the daily business of local authorities in already highly localised administrative systems.

GUIDELINES AND LESSONS

FOR DECENTRALISATION PROGRAMMES

Decentralisation is an inherently political process that needs strong political input. It is about transferring powers and functions from a political centre to a series of sub-centres at regional and local levels of government. Resistance will often be encountered in the administrative apparatus of the central government. Unavoidably, there will be winners and losers. Without political will, there will be no or very little decentralisation. Decentralisation regimes are often composed of a coalition of strong local political leaders in alliance with national leaders.

A further requirement is that there is demand for decentralisation from below, from local government circles. This is well illustrated by the UK, the French and the Nordic cases.

If decentralisation implies transfer of government personnel or changing working conditions the consent of trade unions is important. A three-cornered alliance of central and local political leaders plus trade union representatives will have good chances of becoming a winning coalition.

Comprehensive, sweeping decentralisation measures are politically tempting but risky. A stepwise, experimental approach may be less glamorous politically but may yield better results in the long run. Experiments are reversible, whole transfers of tasks and personnel are more difficult to turn back. Experiments are also less threatening to the uncertain. The Nordic approach may hold some lessons here. However, the Danish approach that allowed for fast generalisation of exemptions was probably wiser than the strictly experimental one of the Norwegians and Swedes.

In some countries the small size of municipalities may represent a barrier to extensive decentralisation. Amalgamations may seem a precondition for allowing local authorities to take on technically demanding tasks. Amalgamation incentives may have to be part of the tool kit of decentralisation programmes.

Finances are an Achilles heel of decentralisation programmes. Matching funds to transferred competences can be difficult if regions or local authorities vary widely with regard to fiscal capacities. Ideally, the principle of fiscal equivalence demands that those who decide on expenditures also have to come up with funding, otherwise fiscal discipline will suffer and prodigal budgeting occur. The mismatch of funding and spending resulted in over-borrowing among Spanish regions during the 1990s. However, no country can do without a financial equalisation scheme.

Transparency is an issue that may be exacerbated by decentralisation schemes. If decentralisation results in competencies becoming highly entangled, confusion may grow among citizens and political leaders alike. France is a case in point here but the Government has risen to the challenge

and appointed a commission on citizen guidance as well as one on structural rationalisation. The fundamental challenge is that of the legitimacy of decentralisation and local government. Transparency can be served in a number of ways: clear procedures for review of local decisions, procedures for citizen complaints regarding local decisions; easy-to-understand performance indicators.

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