



## Decentralisation vs centralisation

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# Introduction

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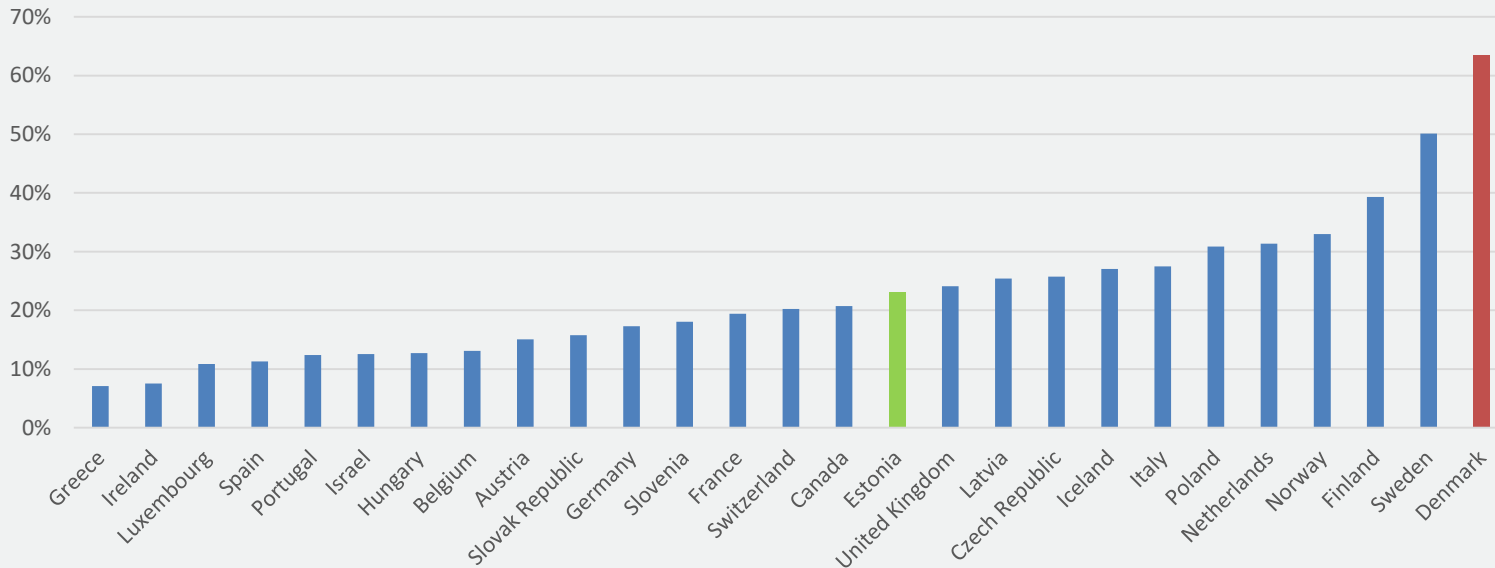
# The Danish Public sector

## Short overview - 3 political levels

- State – Parliament and the Government.
  - Foreign affairs, police, justice, education above primary school, tax collection etc.
- 5 Regions – Regional Councils
  - Health care (Hospitals, GPs etc.), operating a few specialised social and educational institutions, cleaning of polluted soil and a few other tasks
- 98 Municipalities – Municipality Councils
  - Day-care services, primary schools, social services, persons with disabilities, assistance to unemployed, care for the elderly, roads, environmental protection, culture etc.

# Decentralisation in economy

Local expenditures in relation to total public expenditures



OECD 2016: Data missing for Australia, Chile, Japan, Korea, Mexico, New Zealand, Turkey and USA.

# State – municipality relation (economy)

## Annual agreements on the total economy next year in the municipalities

- Municipality budget must be coordinated with the total public economy
- Annual agreement on next year's total budget in the 98 municipalities
  - Figure for the total expenditures of running all the tasks in the 98 municipalities
  - Figure for the total investments in the 98 municipalities
- Financed by
  - Local taxes
  - Block grants from the State
  - Reimbursements and
  - Additional state funding earmarked to specific purposes

# Decentralisation – the historical roots

## The Constitution – a strong political consensus in favour of decentralisation

- 1849 - First democratic constitution
- Section 82, *The right of municipalities to manage their own affairs independently, under State supervision, shall be laid down by statute*
  - The municipalities are protected by the Constitution
  - Governed by elected councils
  - Regulation by the state of the municipalities must be based on legislation
- Political consensus – decentralisation – municipality self-rule - is an important part of the Danish public sector

# Advantages in a decentral model

## Democracy - efficiency

- Democracy
  - Proximity - Political decisions close to the citizens
  - Room for different local solutions - based on local priorities
- Efficiency
  - Municipalities responsible for tasks in combination with full financial responsibility can promote efficiency
  - Local circumstances can be taken into account in implementing welfare services etc. And the municipalities budgets are more fixed than the state budget.
- Attention – do you risk losing economies of scale?

# Prerequisites

**Accept of differences in service. Local political responsibility. Economic equalization**

- Government and Parliament accept differences within the frame of legislation
- Local acceptance of differences in services
  - The citizens must find local solutions more attractive than central “one size fits all” solutions
- Local politicians must demonstrate political leadership and take up the responsibilities
  - Can't blame the Government and the Parliament every time a more unpopular decision has to be made locally
- Economic equalisation



# Insight in the municipalities performance

A balance between need to know and nice to know respecting local self-rule

- Report systems – statistics
- Benchmark
- Complaints systems

# Conclusion - keywords

## Kind of checklist

- Positive view on differences
- Acceptance of differences centrally and locally
- Flexibility - Acceptance of differences must be reflected in legislation – not too detailed
- Local politicians must take up the responsibility
- Some degree of economic equalisation
- If so
  - Hardly any limitations in what can be decentralised within the welfare areas
  - Political question how far to go
  - Technology and economy of scale can make central solutions attractive especially in more basic administrative areas