

Decentralization and Local Government in Multilevel Systems

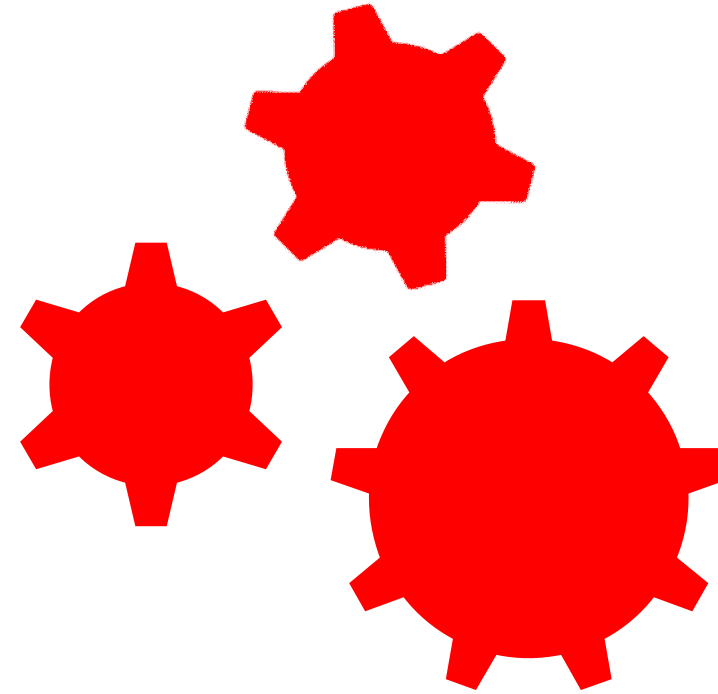
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**Public Governance Conference , 6th of February 2019
Radisson Blu Hotel Olümpia, Tallinn**

Content

- I) Decentralization -definition and measuring - in comparative international research
- II) What are the global trends in decentralization and centralization?
- III) What research tells about the advantages and disadvantages of decentralization?
- IV) Decentralization as a strategic cornerstone: the Finnish and Nordic narrative on successful local government
- V) Concluding thoughts

I) What is decentralization?



- Ø Not simple to define or measure decentralization in a way that works perfectly in international comparisons
- Ø But most experts agree that a political system is more decentralized to the extent that local officials are chosen locally and have the right and capacity to make decisions on important policy issues

Number of administrative tiers in European Union countries 2018

Countries with 2 administrative tiers	Countries with 3 administrative tiers	Countries with 4 administrative tiers	Countries with 5 administrative tiers
CY, EE, FI, IE, LV, LT, LU, MT, SI	BG, HR, CZ, DK, EL, HU, NL, RO, SK, SE, UK	AT, BE*, FR, DE, IT, PL, ES	PT

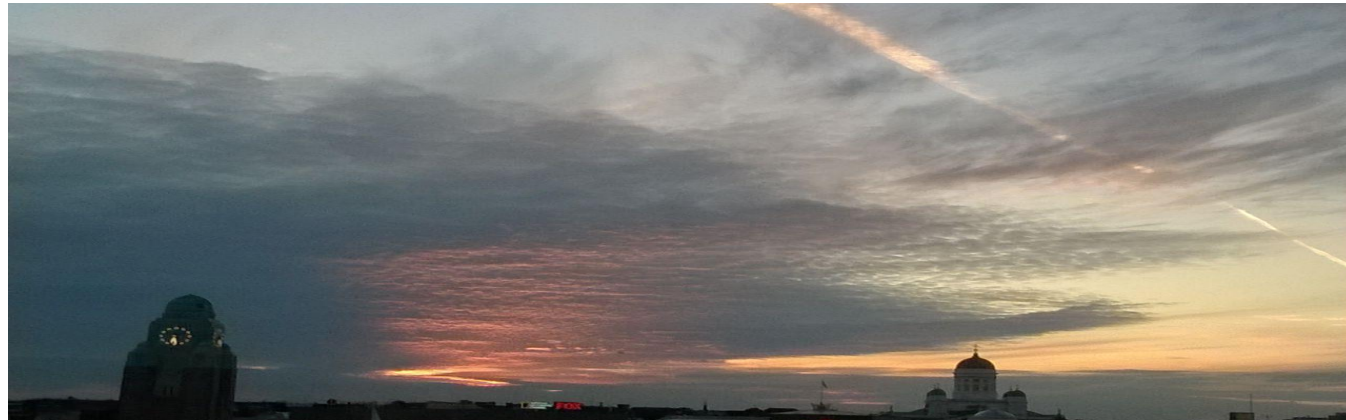
(Source: European Commission 2018)

Different types of decentralization

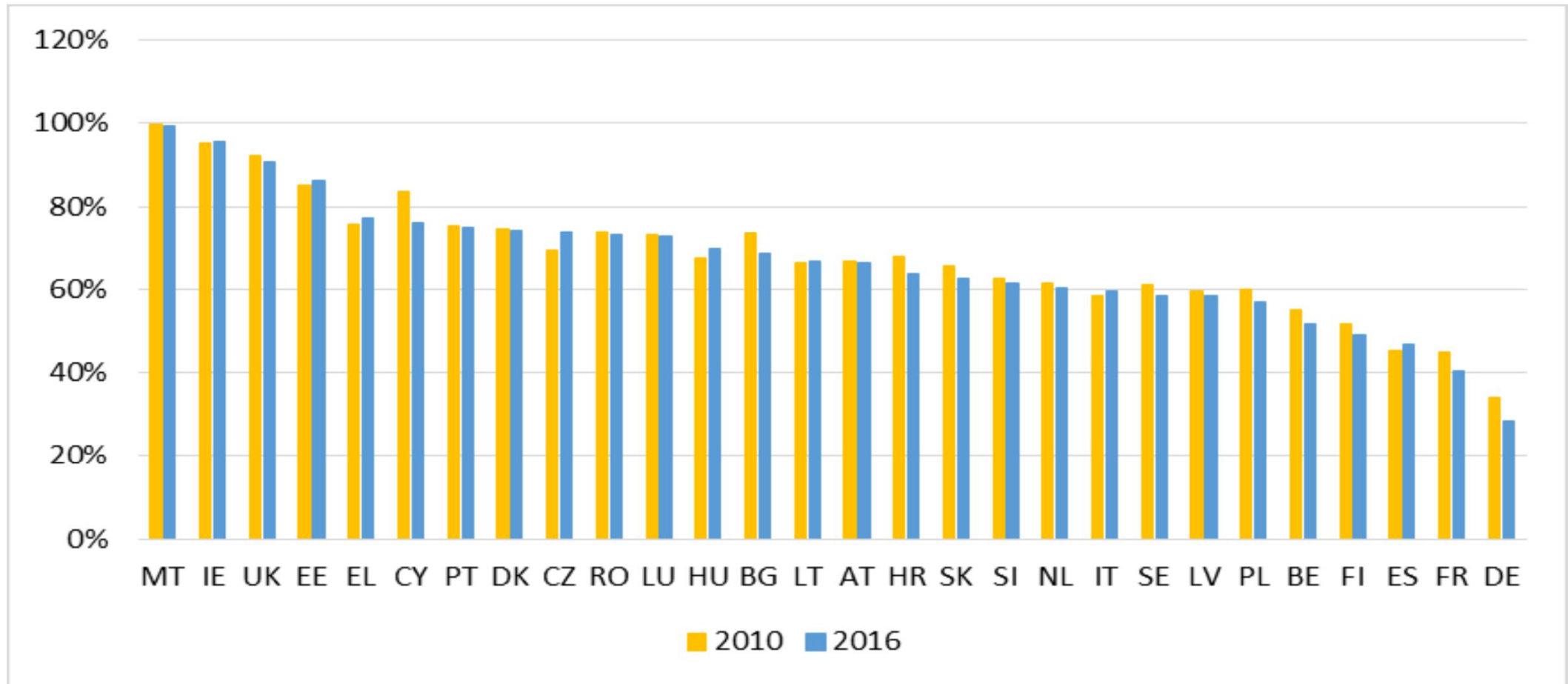
- Ø **Political decentralization** means the complete transfer of state functions to local administrative bodies
- Ø In **administrative decentralization** central government delegates some policy responsibilities to its appointed local agents but retain the right to overrule its agents' decisions.
- Ø **Administrative deconcentration** means delegating functions from central government to bodies that are part of the state government system

II) What are the global trends?

- Ø Phase of centralization after second world war
- Ø During the last 40 years decentralization has been the major trend in public administration reforms
- Ø For the period 2010-2016 the overall picture is still one of decentralization (see picture next page)



Share of central government in public expenditures in EU countries (source: EUROSTAT)



What are the global trends (2)?

- Ø During the last 15 years, there has also been signals of recentralisation, particularly in health policy
- Ø Behind the recentralization policy in Nordic countries the explaining fact is that decentralization has heightened equity problems

III) What research tells about the advantages of decentralization?

- Ø The research results on advantages and disadvantages of decentralisation are contradictory
- Ø But there are some findings and arguments that show quite uncontested in the literature



What research tells about the advantages of decentralization (2)?

- Ø Benefits of decentralization are different in different tasks of local government and they depend on the type of decentralization (political dec. – administrative dec- administrative deconcentration)
- Ø Political decentralization tends to produce improvements in the form of horizontal, cross-sectoral coordination. -> integration of tasks within multifunctional local government may help to improve territorial coordination within a given territory.
 - ü The more task fulfilment is dependent on horizontal coordination, the more decentralization may improve efficiency and effectiveness (particularly environment, economic development policy, urban planning)
 - ü On the other hand, the more task fulfilment is dependent on economies of scale, the more the realization of these positive effects depends on the size of jurisdictions. (special health care)
 - ü If task fulfilment is not dependent on horizontal coordination or local variety, decentralisation impact may be minor or adverse (police)

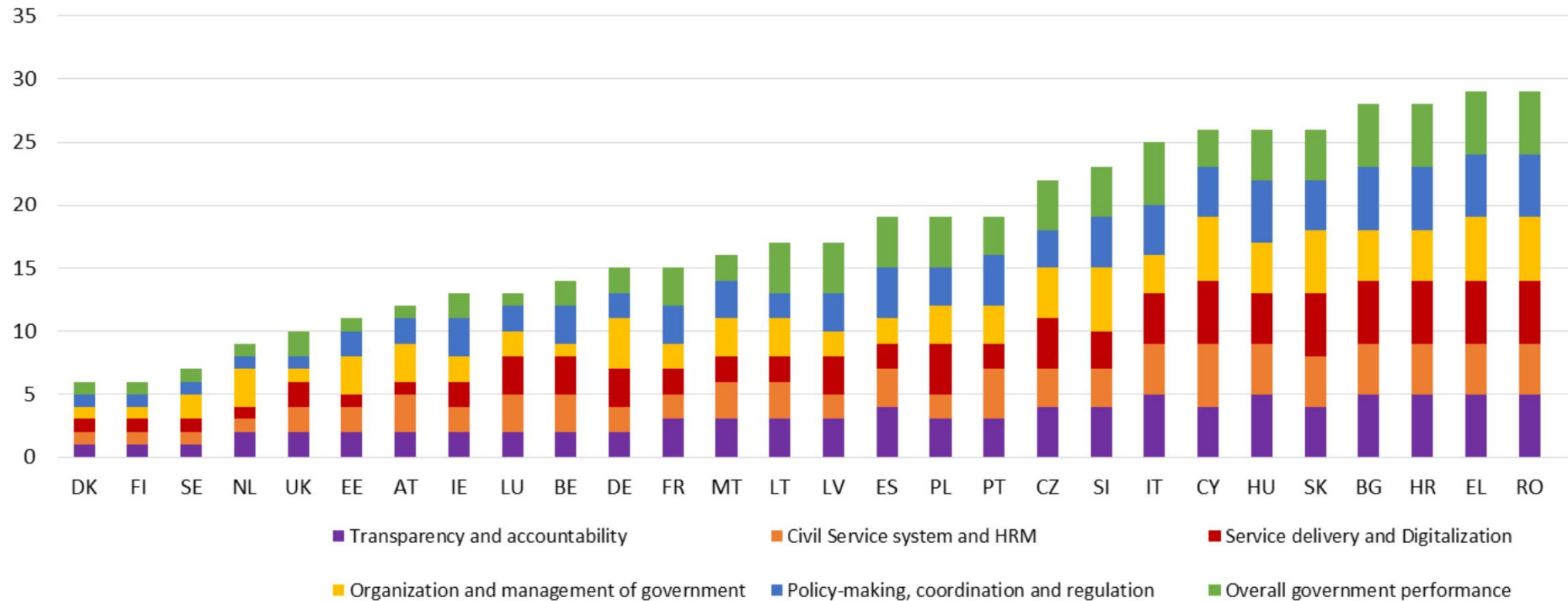
What research tells about the advantages of decentralization (3)?

- Ø Decentralisation must be accompanied with fiscal autonomy and resources and competencies – local capacity
- Ø Centralized solutions can be supported if we are dealing with standardized product or service, and local knowledge neither local circumstances are not important in provision of this service
- Ø Decentralisation as a process often entails considerable additional costs
- Ø Extensive decentralization of mandatory service tasks leads may result in overload of local government and reduction in voluntary local self-government tasks

IV) Decentralization as a strategic cornerstone: the Finnish and Nordic narrative on successful local government

Ø Denmark, Finland, Norway and Sweden rank amongst the top countries in many international surveys when it comes to performance of public governance

Overall assessment of public administration capacity and performance of the EU Member States (the shorter the bar the better ranking)



(Source: European Commission 2018)

It is probably not coincident, that these countries also have the most decentralized governance systems in the advanced industrialized world

Nordic decentralization has mainly been political decentralization, with integration of tasks within multifunctional local government, and with central government steering, but not detailed regulation,

The success of Nordic countries is a combination of state steering and strong local capacity

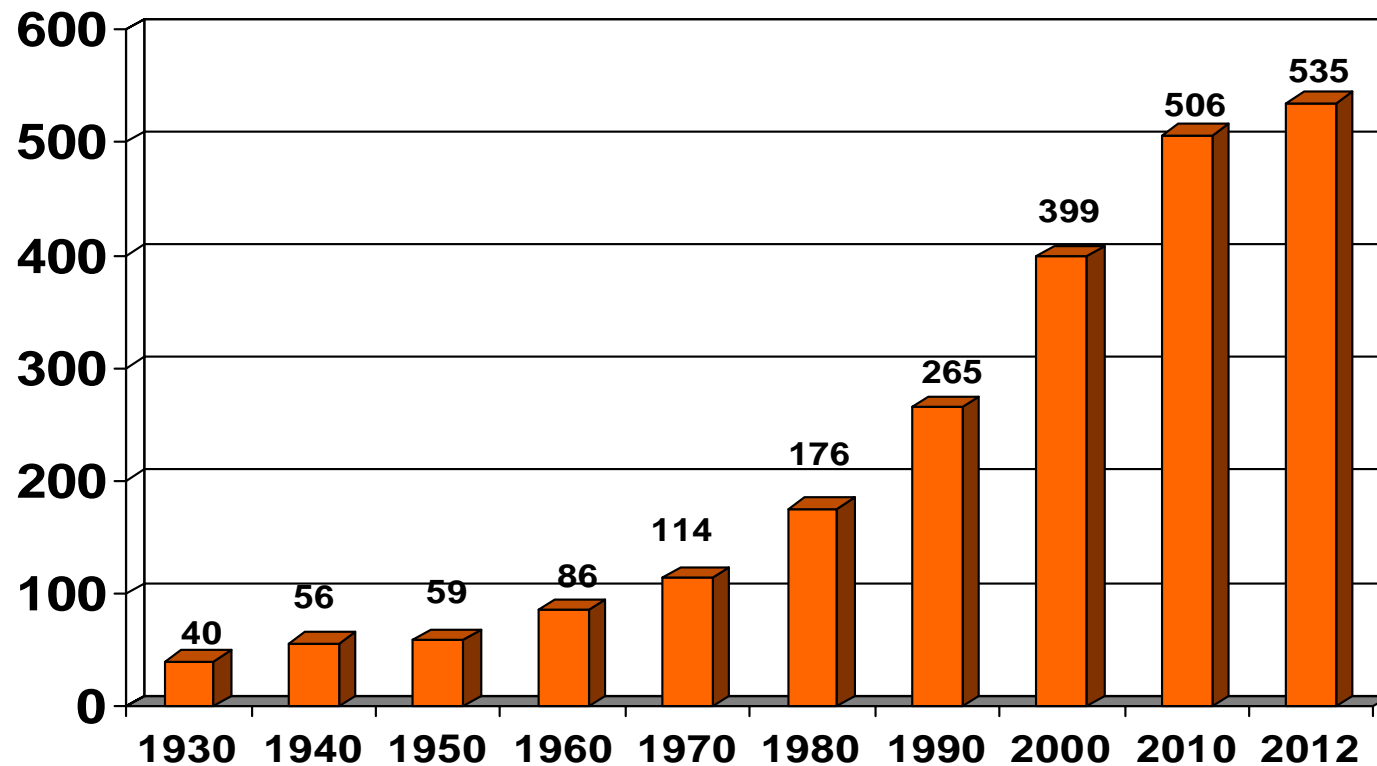
- Ø Especially the latter one is largely a result of long historical development, the Nordic model of local government is deeply rooted in the region's history, culture and difficult geography
 - Common free peasant society, which created the conditions for the further development of the autonomous municipalities
 - Collective leadership, the idea of delegating functions to collective bodies rather than to single public servants.
 - Low barriers between municipalities and civil society
 - Trust and legitimacy of local government
 - Mutual borrowing of ideas

Finland from 1990s: decentralization, centralization and overload of LG

- Ø From the end of 1990's the central government has continually delegated new tasks and responsibilities to local authorities
- Ø This has led to overload of local government
- Ø The problem of overload has been alleviated by structural reforms and increasing the size of municipalities (133 decrease in number of municipalities in one decade)
- Ø Now **Regional Government, Health and Social Services Reform** (social and health care from municipalities to 18 regions)



Tasks assigned to local government by legislation in Finland, years 1930-2012



Source: Ministry of Finance, Finland 2013

V) Concluding thoughts

- Ø Decentralization works best when it is political decentralisation contributing particularly to horizontal cooperation, integrated public governance at the local level and this way to increased efficiency and effectiveness
- Ø Local government and state government together and in good co-operation make the best result, no strong local government without strong state
- Ø Decentralization process must be accompanied with local capacity and fiscal autonomy in order to work appropriately
- Ø Too much decentralization can lead to overload, if resources and capacity building do not follow task transfers



Key literature

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