

## *Chapter 3*

### **Governance Issues**

### 3.1. Regional policy challenges

Geography and settlement patterns strongly constitute inherent factors of regional policy in most countries. This is particularly the case of Norway, with low population densities, especially in the northern part of the country, as well as a broken, mountainous landscape that renders communication problematic and reduces accessibility to services, economic activities and jobs in large parts of the country. An illustration of this is that 40% of labour market regions consist of only one municipality, as indicated in Chapter 1. Regional policy in Norway thus traditionally seeks to address the issues stemming from dispersion of population and difficulties in access, with most of these areas characterised by lower than average economic performances and demographic stagnation or loss. The challenge of Norwegian regional policy is to compensate for these natural handicaps without stifling chances of ensuring on the longer term economic sustainability based more on endogenous growth than on handouts from the national level.

The goal of Norwegian regional policy is to facilitate people to live where they want to live and to keep remote areas populated (Ministry of Local Government and Regional Development, 2005a). The challenge is thus to provide means and instruments by which regions can retain and attract people and firms. Important elements in this are stimulating regional economic growth, generating employment and maintaining public services. In some cases this can deliberately lead to supplying a level of quality higher than already stringent national standards, as discussed in Chapter 2, insofar as this is considered as a favourable element for maintaining the population in certain remote areas. Governance has a strong impact on the extent to which these different goals can be reached. This chapter focuses on its institutional framework, co-ordination issues, citizen participation and future developments.

### 3.2. The institutional framework

Norway is a unitary country. The administration is organised along a classic three tier model: the central government, led by a Prime Minister, reflecting the parliamentary majority (often a coalition) and two subnational levels of government: the 19 county councils and the 431 municipalities. Parliament is responsible for the overall distribution of competencies and county and municipal organisation (Local Government Acts of 1992 and 2005,

see further), with the central government retaining strong regulatory and financial powers over local government. The two subnational levels of government do not constitute a hierarchical organisation, but function as separate subnational organisations with different geographical scope and competencies in economic development and for the delivery of public services.

Governance of regional development in Norway involves a large set of actors, each responsible for regional development issues in different areas and at different levels. At the central level, several ministries and a few key agencies are the main actors of regional development. The Ministry of Local Government and Regional Development (see Box 3.1) assumes the leading role, but others such as the Ministries of Health, Education and Culture, Industry and Trade, Agriculture and Food, Fisheries and Coastal Affairs or Transportation and Communications are also closely involved. All ministries<sup>1</sup> are fairly small and staffed by around 4 200 people altogether. At the regional level, the county governors' office and the regional bodies of different agencies such as Innovation Norway or RCN represent the central government whereas the county Councils are self-elected.

### **Box 3.1. The Ministry of Local Government and Regional Development**

When created in 1948, the Ministry of Local Government and Regional Development was responsible for labour market issues as well as local government administration and finance. Responsibilities have since grown to include a wide range of fields such as housing policy, regional and district development and local government supervision. The Ministry employs circa 190 people in four departments, the Department of Local Government, the Department of Planning and Administrative Affairs, the Housing and Building Department and the Regional Development Department.

The budget for regional policy amounts to NOK 1.4 billion in 2005, around 0.2 % of national public expenditure. If regional policy were to be defined in a broader sense, other elements of the budget of the Ministry of Local Government and Regional Development would qualify. Such is the case of the remote regions grant and the North Norway grant that form part of the equalisation scheme (see below) lying within the budget of the Ministry of Local Government and Regional Development. Not included in these figures is the compensation for the abolishment of the regionally differentiated social security tax, nor the North Norway and regional grants. In reality, the budgets allocated to regional development efforts are thus far higher than the figure mentioned above.

*Source:* From Ministry of Local Government and Regional Development information.

Municipalities and county councils are the main providers of public services in the country, alongside the recently created five regional health enterprises that are offshoots of the Ministry of Health. Oslo is both a municipality and a county. In Norway, the general policy for regional and local development and provision of public services is the subsidiarity principle, with responsibilities placed at the lowest effective level and local and regional elected bodies being in charge of matters requiring local and regional political discretion. The task and responsibility of the central government is to set rules and regulations in areas where a national uniform provision of services is expected throughout the country. It ensures that municipalities and counties fulfil the standards or requirements set by the central government, which in certain cases may require compensation for additional costs or because of a reduced tax base. This is the case not only for policy implementation but also for policy formulation. The county governor plays here the leading co-ordination role, alongside other central government regional offices.

National ministries are responsible for overseeing the traditional tasks devolved to that level of government in all countries (major infrastructure; judiciary, police, defence; foreign policy). In other policy areas, the division of functions between the various levels of government is decided by the Parliament. The Local Government Act of September 1992, last amended in 2005 defines most of the tasks performed by counties and municipalities. Sharing of responsibilities occurs mostly in the area of public services. In particular, specialised health and social services, higher education, main infrastructure and regional policy are a national responsibility. Counties are responsible for upper secondary education, regional development, regional infrastructure and culture. Municipalities carry responsibilities for primary and lower secondary education, primary health care, childcare and care for the elderly.

#### **3.2.1. Central government**

The Department of Regional Development in the Ministry of Local Government and Regional Development has no own subsidiary bodies or regional representation. The responsibility for the department's budget means relies instead on agencies such as Innovation Norway, SIVA and RCN and county and municipal governments. The Ministry of Local Government and Regional Development draws the main policy guidelines and allocates funding to the agencies responsible for decisions relating to specific projects and overseeing their implementation. The agencies follow policy directives drawn up by the central government. Various regulations and financial mechanisms, decisions on the composition of boards and yearly meetings with the Ministry of Local Government and Regional Development and other ministries channelling funds ensure coherence.

As an exception to further decentralisation trends, the 2002 hospital reform includes transfer of ownership and responsibility of hospitals from the 19 counties to the Ministry of Health and Care Services. With the reform, five (now four) geographically based regional health enterprises, reporting to the Ministry, were created. The regional health enterprises, operating through 33 local health trusts, are responsible for organising specialised health care in their respective regions. The regional health enterprises do not have own revenue, but act on behalf of and are funded by the central government through both fixed and activity-based grants. Executive board members of the regional health enterprises are appointed by the Ministry of Health and Care Services. Expenditure data however show that spending increases have not yet been curbed. Even though accountability has in principle increased, according to the *OECD Economic Survey of Norway*, strong co-ordination is required, as municipalities are responsible for general medical services (OECD, 2005c) and in many remote areas maintain health centres that in fact play the role of small local hospitals.

Another important reform with territorial scope relates to the merger mid-2006 of the National Employment Service (Aetat), the National Insurance Organisation and the Social Welfare System. Through the former two government services, a total of approximately NOK 265 billion, or 43% of government expenditure, is transferred every year. Fundamental change was considered to be necessary to ensure coherence and in particular to help counteract the increasing tendency towards early retirement through generous sick leave and disability schemes (see Chapter 1). As of 1 July 2006, the agencies were merged into a single Labour and Welfare Organisation (NAV), to co-operate closely with municipal social services, through increased field presence, including in small municipalities. Other goals pursued are to create a more customer friendly, user oriented system, while reducing administrative costs and bringing down overall volume of benefit amounts dispensed.

### **3.2.2. Intermediate institutional actors**

#### ***The county governor's office***

The county governor is the central government's regional representative in each county. Although often former politicians, appointed by the government for a once renewable period of six years, governors are in the position of high civil servants ensuring continuity, meaning that removal before term is exceptional. In total, the county governor's offices have around 2 200 employees (in full time equivalents), with a county governor's office having on average around 120 employees. The staffing of the offices varies

with the size of the counties: from 229 employees in Oslo and Akershus to 76 in Aust-Agder. The total budget of the county governor's offices is approximately NOK 1.1 billion.

Formally, the county governor is subordinate to a central level of government ministry (Ministry of Government Administration and Reform) but for specific sectoral issues, such as education and health, this high level official reports to the ministry or agency in charge of that area. The 18 county<sup>2</sup> governor's office's main task is to co-ordinate with counties and municipalities, to ensure implementation of central government policies. The task of county governors in terms of fostering multilevel governance and regional co-operation is particularly complex because of overlapping of borders of different administrations and agencies that do not necessarily follow county limits. This brings forward vertical co-ordination issues that are analysed in Section 3.4.1 below. The future regional reform could provide an opportunity to introduce a certain degree of harmonisation as is the case in most countries.

The different boundaries of the regional agencies are effectively in direct need of simplification. However, it is to some extent logical that these differences exist, as many agencies try to provide services at an optimal scale that differs per public service. However, Norway seems to have a far more complex grid of administrative boundaries than many other OECD countries. These different regional boundaries certainly complicate coherent policy making, as some services and policies, closely related by nature seem difficult to connect, in view of developing stronger synergies.

Besides public services tasks to be supervised and co-ordinated, county governors also have a responsibility in overseeing administrative and financial management of local government bodies. The county governor also acts as a guarantor of constitutional rights. He often acts as a court of appeal against municipal decisions in individual cases, for example when applications for building licences are denied. He has the right and duty to review all aspects of the case, with the power to annul such a decision and even to render a new decision. Under certain circumstances the county governor can even reverse such decisions on his own initiative, even when no appeal has been made.

#### ***Ministries and single purpose regional bodies***

Single purpose regional bodies are task specific units representing a ministry, agency or function on the regional level. Headquarters are usually situated in Oslo but are decentralised in certain cases. Out of a total of 57 agencies, 41 have a regional representation. One with a wide regional spread is Innovation Norway. The recent reforms in the hospital sector as well

as in public employment and social insurance schemes have even led to increase their number. They are often funded by several ministries, like Innovation Norway and may have a powerful role in territorial development. They follow the priorities drawn up by the main ministries, with the Ministry of Local Government and Regional Development playing here a strategic co-ordinating role at the national level.

Over the past 15 years a process of structural devolution has been going on in central administration, which has led to a differentiated framework. In general, agencies have increased their authority and roles while functions among agencies became more distinct and less overlapping. Until the mid-1990s major public sectors like railways, telecommunications, power, postal services and public broadcasting were organised as integrated government services, whereby the state held the roles of owner, provider, purchaser, regulator and controller. Since the mid-1990s, the commercial parts of these organisations have become corporate, while the regulatory parts have been streamlined into separate agencies. Over the last five years several agencies were merged and reorganised.

In a 2003, White Paper, the central government proposed changes in regulatory agencies. Its philosophy was that more use of markets and decentralised models of steering and control should be supplemented with stronger regulatory activities on behalf of collective interests. One of the elements in the proposed reform was that agencies should increase their independence from ministries. According to Christensen and Laegreid (2006), this has resulted in increased autonomy for the agencies and a more specific allocation of tasks, but not as much as the reform had intended.

### **3.2.3. Municipalities and county councils**

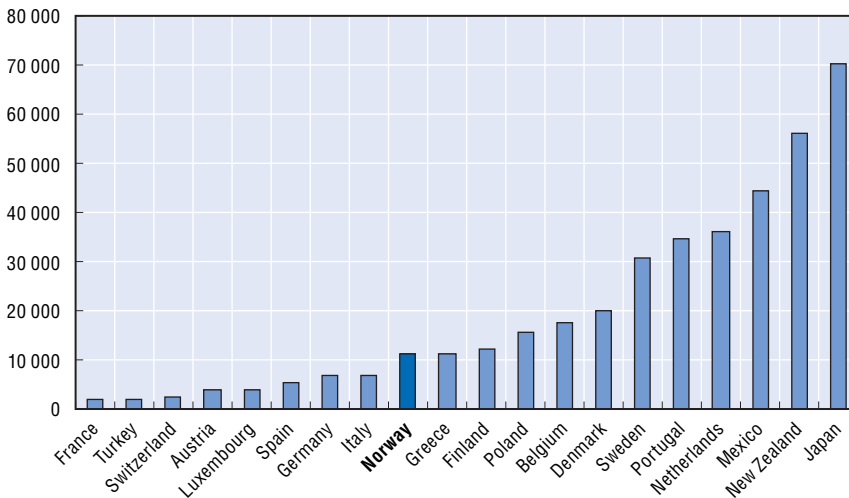
The Local Government Acts of 1992 and 2005 assign mandatory functions for counties and municipalities. In general, counties and municipalities are responsible for a substantial part of service provision (see below). Through the general principle of self-government, counties and municipalities enjoy relatively large freedom to decide how to organise their activities. The basic legal foundation of local and regional self-government is the presumption of a negatively delimited “general competence”. Counties and municipalities can freely assume tasks other than those mandated to them by legislation as long as these tasks have not been lawfully allocated to other agencies or authorities (Langset and Aurdal, 1999). Local governance is not laid down in the constitution, but there exists a long and deep rooted tradition of local independence in Norwegian history. According to the Local Government Act a Chief Executive has to be appointed by the municipal and county council. This position is the highest non-political position and is responsible for implementation of policy and running the day to day business of the county or municipality.

## Municipal organisation

### Size of municipalities

Municipalities in Norway are on average not particularly large, with 10 800 inhabitants on average. This is much less than in many OECD countries: in Japan and New Zealand, countries with very different national population figures, these have on average more than 50 000 inhabitants. At the same time, there are also quite a few OECD countries that have municipalities with even less population (see Figure 3.1) than Norway. This international comparison, uniquely based on population, does not take into account the size or the actual functions and responsibilities of subnational governments. From this point of view, there is a relation, as a certain local capacity in terms of human resources is needed to exercise responsibilities efficiently, with intermunicipal co-operation or amalgamation being answers to small size of local government. Although service provision by small units of local government is supposed to be more responsive to local needs, these often suffer from lack of capacity to provide these services effectively. There appear to be economies of scale in local public service delivery, but it is difficult to ascertain the appropriate scale for subnational public services. The scale of services depends on many factors, such as national and regional circumstances. What could be considered as an optimal population threshold can be viewed differently from one country to another, depending on the organisation of public service delivery.

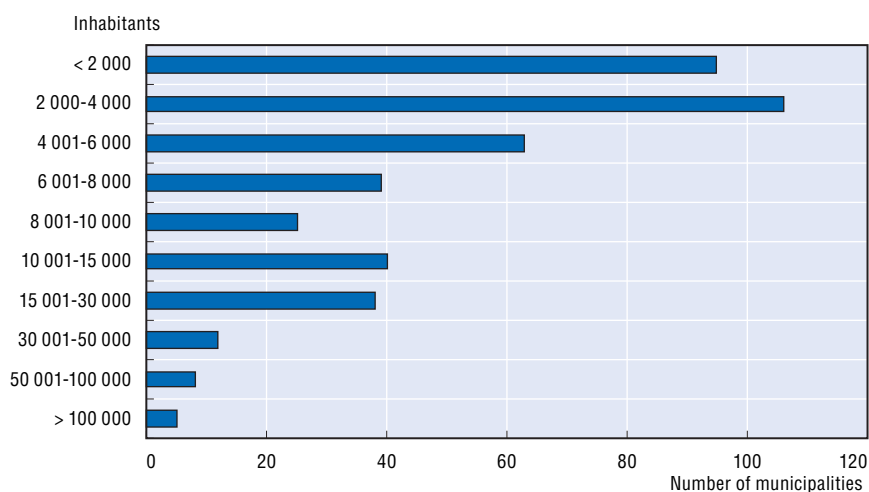
Figure 3.1. **Size of municipalities**  
(average number of inhabitants per municipality; 2005)





There are many municipalities in Norway that are much smaller than the average size of 10 800 inhabitants per municipality. More than three-quarters of the Norwegian municipalities, 321 out of 431, had less than 10 000 inhabitants in 2006; 47% of the municipalities had even less than 4 000 inhabitants (see Figure 3.2). The smallest municipalities in population are generally to be found in North Norway; 95% of the municipalities in the county of Finnmark have less than 10 000 inhabitants; 76% of the municipalities in Troms have less than 4 000 inhabitants. But many other areas also have small municipalities, such as the western counties of Sogn og Fjordane and More og Romsdal, that both have around 90% of municipalities with fewer than 10 000 inhabitants. The municipalities with the largest population size are to be found in the area of Oslo and its surroundings. Oslo has both a function as a county and a municipality. Only 4.5% of the municipalities in Akershus and 14.3% of the ones in Vestfold have fewer than 4 000 inhabitants. A quarter of the population lives in the five largest municipalities, having a population of over 100 000 inhabitants (see Chapter 1).

Figure 3.2. **Number of municipalities by population size in 2006**

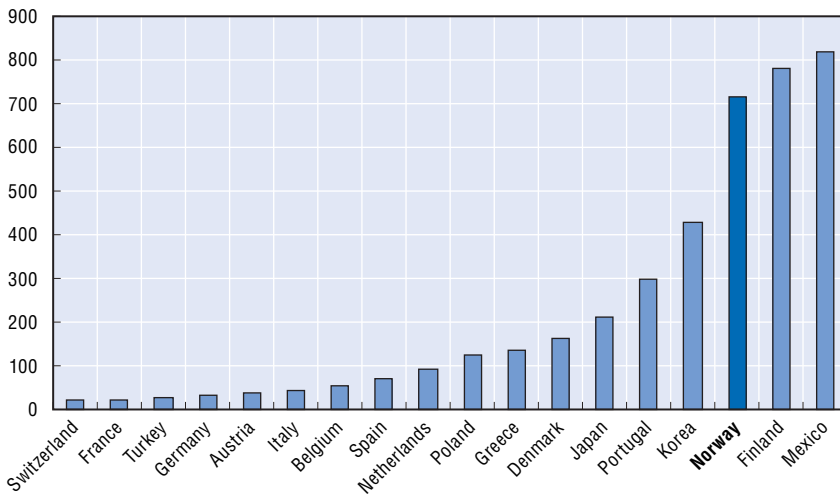


Source: Based on information provided by the Ministry of Local Government and Regional Development.

A particular feature to Norway is that it is not at all densely populated. Population density in Norway is 12 inhabitants per km<sup>2</sup>. This has consequences for the size of municipalities: although Norwegian municipalities are not particularly big when it comes to average number of inhabitants, their size is large when measured in land surface per municipality: a bit more than 700 km<sup>2</sup> per municipality. Only Mexico and

Finland, countries with very different total population figures, have municipalities that are on average larger (see Figure 3.3).<sup>3</sup> This combination of relatively low number of inhabitants and the large surface area complicates the provision of public services: inhabitants of municipalities or the providers of the services will generally have to travel long distances before use can be made of these services.

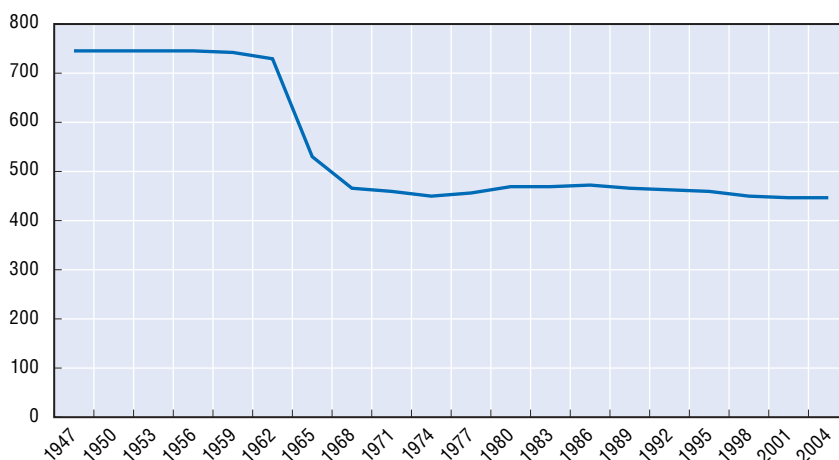
Figure 3.3. **Size of municipalities**  
(average surface per municipality; 2005)



The number of municipalities in Norway has been nearly constant over the last decade. In 1950 there were 744, so the figure has in fact been reduced substantially since that date, with the largest reduction taking place between 1962 and 1965. The number of municipalities has been falling only very slowly since 1965 (see Figure 3.4). Since 1995 four mergers have occurred, one of which took place in Nordland. Another merger is planned for 2008. In all these cases, the municipalities concerned had between 1 000 and 5 000 inhabitants, as is further illustrated in Section 3.4.2.

### Subnational staff

Around 30% of total employment in Norway is that of national and subnational governments. Municipalities are the biggest public employer with about 400 000 workers. The central government employs almost 250 000 persons. A relatively small part of government employment is taken up by counties. The sectors with most government employment are health and education. Health and social services are particularly dominant sectors for central and municipal governments as they represent 45% of central government

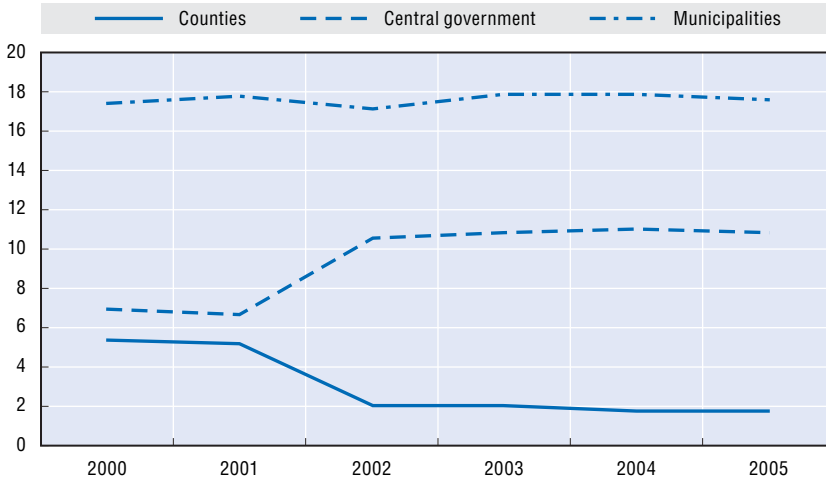
Figure 3.4. **Number of municipalities in Norway 1947-2006**

Source: Based on information provided by KS (Norwegian Association of Local and Regional Authorities).

employment and 56% of municipal employment in 2005. The education sector is the most important sector at the county level: 81% of the employment at the county level was in the education sector in 2005. The share of government employment has been stable over the last five years and remained around 30%. The reform in the health sector, that was mentioned earlier, however changed the proportions for central and county government employment: as can be seen in Figure 3.5 the ratio of central government staff goes up from 2002 and the ratio of county staff goes down. Although there has been a tendency to outsource more of public services over the last years, especially in elderly care, this trend has not been so outspoken that it becomes visible in a reduced level of government employment.

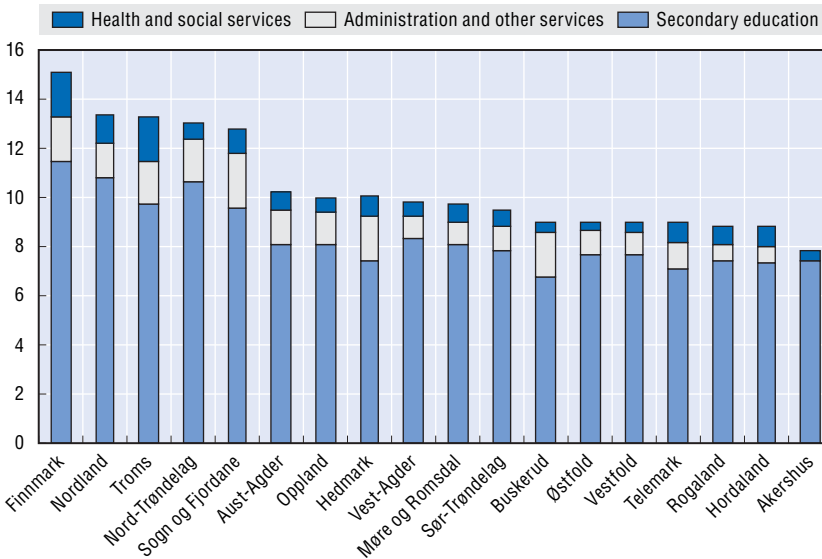
There are considerable differences in public employment levels in the regions. The counties in the north of Norway (Finnmark, Troms, Nordland and Nord-Trøndelag) have around 13 to 15 people employed per 1 000 inhabitants, whereas the urbanised areas around Oslo (Ostfold, Vestfold and Akershus) have a ratio of 8 to 9 workers per 1 000 inhabitants (see Figure 3.6). The differences are already substantial when it comes to secondary education, a sector in which Finnmark has 72% more staff employed than Buskerud. Really large differences occur in the health and social services, in which Troms employs four times more staff than Ostfold. Part of these differences between regions can be explained by the relocation policy of the national government. The latest wave was in 2003, when it was decided to move eight regulatory agencies out of Oslo. A recent example of delocalisation to a medium-sized municipality carried out in 2007 is that of Lillesand (around 9 000 inhabitants)

Figure 3.5. National and subnational employees as share of total employment



Source: Calculations by the OECD secretariat based on data of Statistics Norway.

Figure 3.6. Staff employed by counties per 1 000 inhabitants (2005)



Source: Calculations by the OECD secretariat based on data of Statistics Norway.

in Vest-Agder, which is now home to the Post and Telecommunications Authority. Although controversial in the public debate, such moves have been smoothly accepted by Parliament in the name of regional policy objectives (Christensen and Laegreid, 2004).

Certain subnational activities are organised through enterprises that are owned by counties or municipalities. These enterprises can be large employers. The limited companies for example (these are companies that are at least 50% owned by subnational governments) employ almost 45 000 people; around 9% of the employment of subnational governments. These companies are involved in public utilities, such as waste collection, sewage, electricity and renting out property. Public enterprises are most numerous in the northern county of Nordland, where around 200 of these companies are active. The lowest number, around 50, can be found in Oslo and its neighbouring county Vestfold.

Several institutions are engaged in capacity building of subnational staff. First of all, the Norwegian Association for Local and Regional Authorities (KS) offers courses to its members. Second, an institute called Samplan offers courses in subjects that are relevant to local governments, such as local planning, service provision, industrial policy and rural policy. Samplan is set up by KS, several ministries and universities. In addition, subnational staff can make use of courses offered by Statskonsult, a state owned unit specialised in public management issues. Its main clients are ministries and agencies, but subnational governments also benefit from their activities to some extent. Capacity building is also a major activity at universities and university colleges.

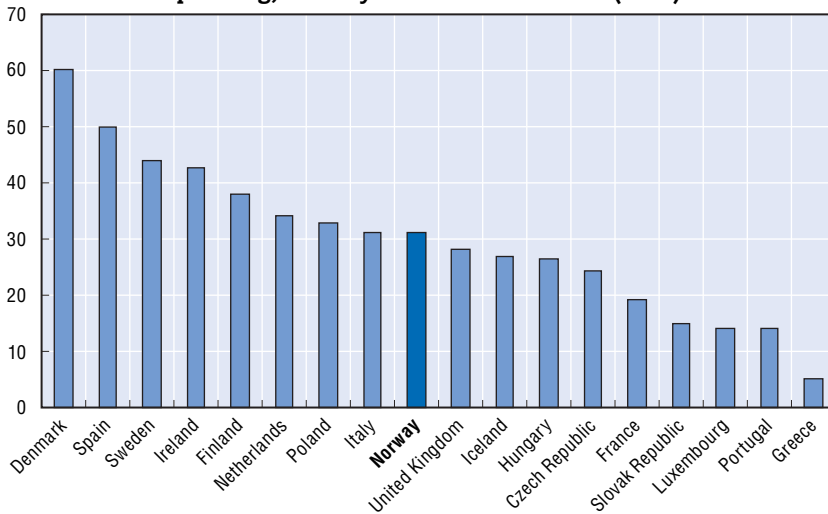
The labour market for subnational government staff is currently not particularly tight. Especially in remote areas the public sectors provides employment possibilities for higher skilled labour, for which alternative local employment opportunities are not abundant. Public sector employment could thus be seen as a means of keeping remote areas attractive to higher skilled people; it could in that sense slow down de-population trends. Ageing poses challenges, as it will increase the need for health care staff and for government officials that retire. Considering the relatively small share of young people in remote areas, ageing will have especially severe effects there.

### 3.3. Local government finances

#### 3.3.1. Subnational expenditure

Norway is not particularly decentralised when compared to many OECD countries. Subnational governments only spend around 30% of total government expenditure. This is not exceptionally high or low from an international perspective (see Figure 3.7), but it is considerably lower than in the other Nordic countries. The share of subnational expenditures is only one

Figure 3.7. **Subnational government expenditures and total government spending, Norway and OECD countries (2003)**

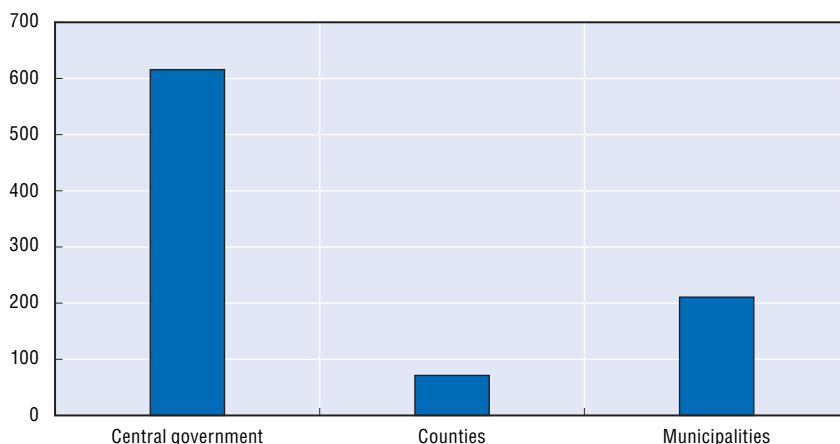


indicator of decentralisation. More elements are needed to draw a complete picture of the state of decentralisation. It is in particular important to establish how much spending autonomy subnational governments have, the extent of minimum national standards and whether they have much leeway in acquiring tax revenues.

Local government plays a more substantial role than regional government. The budgets of municipalities are considerably higher than those of counties and they also have more responsibilities (see Figure 3.8). As will be illustrated in more detail later, counties spend more than half on their budget on one field (secondary education), whereas municipalities have a broader range of responsibilities. Recent developments, such as the health sector reform of 2002, have limited the role of counties, as their previous responsibility for hospitals was taken away from them and removed to five (now four) health enterprises.

The majority of subnational spending relates to programmes for which the central government sets standards or guidelines. Within these fields, it could be argued that local governments act as an agent for central government, more than as an independent actor. The mandatory welfare services represent 70-80% of the budgets of municipalities and 80-90% of the budgets of the regions, while the rest covers local public goods. The last decade has seen mixed developments with respect to standardisation by the central government. On the one hand, the parliament has on several issues demanded more services from local government. Examples are the decision to start education at the age of six instead

Figure 3.8. **Expenditures of central, regional and local governments in Norway (billion NOK, 2005)**



Source: Database Statistics Norway.

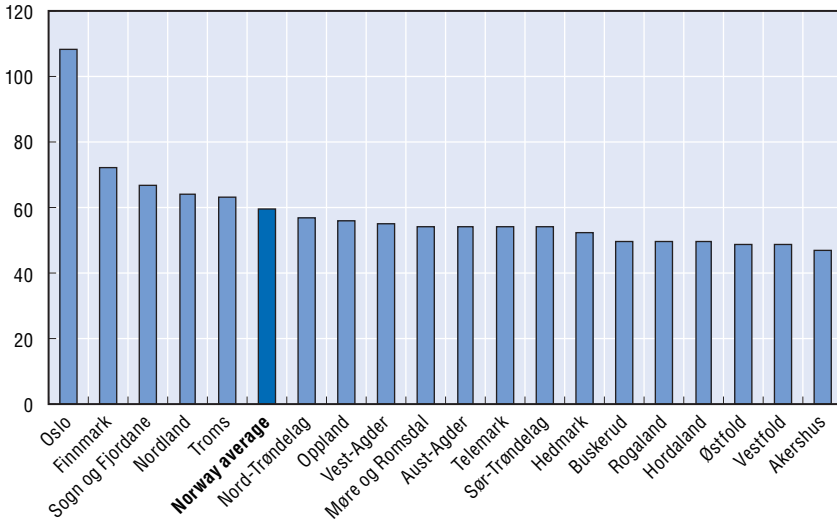
of seven (in 1997), the increased standards for elderly care and the decision to provide kindergarten to all children (in 2004). On the other hand, there are other examples pointing in the direction of increasing autonomy for local governments, such as abolishment of maximum class size regulations and, from 2004, the freedom of local governments to set the wages of its employees.

There are remarkable differences in expenditures across Norway. When all subnational expenditures (both municipal and county spending) are added up, it turns out that the region of Oslo is spending the most per inhabitant, almost twice the average in the whole of Norway. Regions that also spend much are the regions in the north of Norway (Finnmark, Troms and Nordland), that are also the least populated areas (see Figure 3.9). The regions with the lowest expenditures are the neighbouring counties of Oslo, namely Akershus, Vestfold and Ostfold. These three regions are the most urban areas after Oslo.

### Counties

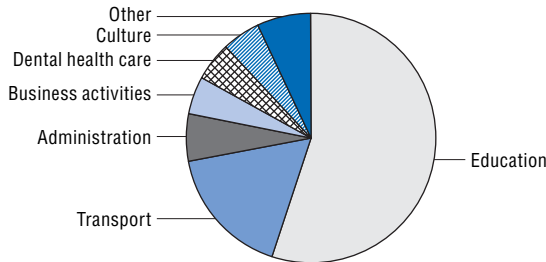
Counties are mainly responsible for upper secondary education: 55% of their budget is on average spent on this item (see Figure 3.10). Another large responsibility is transport. The county has relatively minor responsibilities in business activities, dental health care and culture. There are considerable differences between counties. The counties in the north of Norway spend relatively less on education (between 41% and 45% of their budgets), but more on business activities (for example 13% of the expenditure of the county of Troms). The opposite is the case for the counties surrounding Oslo, that spend around 65% of their budget on education, but around 1% on business activities.

Figure 3.9. **Subnational expenditures (county and municipal) per capita in Norway (2005)**



Source: Calculations by the OECD secretariat based on data provided by KS.

Figure 3.10. **Main expenditure categories of counties (2005)**



Source: Database Statistics Norway.

### Municipalities

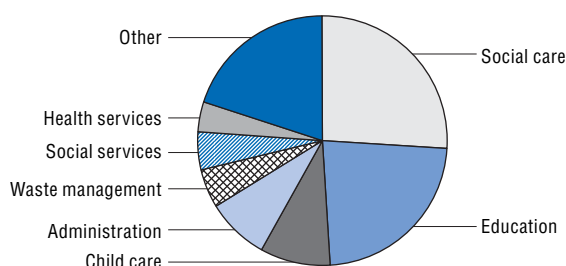
Unlike counties, municipalities do not have one main responsibility. Around a quarter of municipal expenditures reside in social care; another large responsibility is in primary education and lower secondary education. In addition to that, municipalities also have responsibilities in child care, waste management and social services (see Figure 3.11).

Wages and salary costs are a larger component of municipal budgets in North Norway than in the rest of Norway. This corresponds to data that was presented beforehand (in Figure 3.6) on the relatively higher number of county staff in North Norway, as compared to the rest of the country. Not



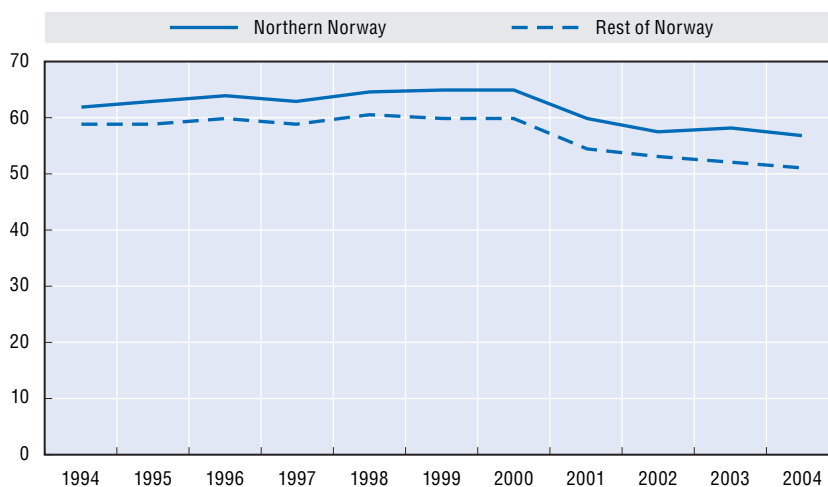
only counties, but also municipalities in North Norway have more staff than elsewhere. Besides, analysis of the personnel costs as share of the budget shows that this is a growing trend. The gap between local governments in North Norway and those situated in other areas has grown over the last decade from less than 3%-points to around 6%-points (see Figure 3.12).

Figure 3.11. **Main expenditure categories of municipalities (2005)**



Source: Database Statistics Norway.

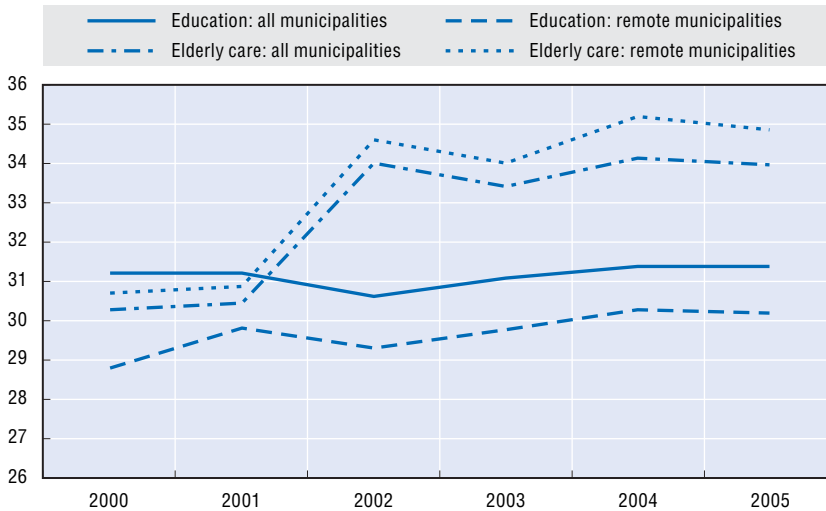
Figure 3.12. **Personnel costs as percentage of the municipal budget in North Norway and the rest of Norway over 1994-2004**



Source: Calculations by the OECD secretariat based on data provided by KS.

Health care, especially elderly care, is a more substantive expenditure item in remote municipalities, education a relatively less important expenditure item in these. The expenses for elderly care have been going up over the last six years, both in remote municipalities and the rest of the municipalities in Norway, as Figure 3.13 below demonstrates. Over the last year there has only been a very slight divergence in expenditures in this respect. So far there does

Figure 3.13. **Expenditures in education and elderly care by municipalities (as % of municipal budget)**



Note: What is defined here as “all municipalities” are all Norwegian municipalities except Oslo. What is defined here as “remote municipalities” are Norwegian municipalities with less than 1 000 inhabitants.

Source: Calculations by the OECD secretariat based on data provided by Ministry of Local Government and Regional Development.

not seem to be an indication that ageing has increasingly severe effects in remote municipalities more than in other Norwegian municipalities. Education expenditure has remained relatively stable over the last six years in both categories of municipalities over Norway.

### 3.3.2. Subnational revenues

The revenue sources of counties and municipalities are comparable. For both government tiers the income tax is the most important source of revenues, to be followed by a block grant from the central government. Earmarked grants and fees and charges also play an important role to complete other sources of revenues, especially for municipalities. Income tax revenues are split between municipalities, counties and central government. Each level of government receives a fixed percentage of revenues accruing from the 28% flat-rate tax on personal income. Thus the proposal that was implemented for 2006 was 13.6% as a maximum tax rate for municipalities, 3.0% for the counties and 11.4% for the central government. The progressive rate for higher income brackets is reserved to central government.

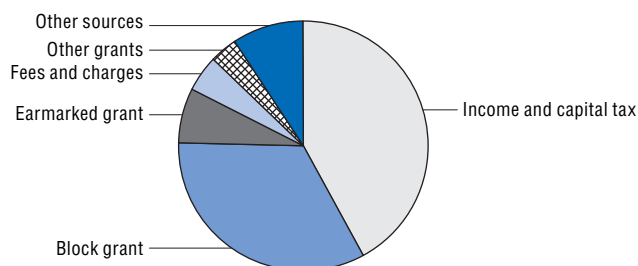
There is a separate general purpose grant scheme for both municipalities and counties. The principles and workings of both systems are similar. Most of

the grants are distributed as general grants based on objective criteria, but a variety of matching grants and funds for new political initiatives are in place. Part of the subnational revenues come from the central government in the form of compensation for VAT that is being paid by subnational governments for services that could have been provided in-house. The VAT-compensation is paid to provide a level playing field to private enterprises for certain services that were formerly accomplished by municipalities. This enhances competition by private providers.

### County revenues

Counties get a relatively larger share of their revenues from the block grant and a relatively smaller share from earmarked grants and fees and charges (see Figure 3.14). There are considerable differences between counties when it comes to their main revenue sources. The main revenue sources for the counties in North Norway are grants from the central government and not the revenues from the income tax. Grants make up more than half of the revenues for these counties, up to 62% in Nordland and Finnmark. Income tax revenues, however, amount to less than a quarter of the budget for counties in the North. The inverse pattern can be discerned in Oslo and its surrounding counties: a high share of income tax revenues (up to 70% in Akershus) and a low share of government grants (10% in Oslo, of which only 3.8% are block grants). Concerning income from fees and charges, Oslo has the highest share, with 13% of its revenues from this source.

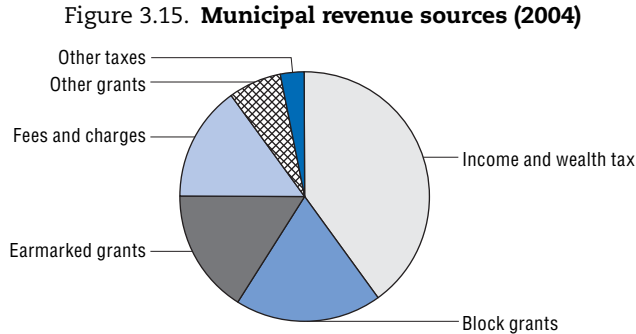
Figure 3.14. **County revenues (2005)**



Source: Database Statistics Norway.

### Municipal revenues

Municipal revenues are for a large part determined by the income tax: it represented 40% of municipal revenue in 2004. Other large revenue sources are grants, both block grants and earmarked grants (see Figure 3.15). A relatively large part of municipal revenues (15%) comes from fees and charges. This is large from an international perspective. Not many municipalities in OECD



Source: Database Statistics Norway.

countries manage to get such a large share of their budget from fees and charges. Another feature of Norwegian local government revenues is the modest share of the property tax as compared to most OECD countries, where it constitutes the main local tax. In Norway, the property tax represented only around 2% of municipal revenues in 2004.

Municipalities are free to set their tax rates up to the maximum rates that are set by Parliament. In practice, no municipality has in the last decades set a tax rate below the maximum rate. The municipal revenues from the income tax could thus be considered a tax share rather than a tax over which it has much local autonomy. Some observers think that this phenomenon of massive rate-setting at the maximum is due to fear at the subnational level that setting a rate below the maximum will invite the central government to cut grants for this municipality (Rattso, 2003). Such a policy has never been implemented, but central government has discretionary grants and can also influence local revenues through matching grants and funds channeled to promote new services.

Prior to 2007, use of the property tax was limited to urban areas and areas under construction evolving as such. Outside such areas the property tax could also be levied on power plants. Around 242 of 431 municipalities made use of this property tax. As this definition appeared rather unclear, it gave way to many court cases where property owners argued that the area under taxation was not urban (Fiva and Rattso, 2005). By an amendment to the Local Government Act adopted in June 2006, the property tax may from 2007 onwards be levied in all municipalities. It is, however, still up to the municipal authority to decide whether the property tax shall be levied or not. The amendment is designed to avoid problems of interpretation and to achieve more equality in property taxation. The tax rate remains restricted to a narrow band, between 0.2% and 0.7%. Most of local governments apply the maximum rate. In local

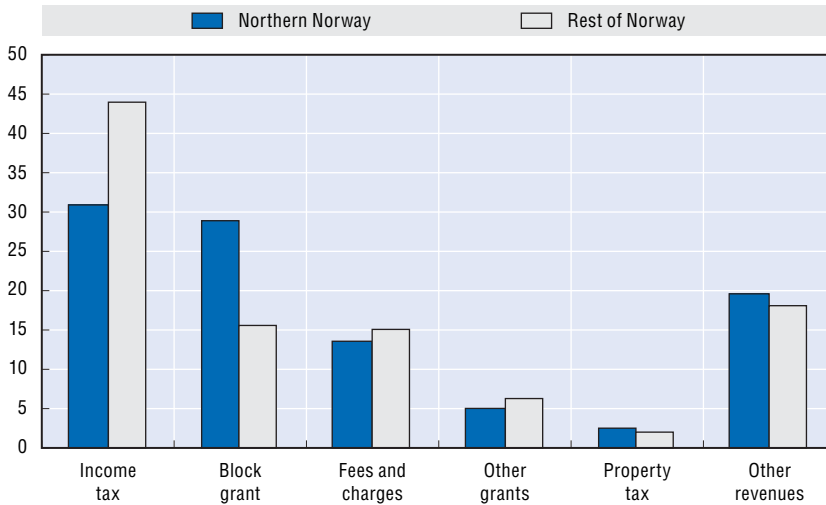
governments with a residential property tax, it is on average about NOK 1 300 (EUR 160) per standard house per year. Use of property taxation has significant cost reducing effects for municipalities (Borge, L-E and J. Rattso, 2003).

The general grant (also called block grant) provides around a quarter of municipal revenues. The largest part of the municipal general grant is the per capita grant: this makes up NOK 28 billion of the total amount of NOK 32.4 billion in 2006. NOK 1.7 billion was in 2006 reserved for the regional grants for remote areas and North Norway that benefit municipalities within these territories. NOK 2.7 billion is for discretionary grants that can be given out by county governors and ministries.

A relatively large part of local revenues come from charges and user fees. The most important relate to utilities, care for the elderly and kindergartens. Charges and fees cannot exceed the production costs of the service. In some cases an additional limit is added by the central government, such as for child care, where the maximum fee is determined at NOK 2 750 per child per month. Although user charges are regulated so that they cannot exceed total production costs, the share of costs covered may exceed 100% in a single year, as long as user charges do not exceed total production costs over a period of three to five years. User charges have been illustrated to contribute to cost control in the Norwegian public sector: an increase in user charge financing by 10%-points is predicted to reduce the unit costs by up to 10%. The explanation is found in the interaction between a political authority and a service producing bureau which treats the user charge as fixed, with an incentive for controlling costs because slack cannot be compensated.<sup>4</sup>

Composition of municipal revenues shows considerable regional variety, as for county revenues. Municipalities in North Norway rely less on income taxes and more on the block grant (see Figure 3.16). Other differences between municipalities in the north and rest of Norway are less outspoken. What is remarkable is that northern municipalities have a higher share of property tax income. The opposite could have been expected, considering that disposable income in the north is lower, that income and property values are related and that all municipalities apply the maximum tax rates. This cannot be explained by the use that is made of the property tax: around 60% of both municipalities in the North and in the rest of Norway make use of this fiscal instrument. This suggests that the fiscal position of urban areas in North Norway, at least when it comes to property income, is better than the average urban area in the rest of Norway. The few urban areas in the north function clearly as economic magnets attracting skilled people.

Figure 3.16. **Share of municipal revenues (in %) in North Norway and the rest of Norway (2005)**



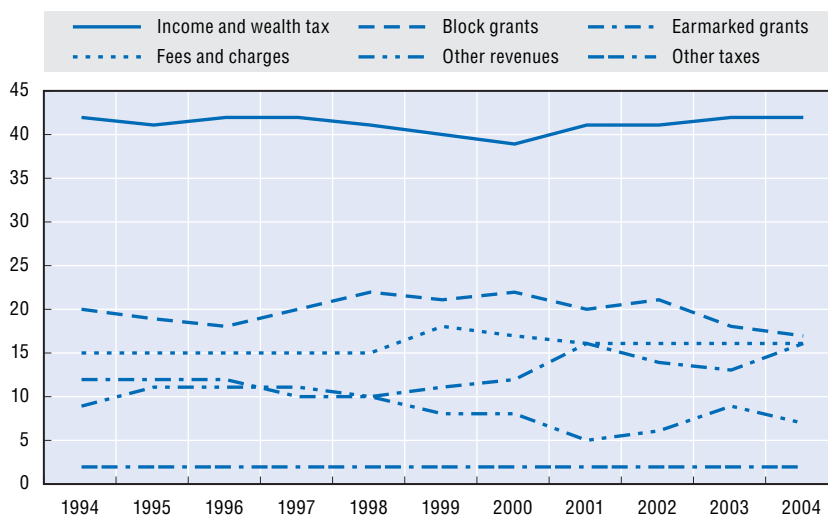
Source: Calculations by the OECD secretariat based on data provided by KS.

### Borrowing

Subnational governments are free to borrow for investment purposes. Long-term financial obligations or contracts that have a budgetary effect beyond four years are subject to approval by the county governor or the Ministry of Local Government and Regional Development in certain cases. Approval is required in situations in which budgets or financial plans do not cover all expenses or when the adopted plan for solving a deficit is not followed. A public register, called ROBEK, was created in 2001 to list all the subnational governments subject to this obligation. Currently, the register includes 73 municipalities. In 2004, the net borrowing of municipalities was NOK 10 billion, slightly less than 5% of their expenditure.

### Trends in revenue sources

The share of the different revenue sources has been relatively stable over the last years. To avoid large differences in the revenue growth of local authorities, the national government aims an equal growth rate of taxes and block grants. In the 1990s, when the growth rate of the local tax base exceeded the desired growth of total local government revenue, this was accomplished by reducing the maximum local income tax rates allowed. As can be seen from Figure 3.17, the revenue shares from the income tax and block grant mirror each other: when the share of income tax revenues goes down, the share of the block grant goes up, and vice versa. In 1996, there was a grant reform that transformed some earmarked

Figure 3.17. **Trends in municipal revenues 1994-2004**

Source: Calculations by the OECD secretariat based on data provided by KS.

grants into a non-earmarked grant. The effects of this reform explain that the share of block grants goes up slightly at that time while the share of earmarked grants goes down. However, contrary to preceding trends, the share of earmarked grants started rising in recent years. The rise in earmarked grants since 2004 and the simultaneous drop in block grants can be explained by the introduction of a grant that compensates municipalities for the VAT to be paid for purchase of services on the market instead of providing in-house. This grant, defined as an earmarked grant, aims at creating a level playing field with respect to services.

One of the disadvantages of the income tax is that it is pro-cyclical. This is the reason why many OECD countries use the income tax as a national tax: as there are several national tax bases, volatility can thus be evened out. In addition, national governments dispose of policy instruments to influence macroeconomic stability. Data confirms that the local income tax revenues in Norway are pro-cyclical: the revenue growth runs parallel to developments in GDP (see Figure 3.18). Considering that the income tax is the most important revenue source for municipalities, their budgets are subject to instability. As mentioned before, the national government has tried to counter this volatility by adjusting the maximally allowed tax rate and the block grant. In practice this means that the central government has large control over municipal resources.

Figure 3.18. **Pro-cyclicality of the local income tax revenues**

Source: Calculations by the OECD Secretariat based on data provided by KS and Statistics Norway.

### **Financial management**

The Norwegian system entails extensive delegation to public agencies at different territorial levels. Ministries mainly manage these through a dialogue and discussion approach. However, due to the high degree of information asymmetry between ministries and agencies, a recently conducted OECD budget review (Anderson, *et al.*, 2006) remarked that the agencies will tend to have the upper hand in these discussions. Ministries' management and monitoring capacity vary depending on size, expertise and experience of staff and the monitoring systems established. Individual line ministries have the flexibility to establish their own approach for overseeing and managing agencies. In practice, most agencies enjoy a high degree of autonomy in terms of how they run internal operations and implement their programmes and budgets.

There are many government-wide requirements for the development of performance information. Performance information is requested by different ministries in their letter of instruction to agencies. Despite these requirements and processes, it has been observed in the OECD budget review that many ministries and agencies have made only limited progress in developing meaningful performance measures and using them in the budget process. In many cases ministries do not have the expertise or knowledge to develop performance measurement or monitor performance. Besides, ministries do not tend to apply financial rewards or sanctions to agencies that achieve or fail to achieve their goals and targets.



More performance related data are available concerning subnational governments. Publication of data on subnational activities provides an incentive for subnational governments to perform well. Data is collected within the framework of the KOSTRA-system (see Box 3.2). This system makes financial and budgetary data on subnational government activities available on-line and thus improves the accountability of subnational government spending. As a large part of subnational revenues have an un-earmarked character, no direct financial incentives are involved to improve subnational spending efficiency. On the other hand, this leaves subnational governments the freedom to spend resources within the boundaries of their legal responsibilities as they deem fit. Thus subnational governments can transfer savings from cost-efficiency measures in the delivery of public services towards activities aimed at strengthening regional economic development.

**Box 3.2. KOSTRA database  
(Subnational government reporting)**

KOSTRA is a national electronic information system on subnational government activities set up in 2002 that permits useful comparisons between spending patterns of different categories of municipalities. The system is the result of co-operation between the central government, the national statistical office, SSB, and subnational governments. It provides data for the central government to analyse trends within local government and is a tool for subnational governments internal planning and benchmarking.

KOSTRA brings together and replaces several thematic systems and contains financial, cost, productivity and service coverage information. Data is reported directly from counties and municipalities and combined with demographic and other statistics. Presentation of the data is done on three levels.

1. 40 key indicators such as overall income, expenditure and productivity.
2. 600-700 indicators covering 16-service programmes.
3. Basic data from which the aggregates are derived.

SSB publishes new data twice a year. First on March 15 for the last year and secondly when the figures have been further checked by the subnational governments themselves and by SSB on June 15.

Sources: Presentation by Jan Persson, Norwegian Ministry of Finance at OECD workshop on Efficiency of sub-central spending May 2006 and KOSTRA, *odin.dep.no*.

### **Assessment**

The institutional framework in Norway offers a remarkable combination of centralism and delegated responsibilities. On the one hand, ministries are relatively small and many responsibilities are delegated to agencies with regional branches. Although the share of subnational expenditures is not higher than the average in the OECD, the amount of subnational staff is substantive, especially in municipalities. Moreover, subnational governments have few earmarked sources of income. Many subnational functions are mandatory and subject to rigorous standards. The major player in regional governance is in fact a representative of the central government (county governor, agency office). As many costs are fixed, subnational governments have limited room for additional expenditure. Revenue sources may be largely un-earmarked, but subnational governments in practise have little leeway to generate additional revenue, as all subnational governments have reached the maximum tax rate.

Regional policy concerns, particularly for rural and peripheral areas seem to form the basis of this remarkable institutional framework. Central standards for public services and compensatory measures are set so remoteness and population dispersion are not considered as obstacles to dispense an appropriate level and quality of public services. Maintaining a similar level of public services all over the country is a stable policy objective maintained by all governments and expected by citizens. Also, tax rates are capped so that no tax competition between subnational governments will arise, thus blurring differences in local economic activity and entrepreneurship. The ambitious equalisation system (see next section) is the tool that generates funding where it is needed to ensure that municipalities are compensated for higher costs and lower tax capacity.

Within the framework of this system, embedded in the concept of the Nordic welfare state, there is room for an increase in local fiscal autonomy. The impossibility for municipalities to collect more than current revenues limits their capacity to provide more funds for economic development. More leeway for local tax rate increases, within reasonable and well defined limits, added to the extension of the property tax as introduced in 2007, can provide local governments with additional stable resources, as compared to the more volatile income tax. Such an opening would constitute an incentive to devote more resources to economic development, assuming that revenues are made available for that purpose only once public service delivery is fully ensured along national standards.

### **3.3.3. Fiscal equalisation**

The principle of the Norwegian fiscal equalisation system is that municipalities and counties are fully compensated for above-average expenditure needs and partly compensated for lower than average fiscal capacity. Municipalities with unfavourable regional circumstances (remoteness or location in the northern periphery) get additional compensation. In the Norwegian fiscal equalisation system both the fiscal and the expenditure needs equalisation are self-financing: the subnational governments with high fiscal capacity pay the low capacity subnational units; the units with low expenditure needs pay for the units with high expenditure needs. This is implemented via the general purpose grant scheme. This general purpose grant provides all subnational governments with a per capita grant.

In this general grant the different elements of the equalisation system are taken into account: subnational units that contribute to the equalisation system (because of high fiscal capacity and/or low expenditure needs) get a grant from which the required contribution is subtracted. The regional elements in the general purpose grant scheme are paid from the centre, not directly from the revenues of other subnational units. The same is true for the discretionary grant that is considered as a part of the equalisation system. Although the total general grant to municipalities added up to NOK 32.4 billion in 2006, only NOK 12.5 billion can be considered to have equalising effects: the rest of the general grant consists of funds allocated on a per capita basis. The equalising elements are the following: NOK 8.5 billion is the amount that 63 contributing municipalities pay to 368 municipalities via the tax capacity and expenditure needs equalisation; from the general tax revenues NOK 1.1 billion is paid to municipalities in North Norway, 0.6 billion to remote municipalities and 2.3 billion as discretionary grant.

#### ***Fiscal capacity equalisation***

The fiscal capacity equalisation compensates municipalities for a low fiscal capacity, to be paid by municipalities with high fiscal capacity. Fiscal capacity refers in this respect to the tax bases for income tax and corporate tax. As only around 60% of the Norwegian municipalities have property taxes and natural resource taxes, these tax bases are not taken into account in the fiscal equalisation scheme; this means that municipalities with a below-average property tax base are not compensated for it by municipalities with a higher than average tax base. This might distort the impact of the equalisation system: although personal income and property values are usually related, this is not necessarily always the case. Thus, elderly people tend to have relatively low personal income, but relatively valuable property. Leaving the

property tax base out of the equalisation system might thus favour regions with many elderly people (such as North Norway), as their grants are not corrected for their relatively better possibilities to get property tax revenues.

The Norwegian equalisation scheme does not compensate fully for below average tax capacity, as will be explained below. The equalisation rate for fiscal capacity equalisation is 55%; this means that municipalities with a below average tax capacity get a transfer making up 55% of the difference between the actual tax base per capita in the municipality and the tax base per capita on average in a Norwegian municipality. A municipality with a high tax capacity contributes 55% of the difference between its actual tax base and the average. For municipalities that have a tax base that is lower than 90% of the average, there is an extra top up of 35% of the difference between the actual tax base and the 90% threshold. A practical illustration of the functioning of the system is given below, in Box 3.3.

### Box 3.3. Examples of tax equalisation

The functioning of the tax equalisation system will be illustrated by taking three Norwegian municipalities with different fiscal circumstances, Kongsberg, Bamble and Nordkapp:

- The municipality of Kongsberg in the county of Buskerud, in the south of Norway, had in 2006 a tax capacity per capita of 110% of the average. Fifty-five per cent of the tax capacity above the average is reduced. Kongsberg will have to contribute into the tax equalisation system until it has reached a tax capacity of 104.5% per capita.
- The municipality of Bamble in the southern county of Telemark had in 2006 a tax capacity per capita of 92% of the average. Bamble will thus receive a transfer of 55% of the tax capacity “deficit”; that is: the difference between 92% and 100%. This results in a tax capacity of 96.4% for Bamble.
- The municipality of Nordkapp in the northern county of Finnmark has a tax capacity per capita of 80% of the average. Like Bamble it will receive the transfer of 55%. This brings the tax capacity of Nordkapp up to 91%. Since its capacity in the beginning was below 90%, Nordkapp will receive an additional top up of 35% of the difference between 90% and 80%. This top up of 3.5% brings the final fiscal capacity of Nordkapp up to 94.5%.

*Source:* Ministry of Local Government and Regional Development (2005), *Inntektssystemet for kommuner og fylkeskommuner 2006*, Beregningsteknisk dokumentasjon til St.prp.nr.1 (2005-2006), Kommunal- og Regionaldepartementet, Oslo.

### *Expenditure needs equalisation*

The expenditure needs equalisation compensates municipalities for higher than average expenditure needs to be paid by municipalities with below-average expenditure needs. These expenditure needs are the objective costs that need to be made for fulfilling local responsibilities with respect to goods and services, such as education and social support. The equalisation scheme compensates for objective costs that cannot be influenced by the municipalities, not for inefficiency or additional policy initiatives by that municipality. The Norwegian equalisation system compensates completely for high expenditure needs on the basis of a complete set of objective criteria (see Table 3.1 for the criteria and their weight).

**Table 3.1. Criteria expenditure needs equalisation for municipalities in Norway**

Criterion	Weight in percentage
1. Base value	2.5
2. Inhabitants 0-5 years	2.3
3. Inhabitants 6-15 years	30.8
4. Inhabitants 16-66 years	12.0
5. Inhabitants 67-79 years	8.5
6. Inhabitants 80-89 years	13.3
7. Inhabitants 90 years and older	4.9
8. Divorced and separated 16-59 years	3.8
9. Unemployed 16-59 years	1.1
10. Calculated travel time	1.5
11. Travel time to nearest regional centre	1.0
12. Travel time to nearest local centre	1.1
13. Mortality rate	2.5
14. Non-married 67 years and older	2.5
15. Immigrants	0.5
16. Mentally disabled 16 years and older	6.6
17. Mentally disabled under 16	0.4
18. Total population criterion	4.2
19. Land utilisation criterion	0.5
	100

Source: Ministry of Local Government and Regional Development 2005.

There are 19 criteria that are supposed to influence the costs of municipalities in Norway. These are demographic criteria (such as the percentage of young and old people), geographic factors (travel time to nearby municipality) and social factors (number of unemployed, of mentally retarded). Lists are made for each factor to see which municipalities score higher and lower than the average. The 19 criteria are weighed and thus lead to an index of standard costs

in an average municipality. Cost criteria in the Norwegian equalisation system that have a relatively heavy weight are the number of people between six and 15 years of age and the number of elderly between 80 and 89 years of age. An illustration of how the expenditure needs equalisation grant is calculated is given in Box 3.4, illustrating two extreme examples: that of Oslo and that of the small rural municipality of Steigen in Nordland.

#### Box 3.4. Example of expenditure needs equalisation for Oslo and Steigen

- Oslo** had 530 000 inhabitants in 2005. The first step in determining the expenditure needs equalisation grant for Oslo is to make sure how it scores on the 19 indicators, as compared to the Norwegian municipalities on average. On the basis of these scores and using the weights for the different indicators an aggregate expenditure index for Oslo is calculated. The expenditure index calculated for Oslo is 0.9094; this means that its calculated expenditure needs are 9% lower than an average municipality in Norway. The lower expenditure needs are due to a fewer elderly people and good accessibility of services. Factors that make Oslo more expensive, according to the equalisation system, are the share of foreigners in the population, but this does not outweigh the cost reducing factors. The standard expenditure needs for an average municipality in Norway are NOK 26 065 per capita. This amount, multiplied by the index for Oslo, implies expenditure needs for Oslo of NOK 23 704 per capita ( $26\,065 \times 0.9094$ ). The difference between the standard expenditure needs and the needs of Oslo is NOK 2 088. This is what Oslo contributes per capita to the cost equalisation system. In total, this amounts to NOK 1.25 billion.
- Steigen** had 2 800 inhabitants in 2005. The expenditure index calculated for Steigen is 1.3103; its expenditure needs are thus 31% higher than for the average municipality in Norway. These expenditure needs are greater, since Steigen has relatively many elderly people, large travel distances, high unemployment and high land utilisation. Factors that decrease the expenditure needs are the relatively low number of children, immigrants and mentally disabled people, but these factors do not weigh up against the cost increasing factors. The multiplication of the expenditure index for Steigen with the standard expenditure needs for an average municipality in Norway leads to estimated expenditure needs of NOK 34 152 per capita ( $26\,065 \times 1.3103$ ). This is around 50% more than the calculated expenditure needs per capita of Oslo. The benefit that Steigen has from the cost equalisation system is NOK 8 087 per capita. In total this is NOK 22.7 million.

Source: OECD and Ministry of Local Government and Regional Development (2005), *Inntektssystemet for kommuner og fylkeskommuner 2006*, Beregningsteknisk dokumentasjon til St.prp.nr.1 (2005-2006), Kommunal- og Regionaldepartementet, Oslo.

### ***Regional needs equalisation***

In addition to the expenditure needs equalisation, there are also two elements in the equalisation system that explicitly favour remote and northern areas: the grant for remote areas and the grant for North Norway. The grant for remote areas aims at ensuring public service quality in small and peripheral municipalities. Municipalities that get this grant have less than 3 200 inhabitants and have a tax capacity lower than 110% of the average. The grant per remote municipality is NOK 3.3 million and NOK 8 million for remote municipalities in Finnmark and Nord-Troms. One hundred and forty-eight municipalities received this transfer in 2006. The total amount spent on grants for remote areas is NOK 556 million in 2006. The second explicit regional element in the general purpose grant scheme is the grant for North Norway. The grant is NOK 1 351 per capita for municipalities in Nordland, NOK 2 591 for municipalities in Troms and NOK 6 331 for municipalities in Finnmark. The total amount spent on grants for North Norway is NOK 1.2 billion.

### ***Discretionary grants***

The discretionary grant is the only element in the equalisation system that is not distributed with a transparent formula. It is therefore difficult to seize what the rationale behind the allocation of the grant is. Almost all municipalities in Norway receive a discretionary grant: only 16 municipalities do not. The largest discretionary grants per capita go to small municipalities: of the 150 municipalities that benefit the most from the discretionary grants only five municipalities have more than 4 000 inhabitants. Although the discretionary grant is in principle flexible and subject to yearly change, in practice the amounts received and the list of municipalities that receive the grant seem relatively stable over the years.

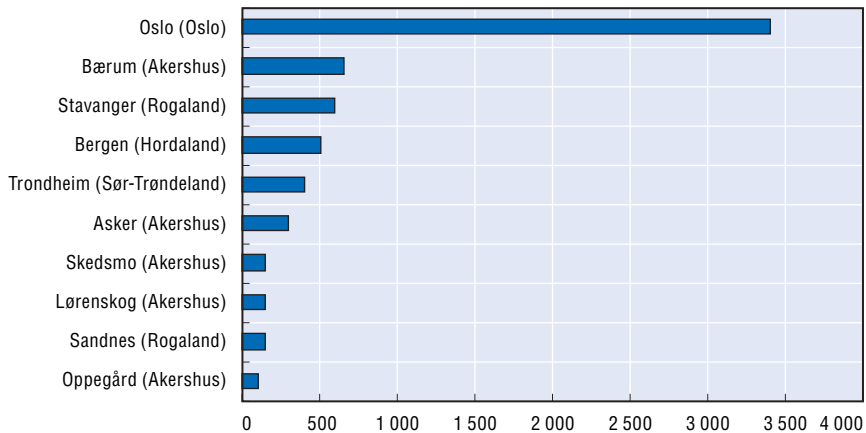
### ***Who is the net receiver of equalisation transfers?***

The different elements of the equalisation system that are described above have effects that are not necessarily similar. Around 348 municipalities benefit from fiscal capacity equalisation, 338 from expenditure needs equalisation, 148 from the grant for remote areas and 87 from the grant for North Norway. The two last grants are paid from general tax revenues, but the fiscal capacity and expenditure needs equalisation are paid for by other municipalities. This means that some municipalities are a net contributor to the equalisation system.

Around one municipality in eight (55 municipalities in total) is a net contributor to the equalisation system. By far the largest contributor in absolute terms is Oslo, contributing around NOK 3.4 billion per year into the system. The other four municipalities with more than 100 000 inhabitants

complete the first five contributors (Figure 3.19). The next five contributors are all medium-sized municipalities. What the ten largest contributors have in common is that they all have higher than average tax capacity and lower than average spending needs; in addition, they are not remote and do not come from North Norway. Five of the ten largest contributing municipalities are from the county of Akershus, one of the counties that borders Oslo. Almost all municipalities in the county of Akershus (17 out of 22) are net contributors.

Figure 3.19. **Ten largest contributors to the municipal equalisation system (million NOK; 2005)**

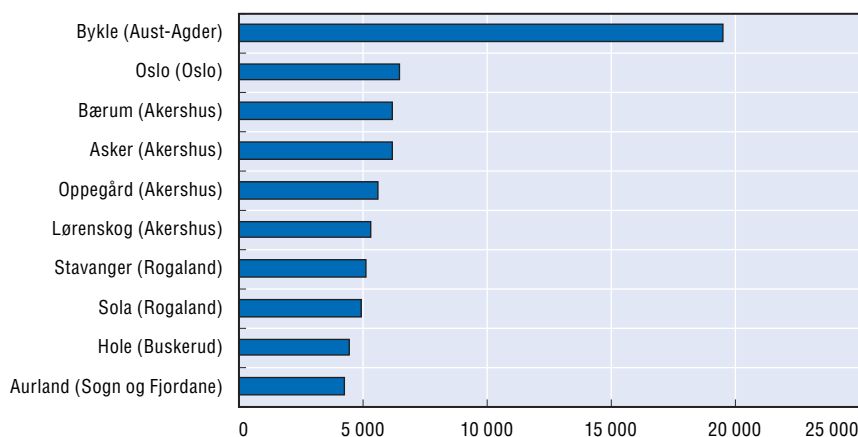


Source: Calculations by the OECD Secretariat based on data provided by KS and Statistics Norway.

The picture changes a bit when the contribution per inhabitant is taken into account (see Figure 3.20). Three of the five largest cities remain represented, as well as some of the medium-sized cities in Akershus. But also some small municipalities appear to be large contributors in relative terms. The largest contributor with almost NOK 20 000 per inhabitant, Bykle (Aust Agder), only has 857 inhabitants. These smaller municipalities do not have spending needs that are much lower than the average (in two cases they are even above the average), but have a strong above-average tax capacity that makes them large contributors. Bykle has a tax capacity more than three times the average. Aurland (Sogn og Fjordane) has a tax base that is 80% higher and Hole (Buskerud) one that is almost 40% above the national average. This can sometimes be explained by the presence of natural resources: Bykle has several hydroelectric plants that contribute to the high tax capacity. When it comes to expenditure needs, large cities and municipalities in counties such as Akershus score low. Oslo and Stavanger have expenditure needs that are 9% lower than the average and many municipalities in Akershus have even lower needs. This has much to do with demographic factors, with a large weight in



Figure 3.20. **Ten largest contributors per capita to the municipal equalisation system (in NOK per inhabitant; 2005)**

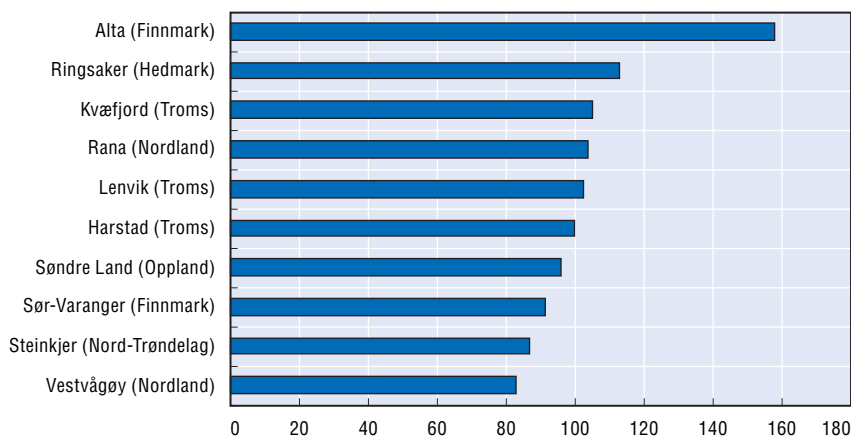


Source: Calculations by the OECD Secretariat based on data provided by KS and Statistics Norway.

expenditure needs equalisation: there are relatively few elderly people in these municipalities, so they get fewer funds for expenditure needs.

The municipalities that profit most in absolute terms from the municipal equalisation system are mostly from the northern counties. This is true for all ten largest receivers except for Ringsaker (Hedmark) and Søndre Land (Oppland) in eastern Norway (see Figure 3.21). Their size is not particularly

Figure 3.21. **Ten municipalities benefiting most in absolute terms from equalisation (million NOK; 2005)**

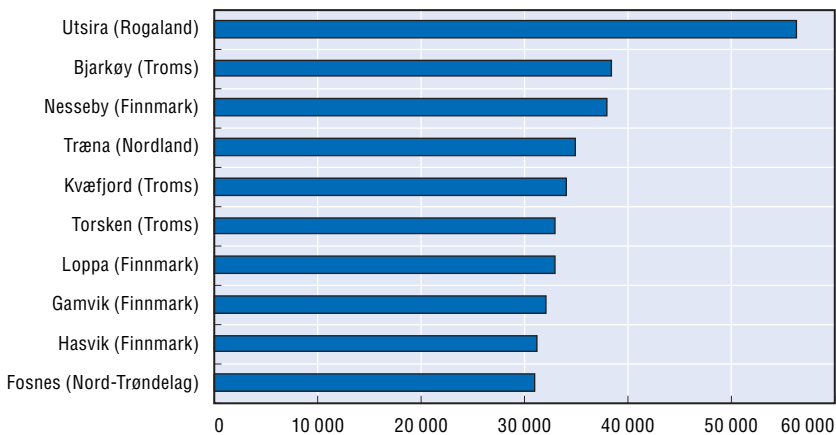


Source: Calculations by the OECD Secretariat based on data provided by KS and Statistics Norway.

small for Norwegian municipalities: around 15 000 inhabitants, which in fact proportionally increases the amount received for the grant for North Norway. This is the case of Alta and Sor-Varanger, the most populated municipalities in Finnmark, the county for which the North Norway grant is the highest. The expenditure needs for these ten municipalities do not diverge much from the average in Norway; only Kvaefjord (Troms) and Sondre Land (Oppland) have substantially higher expenditure needs. Three of the ten municipalities – Alta, Rana (Nordland) and Harstad (Troms) – have even expenditure needs that are lower than the average in Norway. The tax capacity in these municipalities is however considerably below average, down to 73% of the average in the case of Kvaefjord.

The profile of the municipalities that benefit most in relative terms is different: they are all small (see Figure 3.22). None of the municipalities (except Kvaefjord) has more than 1 300 inhabitants. The municipality that benefits the most, Utsira (Rogaland), is even the smallest municipality in Norway (213 inhabitants in 2005). All ten municipalities fall under the definition of remote areas. All municipalities except Utsira are from North Norway (if Nord-Trøndelag is also considered in this case to be North Norway). All have a tax capacity well below the average and expenditure needs considerably above the average. The tax base of some is 35% lower than the average; the expenditure needs of Utsira are more than twice that of an average municipality. Most of this can be related to demographic circumstances. The share of elderly people in almost all of these ten municipalities is considerably higher than the Norwegian average; these

Figure 3.22. **Ten municipalities that benefit most in relative terms from equalisation system (NOK per inhabitant; 2005)**



Source: Calculations by the OECD Secretariat based on data provided by KS and Statistics Norway.

elderly people do not work and their average income is lower. As a result, the income tax revenues are lower and the expenditure needs connected to health and social care are higher. Remoteness also adds to the costs of public services, and is weighted in to the expenditure needs equalisation.

The grant for remote areas constitutes an important source of revenue for the ten municipalities concerned as well as many other small municipalities. This grant alone constitutes 17% of the total revenues of the municipality of Utsira. As Table 3.2 shows, the remote regions grant in combination with the grant for North Norway provides some municipalities with more than a fifth of their revenues and is in some cases more substantial than income tax revenues.

**Table 3.2. Revenue sources of the municipality of Loppa in the county of Finnmark (2004); in percentages of total revenues**

Revenue sources	% (2004)
General grant	55
Expenditure needs equalisation	19
Remote regions grant	11
North Norway grant	10
Tax equalisation	8
Discretionary grant	6
Income tax revenues	17
Earmarked grant	15
Fees and charges	4
Other income	10
Total revenues	100

Source: Database Statistics Norway.

Substantial amounts of revenue are transferred through the equalisation system: from large cities to small municipalities, from urban counties to rural counties and from the south of Norway to the north. In the sections above, much attention is given to the extremes. In these cases the different elements of the equalisation system usually work in tandem: the biggest contributors are municipalities with below average expenditure needs, above average tax capacity and they do not receive regional grants. The municipalities that benefit the most show the exact opposite: they have below average tax capacities, above average expenditure needs and they receive regional grants.

The municipalities that are in between them show outcomes in which the different elements do not always act in tandem. Municipalities can contribute to one element of the system but benefit from another. There were 83 municipalities in 2005 that contributed to tax capacity equalisation and 93 that contributed to expenditure needs equalisation, but there were only

35 that contributed to both. An example of a municipality that contributed to one element but benefited from the other is Bodø, in Nordland: it contributed NOK 110 million to the expenditure needs equalisation system, but received NOK 24 million from the tax equalisation scheme. An interesting position is that of the largest cities in North Norway. Both Tromsø and Bodø would have been large contributors to the equalisation system if there were not the regional grant. They both have expenditure needs that are much lower than average. Hammerfest (Finnmark) even has above-average tax capacity and below-average expenditure needs, but thanks to the regional grant benefits from the equalisation system.

### ***Evaluation of the equalisation system***

Equalisation schemes are by definition intended to compensate for certain factors that distort either local government tax revenue or expenses. In the case of Norway, like in many OECD countries, both aspects are taken into consideration. Besides, the mechanisms amount to deliberate over-compensation of North Norway. As one of the regional policy goals is to keep North Norway populated, equalisation plays a substantial role in providing possibilities for additional or better services in that part of the country, that are thus at least partially financed by Oslo and other large cities. In the sense that such an equalisation scheme contributes to regional policy, it can be considered effective. Whether regional policy goals are fully attained through such a scheme, whether supplementary or even better services do effectively retain the population is another matter.

Special mention should be given to the position of the larger cities in North Norway. Although their fiscal position is relatively favourable (low expenditure needs, high tax bases) when compared to other municipalities in that part of the country, they continue to be big receivers of the equalisation scheme. A rationale for this might be their function as regional economic centres with positive spillover effects for the region as a whole. On the other hand, the support of larger cities in North Norway could drain resources from other cities that might be in a better position to compete globally. Northern cities also attract many citizens from small adjacent municipalities, so government support, in a regional growth pole logic, might have actually accelerated depopulation of remote areas. The position of cities in North Norway differs from small municipalities in the area (economies of scale, population growth). It would make sense to take these differences into account when allocating the grant for North Norway.

Should an equalisation system be an instrument for regional policy? As the regional grant elements are distinguished from the expenditure needs equalisation – and not interwoven in its criteria – there is a certain amount of transparency as to what regular equalisation is and what regional policy is. In

comparison with many other OECD countries, Norway has a relatively simple equalisation scheme that is presented in a clear manner in public documents, so that it is relatively easy to see who gets what and for what reason. A less transparent element is obviously the discretionary part of the general grant; although it is making up a considerable part of the equalisation scheme, it rarely transforms a contributing municipality into a benefiting one (nor the other way around). It thus seems to confirm existing patterns, rather than make a real difference.

Although the equalisation scheme seems favourable to municipalities in North Norway and remote areas, there are elements in the system that complicate stable medium term revenue flows. One of these elements is that changes with respect to the criteria (demographic indicators for instance) are immediately translated into the grant. In small municipalities with fixed costs for many services and a continuously declining population this can be a problem, especially if the municipality is to a large extent dependent on the general grant as a source of municipal income. Steigen (Nordland) considered as typical of many Norwegian remote municipalities, has experienced these sudden cuts, in 2006 for schools, as the headcount is going down but fixed costs, by definition, remain. Stronger safeguard mechanisms could have been introduced to prevent such a situation.

Many of the issues mentioned above have been studied by the Borge Commission that produced a report on the equalisation system in 2005. One of its main achievements was to give an estimation of where further economies of could be achieved, by looking at the travelling time between municipalities. When travelling time was relatively long, it was assumed that fewer economies could be reaped by co-operation or amalgamation. In these situations, the commission considered it to be justified to assume higher expenditure needs. In cases where travelling time was acceptably short to reap further benefits from co-operation or amalgamation it was argued that local governments should not be compensated for remoteness. Using this line of argument, the Borge commission came up with a proposal for new allocation criteria for the equalisation system. The application of these new criteria would result in a reduction of money flows to North Norway while Oslo and its surrounding municipalities would be the beneficiaries of the new equalisation criteria. Another commission installed in 2006 is reviewing the matter and its report on this delicate issue is to be finalised in 2008.

### **3.4. Vertical and horizontal co-ordination**

#### **3.4.1. Vertical co-ordination**

As a general rule, Storting has stated that county borders should be used as a geographical delimitation of central government regional organisation.

More systematic use of these boundaries would certainly make co-ordination easier, particularly for the county governor now dealing with administrations and agencies the territorial limits of which are quite variable. However, during the last decade co-ordination has to some extent been facilitated as some central government actor's regional representation has been moved inside the county governor's office. In 2003, the national education office and the chief county medical office were integrated with the county governor's office. Today, regional branches of ministries and agencies covering employment matters, social insurance, consumer issues, tax administration and innovation policy are organised along county borders but an increasing number of other bodies are organised along different models.

This is due to the fact that development over the last decade has been towards larger regional units, rendering county borders less important in this respect. Since 1997, 29 agencies have changed their organisation on the regional level. Previously, county borders were the main regional distribution for central government actors but the case now is quite the opposite. At present, there are about 40 separate state authorities with a regional representation and only 7 out of these use counties for their regional organisation. The regional organisation of agencies spans a range of only 2 to up to a maximum of 27 and most agencies have approximately 5-6 regional units on average. One obvious example of larger scales for regional units is the establishment of the five regional health enterprises in 2002, but also in other areas do larger regional units such as these exist: there are five regional offices for management of government property, and six regional branches for customs, financial management and jury courts. Only in the case of the police do smaller regional entities exist: there are 27 police districts. Different regional boundaries make it more and more difficult to co-ordinate the different policy fields within a certain area and pose increasing co-ordination challenges to the governor's office.

This complexity is increased by the fact that certain regional agencies have tasks that are at least partially overlapping, even if within a given policy area there is a certain degree of specialisation. This is the case for innovation policy and entrepreneurship, which are covered by Innovation Norway, as well as the Industrial Development Corporation of Norway (SIVA) and the Research Council of Norway (RCN). They are co-ordinated by different ministries (RCN by the Ministry of Education and Research, Innovation Norway and SIVA by the Ministry of Trade and Industry) and have a different number of regional branches (Innovation Norway has 18 regional units, RCN eight regional representatives). This makes co-ordination of regional policies within the field of innovation and entrepreneurship even more difficult. It is also essential to provide the basis for improved regional co-ordination, with a clear cut set of

responsibilities in different bodies within the same territory. The opportunity might arise through future regional reform (see further).

Bigger municipalities, like Oslo, have bilateral contacts with the central government, but most municipalities communicate to the central government usually via KS, the Norwegian Association of Regional and Local Authorities (see Box 3.5). KS constitutes a channel through which local government in Norway expresses its concerns to the national government and participates in policy definition. It is engaged in regular consultation rounds by the central government. KS is consulted on the budget that concerns municipalities and municipal tasks, as well as major policy issues that have consequences for county and municipal government.

### Box 3.5. Norwegian Association of Local and Regional Authorities (KS)

The Norwegian Association of Local and Regional Authorities (KS) is a national association regrouping all municipalities and counties but also public enterprises under municipal or county ownership. The latter are regrouped within a specific association comprising 435 members: the Norwegian Association of Regional and Local Enterprises (NaLRA). KS is also an employer's organisation, an advisory and consultative body, acting as a spokesman and advocate *vis-à-vis* central government on behalf of its members. The headquarters are in Oslo; the organisation maintains 17 offices across Norway (nearly one in each county). It is staffed by around 240 people and the budget amounted to NOK 200 million in 2006.

The organisation is regularly consulted by both government and Storting. The Association of Local and Regional Authorities also provides services in many different fields to its members. It has an education and training unit that helps local government officials and employees to enhance their level of qualification, by providing various courses and seminars. It has a division that provides services to locally owned public enterprises, such as specialised courses and conferences for individual companies or members within a specific industry branch. In addition, KS has a legal department of twelve lawyers that offers legal advice to all its members.

Source: [www.ks.no](http://www.ks.no).

### 3.4.2. Horizontal co-operation

#### Inter-ministerial co-ordination

For the Ministry of Local Government and Regional Development to play its leading role by ensuring coherence of regional development policy with

sector policies, proper co-ordination at the national level is required. This co-ordination has been carried out in a pragmatic way, with no formal mechanism intervening in this area until recently. As the Council of Ministers is collectively responsible for all government decisions, all ministries in a way have an incentive to achieve agreements with other ministries. Many inter-ministerial working groups, committees and action plans provide a framework for horizontal co-operation aiming to achieve this way adequate consensus, but those established on a permanent basis are fewer. In the field of regional development, such a permanent co-ordinating body was set up only at the end of 2005, with the creation of the Government Sub-committee on Rural and Regional Policy (see Box 3.6).

### Box 3.6. **Government Sub-committee on Rural and Regional Policy**

A broad spectrum of actors has responsibilities for reaching Norway's regional policy goals. To facilitate better co-operation among these actors, the government established a permanent sub-committee on rural and regional policy in 2005. Only very few permanent committees like this exist in the country, signalling the importance of this issue. The committee is chaired by the Ministry of Local Government and Regional Development and brings together in total seven ministries with sectoral involvement in regional development.

The seven ministries are the following: Local Government and Regional Development; Government Administration and Reform; Agriculture; Fisheries and Coastal Affairs; Culture and Church Affairs; Industry and Trade and the Ministry of Transport and Communication. As the committee has only recently been established, it is too early to provide an assessment of its achievements. However, as territorial development is by essence cross-sector and that administrative boundaries within the country are diverse, the fact that such a committee has been created is undeniably a step forward in more efficient co-ordination at the central level that can only have positive spill-over effects towards counties and municipalities.

Source: OECD, based on information provided by the Ministry of Local Government and Regional Development.

### **Intermunicipal co-operation**

Intermunicipal co-operation is frequent in Norway. A survey of 347 municipalities conducted by the Ministry of Local Government and Regional Development in 2004, shows that 96.7% of the municipalities co-operate with one or several other municipalities. (There are 431 municipalities



in Norway in 2007). The number of co-operative agreements per municipality (see Table 3.3) varies between 1-14 (average 4.9). The five most important areas of co-operation are waste disposal (88.7%), waste collection (79.4%), purchasing (63.9%), protection against fires (48.7%) and ICTs (33.4%). The most important areas of co-operation are therefore in technical, administrative and support functions. Less co-operation occurs for example in childcare (1.8%) and care/centres for the elderly (0%).

Table 3.3. **Fields of intermunicipal co-operation in 2006**

	Intermunicipal co-operation (%)	Number of municipalities
Waste disposal	88.7	337
Waste collection	79.4	340
Purchases	63.9	327
Fire protection	48.7	341
ICTs	33.4	332
Archives,	23.0	335
Research/evaluations	21.6	315
Water supplies	20.8	341
Sewage	15.9	339

Source: Ministry of Local Government and Regional Development.

The Ministry of Local Government and Regional Development financially supports innovative projects to develop intermunicipal co-operation. The government can also suggest to municipalities intermunicipal co-operative arrangements, as a condition for receiving certain types of financial support from the central government, such as discretionary grants. A recent example is that of the “Co-municipality” of Innherred, between Levanger and Verdal (North Trondelag). The two municipalities decided to bring together their authority in the areas of the environment, agriculture, planning and building services, land management and health and social services. Funding of NOK 1.5 million was awarded in 2004 for the four-year project that could well lead to a full merger.

New possibilities of intermunicipal co-operation have recently been opened up. In December 2006, the Local Government Act of 1992 was amended to widen the range of tasks that can be delegated from municipalities and county councils to intermunicipal co-operative bodies. The municipalities can now delegate certain tasks and responsibilities to another municipality, the “host municipality”. The model does not imply establishing a new public body; instead it is a co-operation based on a legally binding agreement between two or more municipalities. For this co-operative arrangement a written agreement is mandatory. Depending on the character of the delegated tasks, a political body has to be set up where all the

participating municipalities can be represented. The financing of the delegated task is subject to negotiation between the host municipality and the others.

Co-operation between municipalities seldom leads to amalgamations, based on voluntary agreements, in the absence of strong incentives. Since 1995, there have been 4 mergers and one is scheduled for 2008 (see Table 3.4). These mergers have taken place both in the north, west and in the area surrounding Oslo. The equalisation system is at best neutral from this point of view and can even contribute to maintaining small municipalities. The grant for remote areas is a lump sum per municipality and thus provides a disincentive to merge. The equalisation scheme does however provide an advantage in a transition phase which cushions the immediate financial loss that would otherwise result from merging. During a period of ten years after the merger, the merged municipality is entitled to receive the same amount of general grants as each of the former municipalities did. In the five subsequent years, the municipality is integrated into the regular equalisation system.

Table 3.4. **Municipal amalgamations since 1995**

Municipalities	County	Approximate population	Date of merger
Valer and Ramnes	Vestfold	4 000 + 4 000	1/1/2002
Bodø and Skjerstad	Nordland	40 000 + 1 000	1/1/2005
Olen and Vindafjord	Rogaland	4 700 + 3 400	1/1/2006
Aure and Tustna	More and Romsdal	2 600 + 1 000	1/1/2006
Kristiansund and Frei	More and Romsdal	17 000 + 5 000	1/1/2008

Source: Based on information provided by the Ministry of Local Government and Regional Development.

The Ministry of Local Government and Regional Development and KS invited municipalities in 2003 to a project where the municipalities were encouraged to assess their role and ability to fulfil their tasks, and to address the question of whether they would be in a better position to serve their citizens if they were merged or established other forms of co-operation with neighbouring municipalities. 25% of the municipalities considered the present borders as satisfactory, 53% municipalities saw the need of increased intermunicipality co-operation, and 21% of the municipalities wanted to investigate a further merging, meaning that 75% of the municipalities did not consider *status quo* as an alternative. Around 50% preferred intermunicipal co-operation to amalgamation, meaning that close to 50% would seem willing to proceed with a merger, which is quite remarkable. It should however be noted that these results might be influenced by fears of some municipalities that positive attitudes to amalgamation might provoke reform in this area. Although Parliament is formally responsible for the geographical division

between municipalities, the way forward that has been chosen to amalgamate municipalities is wisely a voluntary approach.

To help lay the foundations for possible amalgamations in the future, the government has made study grants available for municipalities that want to investigate the possibilities of amalgamation. At present, 30 municipalities have applied for this kind of grant. The 30 municipalities will, in groupings of two to six, evaluate possible amalgamation that would create 11 new larger municipalities. These municipalities are mostly located in the middle of Norway (in the counties of Oppland, Hedmark and Akershus). In six of the cases at least one of the municipalities participating has less than 5 000 inhabitants. The number of inhabitants of the new municipalities to be created is between 5 000 inhabitants and 46 000 inhabitants. The differences in tax capacity of the municipalities is remarkable: in every case there is at least one municipality with tax capacity considerably below average and another municipality with close to average or above-average tax capacity. In eight of the eleven cases, it is the smallest municipality that has the lowest tax capacity. This suggests the following underlying logic: the bigger municipalities do not have a problem in merging as they can provide the same kind of services without many extra marginal costs; the smaller municipalities are willing to merge when pooling resources is profitable to them and gives access to better services or a wider range of services.

Summing up, looking at the size of municipalities in Norway, there is definitely room for up scaling. Many municipalities have too few inhabitants to be able to provide adequately certain public services, if only for lack of skilled personnel, as analysed in Section 2.4. More than three quarters of the Norwegian municipalities have less than 10 000 inhabitants and many OECD countries have far larger municipalities in this respect. There are in Norway many intermunicipal co-operative arrangements, indicating the need for achieving a higher scale. Thirty municipalities are currently seriously considering amalgamation; if this is implemented the biggest reduction in municipalities since 1965 will be achieved.

On the other hand, even if municipalities are admittedly quite small in terms of population, at the same time, particularly in North Norway, their territory is large. When it comes to surface per municipality, Norwegian municipalities are among the largest within the OECD. Although the costs of certain local services could be reduced when these are accessed by a wider population segment, big distances between municipalities pose a certain limit to economies of scale that can be achieved. Moreover, amalgamation is not necessarily more efficient than intermunicipal co-operation in order to reap economies of scale. Considering the extent to which municipalities already co-operate, increased municipal amalgamation could only partially make sense in the Norwegian context in terms of better efficiency. On the other

hand it should be underlined that amalgamation increases accountability, as compared to co-operative agreements over which citizens have little control.

### ***Interregional (inter-county) co-operation***

In Norway, co-operation also exists at the county level. The oldest co-operative arrangement is that of the four northernmost counties, created in the 1970s. The organisation created for this co-operation is the Executive Committee for North Norway and Nord-Trøndelag (ECNN). Similar organisations have been created in Western Norway in 2003 (four counties) and Eastern Norway in 1993 (eight counties). The Regional Council for Western Norway consists of the counties of Rogaland, Hordaland, Sogn og Fjordane and More og Romsdal. The Eastern Norway County Network (ENCN) comprises the following members: Ostfold, Akershus, Oslo, Hedmark, Oppland, Buskerud, Vestfold and Telemark.

There are many similarities between these co-operative arrangements in terms of organisation, funding and functions. The costs of these inter-county arrangements are covered by the counties themselves. Arrangements aim at representing the interests of the region *vis-à-vis* the national government and in international forums. They have goals with respect to regional development, which differ according to the region concerned. The Executive Committee for North Norway is involved in oil and gas issues, whereas the Regional Council for Western Norway has launched policies to develop fish farming.

In certain policy areas concrete progress and effective results have been achieved on the basis of these co-operative arrangements. The Eastern Norway County Network managed to achieve more coherence in the regional public transportation network. The adoption of a “Vision for public transportation in 2015” led to various measures: different information systems for public transportation are being harmonised and a joint ticketing service is being implemented. In other cases, co-operative arrangements of this type have helped to consolidate regional demands for additional funds, as the Regional Council for Western Norway did with respect to a national road along the western coast of Norway, subsidies for the fish farming industry and a common transport plan. Lastly, business development and international co-operation are also featured.

### **3.4.3. Multilevel governance challenges**

#### ***The delivery of regional policy***

In Norway, the delivery of policy often sees roles shared rather than divided between different levels of government. Policies are often implemented by national authorities or agencies together with municipality

or county authorities. The regional dimension has however gained more weight in Norway in recent years.<sup>5</sup> The most significant example of this in the regional policy field was the transfer in 2003 of 80% of the regional policy budget (relating to regional aid) from the Ministry of Local Government and Regional Development to the county level (instead of being channelled through Innovation Norway). As leaders of county-level partnerships, the counties became responsible for deciding how these financial resources should be allocated. In this context, regional plans and regional strategies have become more central to regional policy implementation.

There are three main levels involved in the delivery of regional policy – the national policy development level; the national/regional (county) policy implementation level and the municipal implementation level. At the national level, the Ministry of Local Government and Regional Development is responsible for developing and overseeing policy related to regional development. In this role, it has the task of identifying the geographical target areas for policy (as discussed in Section 2.2) and for negotiating and agreeing the designated regional aid maps with the EFTA Surveillance Authority (ESA).<sup>6</sup> It also indicates development priorities (job creation, entrepreneurship, innovation, start-up support), though not in a detailed prescriptive way, and determines the funding split between those regional development measures delivered through Innovation Norway (mainly innovation-oriented support) and the devolved regional aid budget. Limited funding is retained to finance projects and smaller programmes (often of a pilot nature) administered directly by the ministry.

The policies of other ministries also have regional development effects, albeit in a less explicitly targeted way. In addition to those ministries represented permanently on the advisory sub-committee of government, the Ministries of Health, Education and Labour operate policies with clear regional impacts. The Effects Committee (NOU, 2004a), which reported in 2004, was set up to consider the economic contribution of sectoral policies to the development of the districts. It concluded that this had been falling as a result of market liberalisation and related developments. It argued that the effects of all national policies would be enhanced were regional policy to be co-ordinated more effectively across all policy areas. Notwithstanding the subsequent establishment of the new Government Sub-committee on Rural and Regional Policy – and also recognising the ongoing co-operation which takes place between ministries while developing programmes and evaluating policies – cross-sectoral co-ordination remains a significant regional policy challenge.

Policy implementation in Norway is often channelled through national agencies. In the industrial development context, there are three main agencies involved, all of which have regional offices – Innovation Norway, the Norwegian Research Council and SIVA (Section 2.3). They operate within a

framework of political and administrative decisions at the government level which determines objectives, strategies, priorities, targets and budgets. These are specified in annual letters of award to the three agencies from each of their sponsoring ministries, in particular the Ministries of Trade and Industry, Education, Local Government and Regional Development, Agriculture and Food, and Fisheries and Coastal Affairs. Each year, the agencies have to report back on activities and achievements and periodic evaluations are also undertaken. Although they have different mandates, there is close co-operation between the three agencies.

The 2003 decentralisation reform gave counties more regional development responsibilities.<sup>7</sup> Their role as regional development stakeholders was enhanced, changing them from simple implementers of policy to key drivers of regional development on the basis of the needs identified by them and the strategies decided at their level. In particular, counties became responsible for drawing up County Development Plans bringing together the sector strategies of different ministries while taking the lead in the production and implementation of regional development plans based on the use of funds now delegated to them. The county, its constituent municipalities, the business/private sector, development agencies (including Innovation Norway) and academic institutions were charged with working in partnership to further sustainable regional development through such plans.

Similar to the approach taken with respect to Innovation Norway, the counties receive individual award letters each year from the Ministry of Local Government and Regional Development which set down new targets to be taken into account, together with available budgetary resources. Within this framework, counties can determine specific objectives, strategic priorities and operational approaches. A report of the priorities adopted and results obtained is subsequently submitted to the ministry, essentially for information purposes. Although regional development plans initially had to be endorsed by the ministry, they are now part of the ordinary planning process of the counties and involve little national-level feedback. The role of the ministry is thus one of facilitation rather than co-ordination. At the time of the decentralisation reform, the minister was keen to ensure that the counties were given as much freedom as possible with respect to their regional development actions. In line with this, there is no competitive element to the funding, nor are there any negative implications if the funding is not thought to have been adequately spent.<sup>8</sup> This approach contrasts with that adopted by a range of EU countries (see Box 3.7) where the national level has generally been keen to co-ordinate regional-level developments.

Notwithstanding these developments, the county level is not clearly perceived in terms of its legitimacy, vigour and competence. The transfer of decisions concerning funding and the establishment of county partnerships

### Box 3.7. Forms of national-regional co-ordination within selected EU member states

Informal mechanisms to encourage ongoing dialogue between the centre and the regions.

- In **Austria**, the Federal Chancellery, supported by the Austrian Conference on Spatial Planning (ÖROK), serves as a regional policy co-ordination body. The absence of a national legal framework for regional policy (which is a *Land*-level responsibility) means that policy co-ordination is consensus-based and informal.
- In **Sweden**, improved informal co-ordination lies at the core of the approach to regional policy, not least through the Regional Growth Programmes. Following improved co-ordination in the development of the 2007-13 NSRF (under EU cohesion policy), a national forum is to be set up to promote dialogue between regional and national representatives.

More formal rules-based and consensus-oriented co-ordination.

- In **Germany**, co-ordination between levels of government is formalised. Under the regional policy GA (*Gemeinschaftsaufgabe*), a joint federal-*Land* planning framework has been drawn up to co-ordinate regional policy interventions.

Co-ordination via the co-funding of programmes and projects.

- In **Denmark**, the recently established regional growth fora are partnership bodies which bring together local government, the private sector and knowledge institutions. The new fora are prohibited from implementing programmes themselves; instead, they require local and central government support, thus ensuring a co-ordinated approach.
- In **France**, DIACT, the agency in charge of territorial development, plays an important co-ordination role through its co-funding activities. It also functions as the main partner of the regions in developing and implementing state-region planning contracts (CPER).

Feeding national priorities into regional programmes and regional priorities into national budgets.

- In **the UK**, English Regional Development Agencies (RDAs) must show how they will address the priorities set out in their regional economic strategies whilst also contributing to the national-level public service agreement for improving regional economic performance. At the same time, RDAs provide national ministries with their budget plans in certain fields to facilitate better co-ordination with national financial planning.
- In **Finland**, the 2007 Regional Development Act aims to increase co-operation between central and regional levels by ensuring that sectoral ministries negotiate regional funding allocations with regional councils. At the same time, regional plans must integrate national policy goals.

Source: Yuill D, Responding to the Changing Policy Agenda: Recent Regional Policy Developments in the EU and Norway, EoRPA Paper 06/1, European Policies Research Centre, University of Strathclyde, 2006.

and regional development plans do not appear to have attained their initial goals. An evaluation in January 2005 (Knudsen, et al., 2005) concluded that many county authorities remained too weak to take advantage of their role as regional stakeholders. It took the view that counties would not be attractive regional partners until they gained more resources and institutional authority. The report also highlighted some of the perceived limitations of county partnerships. It concluded that, different from most of the EU, involvement in regional partnerships is seen as strategically unconditional and remains a case-by-case activity based on specific projects and initiatives; moreover, the embedding of the partnership principle was considered to be highly dependent on key individuals.<sup>9</sup> The evaluation also considered that if county authorities were to mobilise partnerships to strengthen regional development, a further devolution of powers was required.

### ***Reforming regional governance***

A key driver for policy decentralisation in Norway was the “Responsibility Reform” initiated in 2003 following a White Paper on local democracy (St.meld.nr.19, 2001-2002). The objectives of regional reform were, first, to strengthen local and regional democracy through devolution, with power and competences redistributed from the state to regional councils; second, to create a clear division of labour between the different levels of government; third, to develop a more coherent and efficient public sector; fourth, to create value and employment based on local and regional strengths; and finally, to ensure the efficient management of national goals such as sustainable development, equivalent service provision across the country and the legal protection of the individual.

The reform process was taken further by the White Paper delivered in December 2006, which paves the way for future regional reform (St.meld.nr.12, 2006-2007). It agreed that there should, in the future, continue to be three levels of government. Beneath the national level, the regions/counties are to be central actors for regional development while the municipalities should remain the main providers of public services. Traditionally, municipalities have always had a relatively strong position within the Norwegian system while the role of counties has been far weaker. At present, the counties are responsible in particular for county planning (including co-ordination), upper secondary education, culture and heritage management as well as certain transport and industrial development functions. Upper secondary education is the most important of these activities in funding terms, with transport coming second. Following the White Paper, agreement will have to be reached as to what other tasks might be devolved to the regional/county level; only after this has been done will consideration be given to the appropriate number of regions/counties.



Possible new regional-level tasks include elements of regional spatial planning; the transfer of certain county governor tasks to the county;<sup>10</sup> more transport infrastructure responsibilities (for instance certain national roads); more cultural tasks; enhanced R&D responsibilities (including basic funding of regional research institutes); involvement in the ownership of Innovation Norway; and perhaps also new regional innovation corporations (also known as “mini-SIVAs”). It remains to be seen what the final outcome will be: some movement may take place with respect to agriculture and environmental policies, where responsibilities may shift from the county governors to the new regional authorities. A key issue is likely to be whether the new regions will be given enhanced powers relating to infrastructure and industrial development, since these are key policy areas which involve significant budgets. A final decision is due in the course of 2007.

The construction in which an elected regional body and a central government’s representative in the region work together is common in many OECD countries. In many cases in Norway co-operation is close, with a certain blurring of roles. The county governor in Norway has a strong position in regional governance *vis-à-vis* the county council, more so than central governments’ regional representatives in many OECD countries. Devolution, such as indicated above, would bring Norway in line with trends in other OECD countries over the last decade, such as Spain and Italy where functions have been decentralised from national governments (or their representatives in the regions) to subnational government units. Pilots have also been started in Norway in which County authorities and the county governor’s office are merged into one single regional body (see Box 3.8). Although evaluation will have to show to what extent these experiences have been positive, the integration of both organisations can be an option to simplify co-ordination within the county.

As regards future geographical models, the White Paper reviewed three possibilities – a strengthened county model (involving 16-18 counties); a large-region model (with, perhaps, 5 to 7 regions); and an intermediate model (of 10 to 14 counties), now set aside, so the counties must now discuss the other two. If no agreement is reached, Parliament will take the final decision, with the new system expected to come into force in 2010. In considering the options, there are some factors which suggest that the large-region option may be difficult to apply. One is that certain counties have declared their unwillingness to become part of larger groups. Finnmark has already made this point and Oslo has also indicated that it does not want any entity (like a region) to come between itself and the state. Another is that there are very distinct identities from county to county in Norway; this may make it difficult for larger regions to operate effectively. Great distances and the size of future

### Box 3.8. Pilots on governance in a single regional body

In 2004 two pilot projects aiming to implement a “unitary county” started in the counties of More og Romsdal and Hedmark, by integration of the County Governor’s Office with that of the County council. This new administrative body addresses traditional state responsibilities such as the review of legality and appeals supervision as well as providing public services and regional development support and measures.

Supervisory and appeals responsibility are however kept separate from the other responsibilities. The chief executive of the new entity can be either the County Governor or the Chief County Executive, leaving this important issue within the scope of a pragmatic approach that depends on the local political context, which can be quite different from one county to the other. The intention of the pilot is to find out whether a single administration helps to reduce bureaucratic duplication. The pilot projects will last until the end of 2008.

*Source:* Based on information provided by the Ministry of Local Government and Regional Development.

counties are other factors to bear in mind in trying to strike the best balance between economies of scale and territorial cohesion.

The Norwegian Association for Local and Regional Authorities (KS) has made a strong case for the large-region model, pointing to fragmentation in subnational government. While the county level previously dominated the division of the state subnationally, only seven out of 40 agencies are now arranged on county lines. Although the number of regional units varies between 2 and 17, most agencies operate with respect to 5 or 6 regions. KS further argues that value creation would be enhanced by a limited number of regions (around seven), allowing a more strategic approach to be adopted and facilitating the more effective utilisation of regional resources. Finally, larger regions are linked to arguments for strengthening regional democracy, creating a framework where more responsibilities can be transferred from the subnational representatives of the state to democratically elected regions.

The situation of Oslo is quite specific as the capital city renders services to a very wide region. Thus, when considering the spending patterns of the counties around Oslo, it seems that their inhabitants are making use of certain public services provided by Oslo. This is an indication that for certain services the functional area of Oslo benefits its surrounding counties. This would theoretically suggest merging them into one county corresponding to the city-region of Oslo. This would to some extent correspond to the Ostviken region that would be created in the case of a 7 or 9 region option being retained. In

the case of a five regions option, it would form only part of the larger entity created (Ostlandet). This brings forward the issue of an intermediate regional level that the capital city does not seem to favour. On the other hand, Oslo area issues could also be appropriately dealt with by increased co-operation in the functional urban area.

A White Paper on the capital region was presented to Parliament on 1 June 2007. Parliament had unanimously asked for this White Paper, in order to address the special challenges that the Oslo region has. These challenges include social-economic disparities, integration of immigrants, offering good living conditions and promoting innovation (see Chapter 2) in what is the prime economic engine of Norway. As many co-operative arrangements between the central government and Oslo municipality have been put in place, within areas such as transportation and housing, the White Paper addresses the question whether new forms of governance might be necessary in addition to co-operation, such as changing boundaries, or creating a special legal position for the capital region.

As other countries, Norway needs a strong metropolitan region to benefit the entire country. The White Paper demonstrates its strength in terms of different indicators and assessments. These show that the level of education and research is very high, that the dynamism of several industrial clusters is quite impressive and that the attractiveness of the region is significant in terms of leisure, culture and communication. On the other hand, these potentials do not appear to have been fully developed up to now. In particular, one of the fundamental challenges of the Oslo region is to find extended sources of growth from different regional clusters and the regional innovation system at large. Commercialisation and internationalisation need to be considered as key elements. The White Paper demonstrates the intention of defining a differentiated policy for the different regions of the country, integrating the metropolitan region as a natural part of regional policy. In order to achieve this, the rest of the country has to be more fully connected to enterprises and innovation clusters in the metropolitan region. Reciprocal internal spillovers need to be stimulated and connectivity to other Nordic metropolitan regions could be reinforced.

Discussions on the scale of regional government take place in many OECD countries and several other Nordic countries have or are going through similar processes. Denmark has recently gone through a regional reform which saw the 14 counties reduced to 5 regions, and both Sweden and Finland are considering reducing the number of regions in parallel to a strengthening of their role. The upscaling of counties certainly has some functional logic in the context of the stronger role in economic development that regional authorities are assuming in many countries. However, institutional reform always faces a trade off between increasing the functionality of regional

governance on one hand and transaction costs in order to get there on the other. The government is to present the reform to Storting in 2008 and launch it in 2010. In 2007, discussions are planned with counties and other actors on multilevel definition of tasks, boundaries and other elements.

### **E-government**

Electronic government is frequently used as an instrument to improve public service delivery and it can well serve the particular situation of Norway. With many remote areas and low population densities, potential for economies of scale in service delivery in physical terms is limited. E-government services could then be a solution: Norway does relatively well in this area. In 2005, 95% of Norwegian households had broadband access ([www.hoykom.no](http://www.hoykom.no)). The territorial digital divide in the country is small. The OECD E-Government Review of Norway (2005) showed that there was only an 8% difference in access between the capital region and other regions in 2001. Nevertheless, many difficulties remain. Full broadband access is difficult to achieve in remote areas. Elderly people (relatively overrepresented in remote areas) have by far the lowest access rate in Norway. Moreover, despite the fact that all schools are connected to the Internet, the use of computers is still limited: 13% of all students never use computers at school (OECD, 2005).

Norwegian broadband policy is based on the idea that roll-out should primarily be market-driven. With a few exceptions in remote areas where the market is less likely to support broadband infrastructure and applications, the Norwegian government does not fund infrastructure directly. In response to market conditions, many municipalities have used their local electricity companies to build access networks for public and private customers. The central government has supported many e-government projects through the Hoykom programme, started in 1999, that has provided financial support for more than 400 projects, with co-financing up to 50%. The 2005 budget of Hoykom, financed by the Ministry of Government Administration and Reform and the Ministry of Education and Research, was around EUR 10 million.

One of the main areas of support is the education sector. The policy plan "eNorway 2009" contains ambitious plans to increase digital access to libraries and cultural facilities. In the hospital sector, the decision to go for digital X-ray has given an impetus to investments. This interplay has however, according to the Norwegian research institute STEP,<sup>11</sup> led to reduced compatibility and a fragmented market. The networks of the hospitals have implemented their security and safety measures in other ways than local authorities, thus excluding local doctors from belonging to the state health net and the municipal health sector net at the same time (STEP, 2003). More intergovernmental co-ordination is here required.

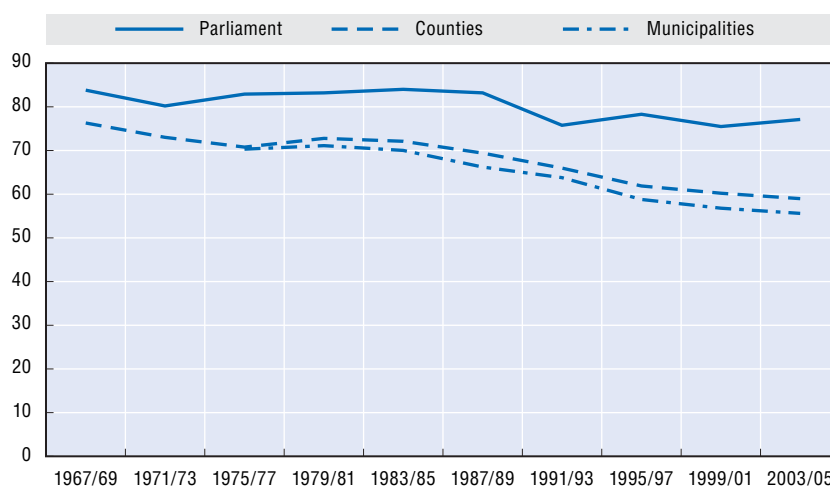
### 3.5. Citizen participation

Civic engagement and civil society can play an important role in territorial development at the local level, as the effects of different types of participation, whether in local elections, other participatory processes or through associations, can usually be witnessed in a tangible fashion in many aspects of everyday life. The framework and features of public services rendered at municipal or county level, the opportunities offered by cultural activities encouraged by local authorities or the creation of new jobs because of an attractive local business environment are but some examples of areas in which citizens within a community can have direct concern. This translates into voter turnout at the local level, local initiative or partnerships of different kinds. Also, the more developed social capital is, the more likely it is that entrepreneurship will develop and confidence in institutions will be positively rated.

#### 3.5.1. Local elections

In Norway, as in other Nordic countries, there seems to be good trust of citizens in the political process. Voter turn-out is relatively high, with around 80% of the voters participating in the national elections and 65% in regional and local elections over the last three decades. However, turn out for national elections dropped very slightly over this period, whereas for regional and local elections participation rates have dropped more dramatically (see Figure 3.23). This shows a diminishing lack of concern in regional and local affairs at a time

Figure 3.23. **Voter turnout in national, county and municipal elections in Norway: 1967-2005**



Source: Statistics Norway.

when decentralisation in view of a major reform is being pushed. Will this perspective finally offer an opportunity for voters to associate more closely with regional and local issues? There is no clear-cut answer concerning these trends. A possible explanation relates to the fact that central level regulations limit local government initiative, hence the perception that participating in local elections does not weigh that much on outcomes that are pretty much decided elsewhere.

Proximity plays in favour of the municipality as compared to the county, it is thus not surprising that disaffection of voters is stronger in the latter than for the former, particularly since present powers of counties remain somewhat limited and are precisely at the centre of the debate concerning regional reform. Analysis of these trends at the municipal level<sup>12</sup> brings forward some interesting findings. In particular, differences between municipalities in voter turn-out in municipal elections have increased in recent years. In small municipalities, participation in these elections has not declined strongly in all cases and it has actually increased in a certain number of these when looking at the post-war period as a whole. Detailed analysis of these cases could reveal voter motivations in a given context, thus contributing to better understanding the factors determining positive responses to participation in the electoral process.

### **3.5.2. Participatory processes**

Many processes have been established in Norway to ensure effective consultation of the population before a decision is taken by local authorities or a project is launched. The Norwegian Planning and Building Act of 1985 integrates such concerns. It puts weight on information and inhabitants' right to comment and offer opinions on various types of urban plans: master plans, the land use part of master plans, zoning plans in particular. The Norwegian Local Government Act of 1992 opened the possibility of user representation in welfare institution boards and this practice is today well-established. Local referenda are also widely developed: between 1970 and 2000, 514 consultations of this type have been carried out on a wide spectrum of subjects: liquor licenses,<sup>13</sup> use of different languages in schools,<sup>14</sup> and municipal merging. The Norwegian Local Government Act of 1992 recognises a right of citizen initiative that was precisely defined for local affairs in the amended Act of 2003, in its paragraph 39a relating to "inhabitant's initiative" (see Box 3.9).

New trends and mechanisms in participatory processes can be viewed from different angles. Some observers tend to consider that these developments translate a weakening of classical democratic principles and even accentuate the phenomenon. Such is the case of the research project "Power and Democracy"<sup>15</sup> concluded in 2003. On the other hand, the 2006 report "Local Democracy in Change"<sup>16</sup> concludes that case oriented or business-based

### Box 3.9. “Inhabitant Initiative in Norway”

1. The municipal council or the county council has a duty to consider and make a decision on a proposal concerning the activity of the municipal authority or of the county authority, if no less than 2% of the inhabitants, or alternatively 300 in the municipal authority area or 500 in the county, are behind the proposal.
2. The municipal council or the county council shall make a decision on the proposal no later than 6 months after it has been put forward. Those inhabitants who are behind the initiative shall be informed of the decisions made and the measures to be implemented as a result of the proposal.
3. A proposal with the same content may not be put forward more than once in the course of the same electoral term. Nor may a proposal be submitted again until four years have elapsed since the proposal was last submitted.
4. Where a proposal that has been put forward in pursuance of the provisions of this section is voted down in the municipal council or the county council, there is no right of appeal unless this follows from other provisions.

Source: Local Government Act, 2003.

political involvement is not necessarily in opposition to political work within the framework of representative (local) democracy. The report even considers that municipalities face a challenge in channelling individual engagement into representative decision-making processes. In discussing ways to develop and renew local democracy the report focuses also on the Internet. It considers that local web forums are not necessarily an alternative participation channel, but rather contribute to strengthen representative local democracy.

### 3.5.3. Entrepreneurship

The private sector is by definition a major actor in local development that the state seeks to consolidate in all parts of the country by helping to create a favourable business environment and providing adequate financial and often fiscal support to new businesses, taking into account local circumstances. In Norway, this supporting role of national authorities has recently been extended to education in entrepreneurship at a very early stage, recognising that entrepreneurship culture is crucial to foster economic growth, to create employment in all areas, to integrate immigrants in the labour market, and to develop innovation. The Ministries of Education, Trade and Industry, and of Local Government and Regional Development developed together an

ambitious Strategic Plan called “See opportunities and make them work” covering 2004-2008. The most innovative aspects relate to the fact that the strategy covers the school system from primary to upper secondary and up to college and university, including teacher training and that it also integrates territorial development concerns.

The strategy aims “to motivate and inspire educational institutions, municipalities and counties to plan and firmly establish training in entrepreneurship in collaboration with trade and industry and other relevant stakeholders in the local environment”. At all levels of education, the aims are to unleash creative skills, develop self-confidence and stimulate risk taking, directly conducive to entrepreneurship. In pursuing these goals, emphasis is put on “understanding the cultural and economic resources in the local community”, on “utilising resources and exploiting opportunities locally”. In line with these aims, the new curriculum for primary, lower secondary and upper secondary education and training (Culture for Learning) was introduced in 2006, using entrepreneurship as an instrument to renew education. The territorial dimension is underlined by reference to the prerequisite of collaboration between schools and the local business sector. The need for more arenas for contact between the different players is recognised, not only within the direct aims of the reform but also to strengthen recruitment to the local business sector.

One of the main private sector partners in this venture is “Junior Achievement – Young Enterprise Norway”, founded in 1997, dedicated to training in business skills for pupils and students at all ages that maintains local branches in all counties. It offers a variety of programmes like Pupils Enterprise and Enterprise in action (13-15-year-olds), Company programme (15-19-year-olds), Graduate programme (19+), and also Introductory Enterprise (Immigrants and refugees). In the school year ending 2005, 9 000 students from upper secondary school took part in the company programmes, and 7 000 students participated in “Pupil enterprises”. These efforts stepped up for 2005-2006: 12 000 pupils took part in 1 900 enterprises in 300 upper secondary schools all over the country, while 3 000 teachers participated in training courses. A 2002 study shows that 20% of the students benefiting from the programmes later started their own business, as compared to a national average of 4%.

Partnerships to further these goals have been developing between the educational sector in counties and the private sector, with the support of NHO (Confederation of Norwegian Enterprise). All told, more than 3 500 partnership agreements have been signed up to this day. Around 75% of lower secondary schools have entered into such agreements. Broader partnerships at the county level, integrated into the strategic plans for regional development, bring together all the actors concerned: institutions at different levels of



education, public agencies and representatives of the private sector. A survey among teachers at the lower secondary level conducted in 2004 precisely established that collaboration between business and educational institutions was the main achievement of the strategy. It is as of now too early to evaluate with precision the overall impact of the strategy but it undeniably constitutes a step in the right direction, as one of the main challenges of the educational system in Norway is to better attune its outputs to labour market needs in very different parts of the country.

#### **3.5.4. Civil society**

Civil society plays an important role in Norwegian governance. The sector is well developed and adhered to by large shares of the Norwegian population. In the Johns Hopkins Global Civil Society index Norway scores second out of 34 countries. Norway has a particularly high score on the ability of civil society to survive over time and above-average on the level of effort the sector mobilises and the impact it has on social, economic and political life. Norway has a relatively low share of civil society workforce (2.7% of the economically active population in 2004), but makes up for that by a large share of volunteers (4.4% of the economically active population) (Salomon and Sokolowski, 2004).

Civil society organisations played an important role in Norwegian history and continue to exert influence. Labour unions and rural organisations had a substantial influence on the evolution of democracy in Norway. NGO's worked to strengthen women's rights and labour rights. In the last decades many were engaged in environmental issues, international aid and development, as well as the issue of Norwegian membership in the EU (referenda in 1972 and 1994). Around one-fourth of Norwegian development aid is channelled through NGO's. Labour unions continue to be powerful organisations with high membership and substantial influence over wage setting. Three out of four Norwegians are members of at least one NGO and half of the population is member of two or more organisations ([www.norway.org](http://www.norway.org)).

It is useful to refer to the concept of social capital to apprehend the role of civil society in local development matters. Social capital resides in the relations and network of persons, with value lying in the type and feature of the network (Coleman, 1990; Magliola, 2005). In a regional setting, studies by Putnam and colleagues in Italy between 1970 and 1990 (Putnam, 1993) defined social capital as "norms of reciprocity and networks of civic engagement". Social capital facilitates contact between inhabitants, authorities and politicians making development of legitimate and effective solutions easier and less costly. There are few direct studies of social capital in Norwegian regions, but following Putnam's definitions, Norway and the Nordic countries score high.

A comparative study of new co-operatives in Trøndelag and Jämtland in 1997 showed that such organisations solved important tasks, in the former region first within agriculture, in the latter region mostly within services and care (Forbord, 1998). A recent study from Sweden suggests that high activity in voluntary organisations may be positive for population growth in rural communities (Westlund, 2006). This may be an indicator of the importance of social capital for rural and regional development. The building of networks is important for developing new economic activity in rural areas as well (Forbord, 2005). This corresponds to recent studies in Denmark showing that social capital is a “profitable asset” saving society of enormous costs, when it comes to control (Svendensen and Svendensen, 2006). As such, social capital represents an essential resource because it “produces” public institutions that people are satisfied with and more developed regions in terms of socio-economic factors.

### 3.6. Future developments

Regional reform is on the top of the policy agenda in Norway. In many countries, regional reform is about decentralising responsibilities to the regional level. This is of course one of the features of proposed reform in Norway but debate relates to many other aspects, either directly or indirectly. The major issue is searching for increased efficiency in the delivery of regional development policy in the whole country and particularly in the many areas where very low density settlement patterns and out-migration constitute a major challenge to policy makers. Maintaining the vitality of these areas, in particular by continued quality public services and strong central support for economic development, is a shared objective of Norwegian society and the body politic as a whole. Through which multilevel governance arrangements can this goal, and more broadly, that of balanced territorial development, be met? In summarising the findings of this review, this last section will seek to highlight the linkages between different issues and their implications.

The issue of increased powers delegated to regions is inseparable from that of the size and number of regions. In Norway, the choices that will be made will have to take into account specific constraints that seldom arise elsewhere. Big regions respond to the issues of critical mass but in the case of Norway low population density and distances seem to plead in favour of medium-sized regions, meaning that the present number of 19 counties cannot easily be reduced to a mere five or seven. Where should the line be drawn? There is no optimal solution in itself but the final choice must in all cases organise coherence in the distribution of roles between different government levels. If the central level delegates new areas of authority to counties, the latter should have effective responsibility in terms of regional decision making and implementation. This brings up the issue of integrating

specific regional concerns into national policy delivery. The county governor's role will necessarily change: strong co-ordination and *ex post* control should progressively replace the more direct role played today.

Regional reform cannot be separated from the challenges relating to the evolution of municipalities, their size and number and their overall role. Municipalities in Norway play an essential role in terms of public service delivery but they also contribute to local economic development. Many municipalities today lack critical mass, not so much in budgetary terms, because of the effectiveness of the equalisation system that integrates local conditions in a generally well targeted way, but in terms of skilled personnel. Increased inter-municipal co-operation or even merging in certain cases would permit to better pool scant resources but can reinforced municipalities coexist with more powerful regions? If there is a clear separation of roles there is no reason to believe that these two levels of local government cannot develop their action in a co-ordinated fashion. However, municipalities and counties in Norway are on an equal footing as there is no hierarchical relationship between them in any area. In practical terms, this might have to evolve in the future so that individual municipalities can effectively act as agents of regional development strategies rather than trying to pursue goals that do not necessarily fit into a wider picture.

Carrying regional reform forward supposes adequate understanding of the challenges by citizens whose ultimate support conditions future success. If new and more powerful regions are created but voters continue to vote less in regional elections than in national or even municipal elections, democracy will not have gained even if there is increased efficiency in terms of development processes. Future regions, depending on their delimitation, could run the risk of retaining less attention from citizens, situated as they are between the well understood role of the national level and the proximity role of the municipality in daily life. Explaining the crucial role of regions in terms of major infrastructure and economic development is thus paramount to the process itself. Also, new forms of participatory governance are emerging in many countries and this is particularly the case in Norway. Civil society is more and more engaged in local development processes, in particular through partnerships. It is essential to fully recognise the role of these new participatory expressions of governance, often developing through national and regional networks, rather than consider these as competing with more classical modes of citizen engagement.

On the long run, how can the Norwegian model of regional development evolve in a global era? Remote areas and North Norway have a special place in the equalisation system and in regional policy. The assumption is that the expenditure needs in these areas are larger than elsewhere, justifying a higher degree of dependency on national grants. This complex system is partly

financed by the high levels of national fiscal revenue thanks to petroleum resources, even if spending from this source is checked by pension fund mechanisms designed to safeguard the interests of future generations. The other major source of revenue for remote areas and North Norway are transfers within the equalisation system, most notably from Oslo and other large cities. Can the competitiveness of the capital-city region be maintained in the future, taking into account its essential role in the performance of the whole Norwegian economy, while adequately supporting lagging or remote regions? The answer probably lies in the understanding that regional policy is a whole and that emerging urban policy can contribute to its objectives.

### Notes

1. There are 16 ministries in Norway, besides the Prime Minister's Office.
2. Oslo and Akershus have one county governor's office, thus 18 county governor's offices and 19 counties.
3. A slightly different picture emerges when median surface per municipality is compared. In that case Sweden and Iceland have larger municipalities and Finland smaller municipalities. See Neubauer, et al. (2007).
4. Municipalities manage to circumvent this rule: over 25% of 224 reviewed (1993-1998) had average user charge financing above 100% (Borge and Rattso, 2004).
5. Although this is true for regional policy (narrowly defined) there are exceptions to the rule like the 2001 reform of health care resulting in a shift of responsibilities from the county to the national level (see Chapter 3).
6. As a member of the European Economic Area (EEA), Norway is governed by regional aid guidelines which limit the form, value and location of aid awards. These guidelines correspond to the EU regional aid guidelines (see OJEU C54, 4 March 2006) which are overseen by DG Competition. For EEA members outside the EU, the state aid control role of DG Competition is undertaken by ESA.
7. This followed on from the 2001 health care reform which removed hospitals from county responsibility.
8. On the contrary, should the economic development situation worsen (as reflected in further depopulation, etc.) then, following the next area designation exercise, the likelihood is that the county would qualify for even more support.
9. On the other hand, others have found that a closer dialogue between politicians and the administration is developing at the county level and that partnership works most effectively between those making a financial contribution to it. See Bjørgum (2005).
10. The main role of the county governors is to help attain the government's objectives in the county. They act on behalf of some ministries to communicate and co-ordinate policies and they also have a supervisory role to ensure that policy delivery follows the established frameworks and is in line with municipal self-government principles. KS and the government agree that in the future the governor's role should be limited to inspection and control functions.
11. Now part of NIFU-STEP.

12. “Valgdeltakelsen ved kommunevalg: Bedre enn sitt rykte?” (Voter Turnout in Municipal Council Elections: Better than its Reputation), in NOU (2006).
13. In Norway retail distribution of wine and spirits is a state monopoly.
14. Use of either Bokmal or Nynorsk in schools is decided by the local population, with the “secondary” language referred to for printed material only.
15. Research project launched by the government of Norway in 1998 and chaired by Professor Oyvind Osterud, Department of Political Science, University of Oslo.
16. The report will be followed by a White Paper to Parliament, mid-2007.



## Bibliography

- Aardal, Bernt (2006), *How to Lose a Walk-Over Election? A Preliminary Analysis of the 2005 Parliamentary Election in Norway*, Report 2006:6, Institute for Social Research, Oslo.
- Aarsoether, Nils (ed.) (2004), *Innovations in the Nordic Periphery*, Nordic Centre for Spatial Development, Stockholm.
- Aasbrenn, Kristian (2006), *Organizing Service Delivery in Areas with Population Decline: The Norwegian Approach*, Institute of Social Sciences, Hedmark University College.
- Almås, R. (ed.) (2004), *Norwegian Agricultural History*, Tapir Academic Press Trondheim, cited in Frode Lyssandtroe (2006), *Links between Agricultural Production and Rural Development: The Norwegian Experience*, OECD.
- Anderson, B., et al. (2006), "Budgeting in Norway", *OECD Journal of Budgeting*, Vol. 6, No. 1, OECD Paris, pp. 7-43.
- Arnold, Erik, Alessandro Muscio, Johanna Nählinder and Alasdair Reid (2005), *Mid-Term Evaluation of the VS 2010 Programme: A Report to the Research Council of Norway*, Technopolis, Brussels.
- Askildsen, Jan Erik, Badi H. Baltagi and Tor Helge Holmås (2002), *Will Increased Wages Reduce Shortage of Nurses? A Panel Data Analysis of Nurses' Labour Supply*, Stein Rokkan Centre for Social Studies, Bergen University Research Foundation, Bergen.
- Baltagi, Badi H., Espen Bratberg and Tor Helge Holmås (2003), *A Panel Data Study of Physicians' Labor Supply: The Case of Norway*, Stein Rokkan Centre for Social Studies, Bergen University Research Foundation, Bergen.
- Barents Secretariat (2006), "Petroleum in North Norway".
- Bellone, Benoît and Bibbee Alexandra (2006), "The Ageing Challenge in Norway: Ensuring a Sustainable Pension and Welfare System", Economics Department Working Papers, No. 480, OECD, Paris.
- Berg, Paul Olav (2003), *Regional Development in Norway – the Role of the State*, Bodø Graduate School of Business, Bodø.
- Bibbee, Alexandra and Flavio Padrini (2006), "Balancing Health Care Quality and Cost Containment: The Case of Norway", Economic Department Working Papers, No. 481, OECD, Paris.
- Bjørgum, Øystein (2005), *Localdemokrati og partnerskap* (Local Democracy and Partnership – summary in English).
- Blomberg, et al. (1999), *Telemedicine in Norway: Status and the Road Ahead*, Ministry of Health and Care Services, Oslo.
- Bohm, P. and H. Lind (1993), "Policy Evaluation Quality: A Quasi-Experimental Study of Regional Employment Subsidies in Sweden", *Regional Science and Urban Economics*, Vol. 23, Elsevier, the Netherlands.

- Borge, L-E and J. Rattsø (1997), "Local Government Grants and Income Tax Revenue: Redistributive Politics in Norway 1900-1990", *Public Choice*, pp. 181-197.
- Borge, L-E and J. Rattso (2003), *Property Taxation as Incentive for Cost Control: Empirical Evidence for Utility Services in Norway*, Department of Economics Paper, Norwegian University of Science and Technology, Trondheim.
- Borge, L-E and Rattso, J. (2004), "The Relationship between Costs and User Charges: The Case of a Norwegian Utility Service", paper, Department of Economics, Trondheim University.
- Bratton, Kathleen A. and Leonard P. Ray (2002), "Descriptive Representation, Policy Outcomes, and Municipal Day-Care Coverage in Norway", *American Journal of Political Science*, Vol. 46, No. 2, pp. 428-437.
- Breivik, Elin, Lars Kr. Rye and Line Linstad (2006), "Project Report Telemedicine in Norway: Norwegian Experiences".
- Breivik, Elin, Lars Kr. Rye and Line Linstad (2007), *Telemedicine in Norway: Norwegian Experiences*.
- Brenna, Wenke (n.d.), *The Sami of Norway*, available at [regjeringen.no](http://regjeringen.no).
- Bundt, Nancy (2003), *Invest and Work in Oslo*, Teknopol, Oslo.
- Byrkjeflot, Haldor (2005), *The Rise of a Healthcare State? Recent Healthcare Reforms in Norway*, Stein Rokkan Centre for Social Studies, Bergen University Research Foundation, Bergen.
- Byrkjeflot, Haldor and Simon Neby (2004), *The Decentralized Path Challenged? Nordic Health Care Reforms in Comparison*, Stein Rokkan Centre for Social Science, Bergen University Research Foundation, Bergen.
- Carlsen, Benedicte (2006), "The Changing Role of Gatekeepers: Rationing and Shared Decision Making in Primary Care", dissertation for the degree Philosophiae Doctor, University of Bergen, Bergen.
- Carlsen, Benedicte and Ole Frithjof Norheim (2003), "Introduction of the Patient-List System in General Practice: Changes in Norwegian Physicians' Perception of their Gatekeeper Role", *Scandinavian Journal of Primary Health Care*, Vol. 21, No. 4, pp. 209-13.
- Christensen, Dag Arne (2003), *Active Ageing: Country Report Norway*, Stein Rokkan Centre for Social Studies, Bergen University Research Foundation, Bergen.
- Christensen, T. and P. Laegreid (2004), *Regulatory Agencies – The Challenges of Balancing Agency Autonomy and Political Control*, Working Paper 18, Stein Rokkan Centre for Social Studies, Unifob AS, Oslo.
- Christensen, T. and P. Laegreid, (2006), *Modern Regulatory Agencies – Professional and Judicial Objectivity or Increased Complexity in Decision Making?*, Working Paper 12, Stein Rokkan Centre for Social Studies, Unifob AS, Oslo.
- Christensen, T., P. Laegreid and I. Mariestigen (2004), *Performance Management and Public Sector Reform: The Norwegian Hospital Reform*, Stein Rokkan Centre for Social Studies, Bergen University Research Foundation, Bergen.
- City of Bergen (2006), "The Centre of Norway's Most Attractive Region for Business Locations".
- Coleman, J. S. (1990), *Foundations of Social Theory*, Belknap Press, Cambridge, Mass.



- Council of Oulu Region (2006), *Pohjois-Pohjanmaan maakuntaohjelma 2007-2010 (Regional Development Programme of Council of Oulu Region 2007-2010)*, Council of Oulu Region, Oulu.
- Defra (Department for Environment Food and Rural Affairs) (2005), *Rural Delivery Pathfinders: Prospectus*, Defra, Working in partnership with local government, Defra, London.
- Directorate for Health and Social Affairs (2005), *The Challenge of the Gradient (2005-06)*, Directorate for Health and Social Affairs, Norway.
- Edvardsen, Hege Marie (ed.) (2004), "Regional Policy in Norway and Sweden", NIBR Report, 13.
- EFTA Surveillance Authority (2006), "PR(06)36: The EFTA Surveillance Authority Accepts a Norwegian Scheme on Regionally Differentiated Social Security Contributions for the Period from 2007 to 2013", 19 July.
- Ervik, Rune and Ingrid Helgøy (2005), "Overcoming the Barriers and Seizing the Opportunities for Active Ageing in Norway: Report from an Expert Panel Meeting", Stein Rokkan Centre for Social Studies, Bergen University Research Foundation, Bergen.
- European Commission (2006a), *European Innovation Scoreboard 2006*, European Commission, Brussels.
- European Commission (2006b), *The PAXIS Manual for Innovation Policy Makers and Practitioners, Analysis and Transfer of Innovation Tools, Methodologies and Policy*, European Commission, Brussels.
- European Commission (2006c), *European Trend Chart on Innovation, Annual Innovation Policy Trends and Appraisal Report – Norway – 2004-2005*, European Commission, Brussels.
- European Commission (2007), "Examples of Regional Innovation Projects, Programmes for Innovative Actions 2000-2006", DG Regio.
- Fimreite, Anne Lise and Per Lægred, (2005), *Specialization and Co-ordination: Implications for Integration and Autonomy in a Multi-Level System*, Stein Rokkan Centre for Social Studies.
- Finnish Tourist Board (2006), *Research and Statistics*.
- Fiva, J. H. and J. Rattso (2005), "Decentralization with Property Taxation to Improve Incentives: Evidence from Local Governments' Discrete Choice", Working Paper No. 6, Department of Economics, Norwegian University of Science and Technology, Trondheim.
- Flak, Leif Skiftenes, Dag H. Olsen and Peter Wolcott (2005), "Local E-Government in Norway: Current Status and Emerging Issues", *Scandinavian Journal of Information Systems*, Vol. 17-2, pp. 41-84.
- Forbord, M. (1998), "New Co-operatives and Local Development – The Case of Jämtland and Trøndelag", *Rural and Regional Development Publications*, 61, P. Saukkonen and H. Vihinen, Mikkelä, Mikkelä Institute for Rural Research and Training, University of Helsinki.
- Forbord, M. (2005), "Co-creating Successful New Industrial Networks and Products", *Managing Product Innovation*, 13, A. G. Woodside, Elsevier Ltd, Oxford, pp. 211-335.
- Foss, Olaf and Tor Selstad (1997), *Regional Arbeidsdeling (Regional Division of Labour)* (unofficial translation), Tano-Aschehoug, Oslo.

- Gammon, Deede (1999), *Restraining and Facilitating Factors in the Diffusion of Telemedicine*.
- Gløersen, Erik, Alexandre Dubois, Andrew Copus and Carsten Schürmann (2006), *Study on Northern Peripheral, Sparsely Populated Regions in the European Union and in Norway*, Nordregio report 2006:2, Nordregio, Stockholm.
- Glomsrod, Solveig and Iulie Aslaksen (eds.) (2006), *The Economy of the North*, Statistics Norway, Oslo-Kongsvinger.
- Hanell and Neubauer (2006), "Geographies of Knowledge Production in Europe", *Nordregio Working Paper*, 3.
- Hansen, Jens Blom (1999), *Policy Making in Central-Local Government Relations: Balancing Local Autonomy, Macroeconomic Control, and Sectoral Policy Goals*, Cambridge University Press, Cambridge.
- Hansteen, Kjell (2005), *Norwegian and Swedish Broadband Initiatives (1999-2005)*, HØYKOM report No. 505, Ministry of Modernisation, Norway.
- Hauknes, Johan, Olav Wicken, Per Koch and Siri Aanstad (2003), *GoodNIP – Good Practices in Nordic Innovation Policies, Part 2 Innovation Policy Trends and Rationalities*, STEP, Centre for Innovation Research, Oslo.
- Hegrenes, A., S., Gezelius, F. Kann and K. Mittenzwei (2002), *Agriculture and Regional Policy – An Analysis of Agricultural Support in Norway*, Norwegian Agricultural Economics Research Institute, Oslo.
- Helgøy, Ingrid (2005), *Active Ageing and the Norwegian Health Care System*, Stein Rokkan Centre for Social Studies, Bergen University Research Foundation, Bergen.
- Hoel, Michael and Karl Ove Moene (1987), "Produksjonsteori" ("Production Theory"), Department of Economy, University of Oslo, Universitetsforlaget.
- Holmås, Tor Helge (2002), *Keeping Nurses at Work: A Duration Analysis*, Stein Rokkan Centre for Social Studies, Bergen University Research Foundation, Bergen.
- Hoykom (2004), *Support for Broadband Communication in the Public Sector in Norway*, Hoykom, SINTEF STEP.
- Innovation Norway (2006), *Annual Report 2005*, Innovation Norway, Oslo
- Institute for Teacher Education and School Development University of Oslo (2006), *Norwegian reports from TIMSS and PISA 2003*, Institute for Teacher Education and School Development – University of Oslo, Oslo.
- Isaksen, Arne (1996), *The Innovation and New Technology Programme in Northern Norway (NT Programme): Results from the Evaluation of the NT Programme: An Overview*, STEP Publication 1/1996, STEP-Group, Oslo.
- Johsen, Elis, Elin Breivik, Robert Myrvand and Frank Olsen (2006), *Benefits from Telemedicine in Norway. An Examination of Available Documentation*, Norwegian Ministry of Government Administration and Reform, Oslo.
- Juvkam, Dag (2002), "Inndeling I bo-og arbeidsmarkedsregioner" (Defining Labour Market Regions), NIBR-report.
- Koch, Per (2006), *Innovation, Entrepreneurship and Regional Development in Norway*, NIFU STEP Studies in Innovation, Research and Education, NIFU Step, Oslo.
- Korkeamäki, O., R. Uusitalo (2005), *Sosiaaliturvamaksukokeilun vaikutus työllisyyteen, arviointiprojektin raportti (The Impact of a Social Security Concession Initiative on Employment, report of the evaluation project)*, (unofficial translation), Ministry of Social Affairs and Health, Helsinki, June 2005.

- Kotilainen, Heikki (2005), *Best Practices in Innovation Policies*, Tekes Technology Review 177/2005, Tekes, Helsinki.
- Knudsen, J.P., et al. (2005), *En vurdering av fylkeskommunenes rolle som regional utviklingsaktør og partnerskapenes funksjon i den sammenheng (An Evaluation of the Role of County Councils as Regional Development Actors and the Function of Partnerships in this Context)*, (unofficial translation), Nordregio and NIBR, Stockholm and Oslo.
- Laegreid, Per, Ståle Opedal and Inger Mariestigen (2003), *The Norwegian Hospital Reform – Balancing Political Control and Enterprise Autonomy*, Stein Rokkan Centre for Social Studies, Bergen University Research Foundation, Bergen.
- Lanestedt, Gjermund and Thor Mogen (2005), *Project Benefits and Results Indicators for Use in the Høykom Programme*, HØYKOM report No. 503, Ministry of Modernisation, Norway.
- Langset, M. and L. Aurdal (2006), “Intermediate Level of Public Administration in Norway: Structure, History and Recent Developments”, EIPA-Report on Intermediate Government in western Europe.
- Lenk, Klaus and Gudrun Klee-Kruse (2000), *Multifunktionale Serviceläden, Ein modellkonzept für die öffentliche Verwaltung im Internet-Zeitalter (Mutlifunctional Service-Shops: A Concept Model for Public Administration in the Internet Era)*, Sigma, Berlin.
- Lind, Truls and Jan Serck-Hanssen, University of Oslo (1972), “Regional Subsidies on Labour and Capital”, *Swedish Journal of Economics*.
- London Business School and Babson, Wellesly (n.d.), “Global Entrepreneurship Monitor”, Massachusetts, United States.
- Magliola, V. (2005), *The Concept of Social Capital in Classical Theories and in Contemporary Research*, N-02/05, Trondheim, Centre for Rural Research.
- Ministry of Education and Research (2003), *Education in Norway*.
- Ministry of Education and Research Directorate for Education and Training (2007), *Facts about Education in Norway – Key Figures*, Statistics Norway, Oslo.
- Ministry of Finance (2006), *State Aid – Regionally Differentiated Social Security Contributions*, submission to the EFTA Surveillance Authority, 12 June 2006, Ministry of Finance, Oslo.
- Ministry of Foreign Affairs (2005), *Opportunities and Challenges in the North*, Report No. 30 (2004-2005) to the Storting, Oslo, 15 April 2005,
- Ministry of Health and Care Services (2006) *National Health Plan for Norway (2007-2010)*, Ministry of Health and Care services, Oslo.
- Ministry of Health and Social Affairs (1998), *Telemedicine in Norway: Status and the Road Ahead*, Ministry of Health and Social Affairs, Oslo.
- Ministry of Health and Social Affairs (2005), *Long-Term Care – Future Challenges*, Report No. 25 to the Storting (2005-2006), Ministry of Health and Social Affairs, Oslo.
- Ministry of the Interior of Luxembourg (2003), “Centres de Développement et d’Attraction”, in *Programme Directeur d’Aménagement du Territoire*, Ministry of the Interior, Luxembourg.
- Ministry of Local Government and Regional Development (2002), “Growth – In All Parts of the Country”, Minister Erna Solberg’s statement to the Norwegian Storting, Tuesday, 30 April 2002.

- Ministry of Local Government and Regional Development (2005a), *A New Regional Policy – For Different Regions; Globalization Changes The Conditions For Regional Growth*, Ministry of Local Government and Regional Development, Oslo.
- Ministry of Local Government and Regional Development (2005c), *Diversity through Inclusion and Participation: Responsibility and Freedom (2003-2004)*, Report No. 49 to the Storting.
- Ministry of Local Government and Regional Development (2005b), *Inntektssystemet for kommuner og fylkeskommuner 2006*, Beregningsteknisk dokumentasjon til St.prp.nr.1 (2005-2006) (*Equalisation System for Municipalities and County Councils*, documentation on the technical calculations 2005-2006), Ministry of Local Government and Regional Development, Oslo
- Ministry of Local Government and Regional Development (2006a), Notification of the area eligible for national regional aid and aid levels for the period 2007 to 2013 to the EFTA Surveillance Authority, June 2006.
- Ministry of Local Government and Regional Development (2006b), *The Rural and Regional Policy of the Norwegian Government*, Summary of White Paper No. 21 (2005-2006), Norway.
- Ministry of Local Government and Regional Development (2007), Draft version of White Paper on the Oslo-region, Ministry of Local Government and Regional Development, Oslo.
- Ministry of Petroleum and Energy (2006), *Facts 2006 The Norwegian Petroleum Sector*, Ministry of Petroleum and Energy, Oslo.
- Ministry of Trade and Industry (2003), *Norwegian Government's Plan for Innovation*, Ministry of Trade and Industry, Oslo.
- Ministry of Trade and Industry (2006), *The EU Lisbon Strategy – A Norwegian Perspective*, Ministry of Trade and Industry, Oslo.
- Møreforskning Molde (2001), "Differensiert arbeidsgiveravgift, kunnskapsstatus" (Differentiated Social Security Contributions, the Status of Knowledge), December.
- Mortimer, Peter (rapporteur), Simon Field and Beatriz Pont (2004), "Equity in Education Thematic Review, Norway Country Note", OECD.
- National Council for Senior Citizens (n.d.), *Challenges for Senior Policy 2006-2009*, National Council for Senior Citizens, Oslo.
- National Directorate for Health and Social Affairs (2005), "... And it's Going to Get Better! – National Strategy for Quality Improvement in Health and Social Services (2005-2015)", National Directorate for Health and Social Affairs, Oslo.
- Neubauer et al. (2007), *Regional Development in the Nordic Countries 2007*, Nordregio Report 2007:1.
- Van den Noord, Paul, Terje Hagen and Tor Iversen (1998), "The Norwegian Health Care System", OECD, Working Paper No. 198.
- Nordic Innovation Centre (2005), *Innovation Systems and the Periphery*, Nordic Innovation Centre, Oslo.
- Nordic Innovation Centre (2006), *Nordic Private Equity – An Industry Analysis*, Nordic Innovation Centre, Oslo.
- Nordregio (2005), *An Evaluation of Public-Private Partnerships*, Nordregio, Stockholm.

- Nordregio (2006), "The Role of Urban Areas in Regional Development – European and Nordic Perspectives", Proceedings of the Nordic Working Group on Cities and Regions, *Nordregio Working Paper* 2006, No. 4.
- Norges Gruppen (2004), *Arvsrapport*, summary in English, Norges Gruppen, Oslo.
- Norsk Telecom (2004), *Norske Bredbåndsaktører*, Norsk Telecom AS Report 2, March 2004 for NHD.
- Norut Group, Ltd. (2006), *Annual Report 2005*, Norut Group, Tromsø.
- Norut samfunnsforskning and Ernst and Young (2000), *Evaluering av NT-programmet (Evaluation of the NT-programme for North Norway)*, Ministry of Local Government and Regional Development, Oslo.
- Norwegian Board of Health (2002), *Quality in Health Care: The Role of Government in Supervision and Monitoring in Norway*, Norwegian Board of Health, Oslo.
- Norwegian Government (2006a), Første stortingsmelding om innovasjon (press release about first White Paper on Innovation), Pressemelding Nr.: 83/06, Norwegian government, Oslo.
- Norwegian Ministry of Education and Research (2003), *Education in Norway*, Norwegian Ministry of Education and Research, Oslo.
- Norwegian Research Council (2005a), *Annual Report 2004 (Årsmelding 2004)*, Norwegian Research Council, Oslo.
- Norwegian Research Council (2005b), "Results from the Hospital Reform – Access, Priorities, Efficiency and Stake Holders' Participation".
- NOU (Norwegian Official Report) Report of the Effects Committee (2004a), *Effekter og effektivitet – effekter av statlig innsats for regional utvikling og distriktpolitiske mål (Effects and Efficiency)* (unofficial translation), NOU, Vol. 2, January 2004, Oslo.
- NOU (Norwegian Official Report), Report of the District Commission (2004b), *Viable Districts and Regions: Frameworks for a Holistic and Geographically Adapted Policy*, NOU, Vol. 19, 12 October 2004, Oslo.
- NOU (2006), "Det lokale folkestyret i endring?" (Local Democracy in Change?), Norwegian Official Reports, No. 7.
- Odden, Sigrun (2006), *Evaluation of Industry-College Collaboration Scheme (Evaluering av bedriftsopplæringsprogrammet Østerdalsskolen)*, Høgskolen i Hedmark, Report No. 10, Høgskolen I Hedmark, Elverum.
- OECD (2003a), *OECD Territorial Reviews: Helsinki, Finland*, OECD Publications, Paris.
- OECD (2003b), *OECD Territorial Reviews: Öresund, Copenhagen/Sweden*, OECD Publications, Paris.
- OECD (2003c), *Urban Renaissance: Berlin: Towards an Integrated Strategy for Social Cohesion and Economic Development*, OECD Publications, Paris.
- OECD (2004a), *Education at a Glance: OECD Indicators*, OECD Publications, Paris.
- OECD (2004b), *Equity in Education*, Thematic Review, Norway, OECD Publications, Paris.
- OECD (2004c), *ICT Diffusion to Business: Peer Review, Country Report: Norway*, Working Party on the Information Economy, OECD Publications, Paris.
- OECD (2005f), *Agricultural Policies in OECD Countries: Monitoring and Evaluation*, OECD Publications, Paris.

- OECD (2005a), *Equity in Education, Thematic Review, Norway*, OECD Publications, Paris.
- OECD (2005b), *Health at a Glance: OECD Indicators 2005*, OECD Publications, Paris.
- OECD (2005c), *OECD Economic Surveys: Norway*, OECD Publications, Paris.
- OECD (2005d), *OECD Factbook: Economic, Environmental and Social Statistics*, OECD Publications, Paris.
- OECD (2005e), *OECD Territorial Reviews: Finland*, OECD Publications, Paris.
- OECD (2006c), *OECD Education at a Glance*, OECD Publications, Paris.
- OECD (2006a), *OECD Territorial Reviews: Stockholm, Sweden*, OECD Publications, Paris.
- OECD (2006e), *OECD Rural Policy Reviews: The New Rural Paradigm: Policies and Governance*, OECD Publications, Paris.
- OECD (2006d), *OECD Thematic Review of Tertiary Education, Norway Country Note*, OECD Publications, Paris.
- OECD (2006b), *Sickness, Disability and Work (Volume 1): Norway, Poland and Switzerland*, OECD Publications, Paris.
- OECD (2007a), *OECD Economic Surveys: Norway*, OECD Publications, Paris.
- OECD (2007b), *OECD Regions at a Glance*, OECD Publications, Paris.
- OECD/IMHE (2006), *Supporting the Contribution of Higher Education Institutions to Regional Development, Peer Review Report: Trondelag (Mid Norway Region)*, Norway, OECD Publications, Paris.
- Office of the Prime Minister (2006), "Integrated Management Plan Ready", Press release No. 45-06, 31 March 2006, Oslo.
- Oslo Innovation Centre (2006), *Norway's Biggest Innovation Centre (Forskningsparken – Norges største innovasjonssenter)*, Oslo Innovation Centre, Oslo.
- Oslo Teknopol (2003), *Invest and Work in Oslo Guide*, Oslo Teknopol, Oslo.
- Oslo Teknopol (2005), "Hovedstadsprosjektet" – Capital City Project, final report, Oslo Teknopol, Oslo.
- Oslo Teknopol (2006), *Join the Mobile Adventure*, Oslo Teknopol, Oslo.
- Putnam, R. (1993), *Making Democracy Work: Civic Traditions in Modern Italy*, University Press, Princeton, NJ.
- Rattso, J. (2003), "Vertical Imbalance and Fiscal Behavior in a Welfare State: Norway", paper, Department of Economics, Norwegian University of Science and Technology, Trondheim.
- Region of Lapland (2003), *Lapin osaamiskeskusohjelma 2003-2006 (Lapland's Centre of Expertise Programme 2003-2006)*, Lapin elämysteollisuuden osaamiskeskusohjelma, Rovaniemi.
- Research Council of Norway (2005), *Annual Report 2004*.
- Research Council of Norway (2005), *Report on the Evaluation of the Regular General Practitioner Scheme*, Oslo.
- Research Council of Norway (2006), *Report on Science and Technology Indicators for Norway 2005*, Research Council of Norway, Oslo.
- Rural Policy Committee (2004), "Viable Countryside: Our Joint Responsibility", *Rural Policy Programme 2005-2008*, Rural Policy Committee, Finland.

- Salomon, L. and W. Sokolowski (2004), *Global Civil Society: Dimensions of the Non-Profit-Sector*, Kumarian Press, Bloomfield, CT.
- Selvitysmies Raimo Sailaksen työryhmä (Working group of Raimo Sailas) (2005), *Työnantajan sosiaaliturvamaksusta vapauttamisen alueellinen kokeilu – työllisyys ja muut vaikutukset (Regional Initiative on Employers Social Security Concessions – Employment and Other Impacts)*, October.
- Semlitsch, Kjersti (2006), *Public-Private Partnerships: Norwegian Challenges*, Office of the Auditor General of Norway, Oslo.
- Senneseth, Knut (2005), *Innovation Norway, Cluster Policy and Programmes in Norway*, Innovation Norway, Oslo.
- Serck-Hanssen, Jan (1984), Annex to the Official Norwegian Report: “Statlig næringsstøtte I distriktene”, NOU, 21 A.
- Skogseid, Ingjerd (2005), *Market-Driven Development of Broadband Infrastructure in Rural Areas*, Western Norway Research Institute, IRIS 28, IRIS (Information Systems Research in Scandinavia), Norway.
- Skogseid, Ingjerd and Ole Hanseth (2005), *Local Actors Build Broadband Infrastructure*, Western Norway Research Institute, Norway.
- Sölvell, Örjan, Göran Lindqvist and Kristian Ketels (2003), *The Cluster Initiative Green Book*, The Competitiveness Institute, Barcelona.
- Spilling, O.R. (1996), “Regional Variation of New Firm Formation: The Norwegian Case”, *Entrepreneurship and Regional Development*, 8(3), pp. 217-243.
- St.meld.nr. 19 (Report to the Norwegian Parliament, the Storting) (2001-2002), *Nye oppgaver for localdemokratiet – regional og lokalt nivå. (New Tasks for Local Democracy – Local and Regional Levels)* (unofficial translation), Report to the Norwegian Parliament, 2002, Oslo.
- St.meld.nr. 8 (2003-2004), *Rich Diversity in the North: About the Action Zone in Finnmark and North Troms*, Report to the Norwegian Parliament, 2003, Oslo.
- St. meld. nr. 24 (2003-2004), *National Transport Plan 2006-2015*, 12 March 2004, Report to the Norwegian Parliament, Oslo.
- St.meld.nr. 25 (2004-2005), *Om regionalpolitikken (Ministry of Local Government and Regional Development, A New Regional Policy – For Different Regions: Globalisation Changes the Conditions for Regional Growth – summary in English)*, Report to the Norwegian Parliament, 2005, Publication number H-2163 E, Oslo.
- St.meld.nr. 21 (2005-2006), *Hjarte for heile landet: Om distrikts- og regionalpolitikken. (Ministry of Local Government and Regional Development, The Rural and Regional Policy of the Norwegian Government – summary in English)*, Report to the Norwegian Parliament, 2006, Publication number H-2190 E, Oslo.
- St.meld.nr. 12 (2006-2007), *Regionale fortrinn – regional framtid (Regional Advantages – Regional Progress)* (unofficial translation), Report to the Norwegian Parliament, 2006, Oslo.
- Statistics Norway (2005), *Innovation in Norwegian Enterprises 2004*, Statistics Norway, Oslo.
- Statistics Norway (2006), *Research and Development (R&D) in the Norwegian Business Enterprise Sector 2005*, Statistics Norway, Oslo.
- Statistics Norway (2006), *The Merchant Fleet 2005*, Statistics Norway, Oslo.

- Stoye, Monica (2006), "The Small Food Producers' Network and the Knowledge Centre for Food Development (VIFU), Denmark", in report *Peripheral Localities and Innovation Policies*, Nordic Innovation Centre, Oslo, pp. 122-137.
- Svendsen, G. T. and G. L. H. Svendsen (2006), *Social kapital. En introduktion*. København, Hans Reitzels Forlag.
- The Gallup Organization Europe (2006), "2006 Innobarometer on Cluster's Role in Facilitating Innovation in Europe", Analytical Report, *Flash Eurobarometer*, 187.
- Virkkala, Seija and Kristiina Niemi (eds.) (2006), *Peripheral Localities and Innovation Policies: Learning from Good Practices between the Nordic Countries*, Nordic Innovation Centre, Oslo.
- Wiig Aslesen, Heidi, Morten Fraas, Arne Isaksen and Keith Smith (2000), *Evaluation of SIVA, STEP Report*, STEP Research Institute, Oslo.
- Wishlade, Fiona G. (2003), *Regional State Aid and Competition Policy in the European Union*, Kluwer European Monographs, Vol. 43, Kluwer, The Hague.
- World Economic Forum (2007), *The Global Competitiveness Report 2006-2007*, World Economic Forum, Geneva.
- Westlund, H. (2006), *Social Capital in the Knowledge Economy – Theory and Empirics*, Heidelberg, Springer.
- Yuill, D. (2006), "Responding to the Changing Policy Agenda: Recent Regional Policy Developments in the EU and Norway", EoRPA 06/1, European Policies Research Centre, University of Strathclyde, Glasgow.
- Yuill, D. and H. Vironen (2006), "Regional Policy, Urban Areas and Innovation: A Policy Review", in Ministry of the Interior, *Cities Making a Competitive and Liveable Europe*, Discussion Paper on urban development during Finland's EU Presidency, Helsinki.

#### **List of Official Websites**

Directory of Public Sites: [www.norway.no](http://www.norway.no)

Ministry of Local Government and Regional Development: [www.krd.no](http://www.krd.no)

Statistics Norway: [www.ssb.no](http://www.ssb.no)

Ministry of Agriculture and Food: [www.lmd.dep.no](http://www.lmd.dep.no)

Ministry of Education and Research: [www.kd.dep.no](http://www.kd.dep.no)

Ministry of Fisheries and Coastal Affairs: [www.fkd.dep.no](http://www.fkd.dep.no)

Ministry of Government and Administration Reform: [www.fad.dep.no](http://www.fad.dep.no)

Ministry of Health and Care Services: [www.hod.dep.no](http://www.hod.dep.no)

Ministry of Petroleum and Energy: [www.oed.dep.no](http://www.oed.dep.no)

Ministry of Transport and Communications: [www.sd.dep.no](http://www.sd.dep.no)

KS: [www.ks.no](http://www.ks.no)

Innovation Norway: [www.innovasjon Norge.no](http://www.innovasjon Norge.no)

Research Council of Norway, RCN: [www.rcn.no](http://www.rcn.no)

Industrial Development Company of Norway, SIVA: [www.siva.no](http://www.siva.no)



# Table of Contents

<b>Assessment and Recommendations</b> .....	11
<i>Chapter 1. Regional Performances and Underused Potentials</i> .....	27
Introduction .....	28
1.1. Major demographic and economic trends .....	31
1.1.1. Spatial and demographic shifts .....	31
1.1.2. Urban growth trends .....	32
1.1.3. Structural changes in the economy .....	36
1.1.4. Changes in society and long-term-impacts .....	40
1.1.5. Long-term nationwide challenges .....	47
1.2. Regional trends .....	53
1.2.1. Demographics .....	53
1.2.2. GDP per capita .....	56
1.2.3. Unemployment .....	60
1.2.4. Skills and innovation .....	62
1.2.5. Regional performances .....	65
1.3. Underused potentials .....	70
1.3.1. Education .....	70
1.3.2. Tourism .....	71
1.3.3. Foreign direct investment .....	73
1.4. Major issues .....	74
1.4.1. The territorial challenges facing Norway .....	74
1.4.2. Geography of clusters and innovation in Norway .....	82
1.4.3. Clusters in Norway .....	85
1.4.4. Public innovation resources .....	87
1.4.5. Areas of population decline in Norway and access to services .....	89
Notes .....	92
<i>Chapter 2. Assessing Regional Policies</i> .....	95
2.1. Evolution of regional policies in Norway .....	96
2.1.1. Long-term development of Norwegian regional policies ..	96
2.1.2. Recent policy developments .....	97
2.1.3. Coverage of regional policy .....	100
2.2. Policy for peripheral and declining areas .....	105
2.2.1. Policy instruments targeted at sparsely populated areas ..	106

2.2.2. Policy instruments targeted at the North .....	113
2.2.3. Policy issues and challenges .....	115
2.2.4. Summing up .....	119
2.3. Regional competitiveness policies .....	120
2.3.1. Innovation and cluster policies .....	120
2.3.2. Regional competitiveness and major urban centres .....	138
2.3.3. Rural/remote area competitiveness .....	148
2.3.4. Innovation policies for North Norway .....	153
2.3.5. Summing up .....	161
2.4. Service delivery in areas with population decline .....	163
2.4.1. Policy challenges .....	163
2.4.2. Policy responses .....	165
2.4.3. Education .....	166
2.4.4. Innovative approaches .....	182
2.4.5. Summing up .....	193
Notes .....	194
Chapter 3. <b>Governance Issues</b> .....	197
3.1. Regional policy challenges .....	198
3.2. The institutional framework .....	198
3.2.1. Central government .....	200
3.2.2. Intermediate institutional actors .....	201
3.2.3. Municipalities and county councils .....	203
3.3. Local government finances .....	209
3.3.1. Subnational expenditure .....	209
3.3.2. Subnational revenues .....	214
3.3.3. Fiscal equalisation .....	223
3.4. Vertical and horizontal co-ordination .....	233
3.4.1. Vertical co-ordination .....	233
3.4.2. Horizontal co-operation .....	235
3.4.3. Multilevel governance challenges .....	240
3.5. Citizen participation .....	249
3.5.1. Local elections .....	249
3.5.2. Participatory processes .....	250
3.5.3. Entrepreneurship .....	251
3.5.4. Civil society .....	253
3.6. Future developments .....	254
Notes .....	256
Bibliography .....	259
<b>List of Tables</b>	
1.1. Average annual growth rate in regional population, 1980-2006 ...	54
1.2. Regional share of population (%), 1980-2004 .....	54

1.3.	Determinants of regional dynamics of population .....	55
1.4.	Regional population aged 15-64 years (%), 1980-2004 .....	56
1.5.	Effect of commuting on regional GDP per capita in Norway (2001).	67
1.6.	Regional specialisation in Norway (2001) .....	69
1.7.	Foreign overnights at accommodation facilities in the Nordic countries, 1995-2005 .....	72
1.8.	Percentage of overnight stays by county and ranking, 2005 .....	73
1.9.	Foreign direct investment inflows .....	73
1.10.	Components of the periphery index (with percentage weights) ...	77
1.11.	Employment by sector .....	80
1.12.	Population, population density and population change in North Norway .....	80
1.13.	Proportion of population of 67 or more in 2006 by municipalities .	90
2.1.	Ministry of Local Government and Regional Development budget 2005-2007 .....	99
2.2.	Award zones under the social security tax contribution .....	107
2.3.	Designated, non-designated, swapped in and out areas .....	111
2.4.	North Norway Grant in 2007 .....	114
2.5.	Norwegian Centres of Expertise selected projects 2006 .....	135
2.6.	SWOT analysis of Oslo region .....	143
2.7.	Percentage of pupils entitled to public transport in 2005 by municipality type .....	169
2.8.	Municipal share of total public expenditure for general medical services .....	176
2.9.	Average number of physicians per 10 000 inhabitants in 2005 ....	177
2.10.	Staff with health-social education for nursing care per 10 000 inhabitants in 2005 .....	182
2.11.	Number of projects and investment in "Høykom-School" programme .....	189
3.1.	Criteria expenditure needs equalisation for municipalities in Norway .....	225
3.2.	Revenue sources of the municipality of Loppa in the county of Finnmark (2004); in percentages of total revenues .....	231
3.3.	Fields of intermunicipal co-operation in 2006 .....	237
3.4.	Municipal amalgamations since 1995 .....	238

### List of Figures

0.1.	Norway and the Nordic countries .....	24
0.2.	Counties in Norway .....	25
1.1.	Settlement patterns in Norway .....	30
1.2.	Population growth of major cities-municipalities in Norway, 1996-2006 .....	33

1.3. Annual demographic growth rates in major Norwegian cities-municipalities, 1996-2006 . . . . .	33
1.4. Population growth of nine labour regions in Norway, 1996-2006 . .	34
1.5. Nine labour regions' annual demographic growth rates, 1996-2001	34
1.6. Population growth in Oslo and surrounding regions, 1996-2006 . .	35
1.7. Annual demographic growth rates in Oslo and surrounding regions, 1996-2001 . . . . .	36
1.8. Gross domestic product per capita, selected countries, 2004 . . . . .	37
1.9. The largest oil producers and exporters in 2006 . . . . .	38
1.10. Public social benefits in OECD countries . . . . .	41
1.11. Total health care expenditure in OECD countries . . . . .	44
1.12. Non-western immigrants by municipality . . . . .	46
1.13. The sectoral composition of output . . . . .	48
1.14. Index of geographic concentration of GDP (TL3) in OECD countries, 2003 . . . . .	57
1.15. Regional disparities in GDP per capita amongst OECD countries, 2003	58
1.16. Growth in the regional share of GDP (1995-2004). . . . .	59
1.17. Population, GDP per capita and impact on regional shares of GDP (1995-2002) . . . . .	60
1.18. Trends in regional unemployment rates (2000-2005) . . . . .	61
1.19. Trends in regional employment rates (2000-2005) . . . . .	62
1.20. Regional disparities in educational attainments in Norway, 2001 .	63
1.21. Private investments in R&D per employed (2004) . . . . .	64
1.22. Registration rates per 1 000 people (2004). . . . .	65
1.23. Determinants of regional performances in Norway (2001) . . . . .	67
1.24. Foreign overnights at Nordic accommodation facilities, 1995-2005 . .	72
1.25. Evolution of FDI flows in counties, 1989-2004, in million NOK . . . .	74
1.26. Cities and small centres, set within their surrounding areas . . . . .	76
1.27. Designated and non-designated regional aid areas 2007-13 . . . . .	78
1.28. European Innovation Scoreboard 2006 . . . . .	82
1.29. Norway's performance compared to EU25 in European Innovation Scoreboard 2006 . . . . .	83
1.30. R&D expenditures per county in Norway in 2003 . . . . .	84
1.31. Average net migration per 1 000 inhabitants between 1994-2005. .	89
1.32. Grocery shops from 1960 to 2006, Midt-Østerdal region, (Hedmark county). . . . .	91
2.1. Designated areas for the social security contribution 2007-13 . . . .	107
2.2. Designated regional aid areas 2007-13 . . . . .	112
2.3. The Norwegian System for Education and R&D. . . . .	122
2.4. Innovation players in Norway . . . . .	125
2.5. Oslo region. . . . .	140
2.6. Greater Oslo business clusters . . . . .	142

2.7.	Educational institutions in North Norway . . . . .	155
2.8.	Municipal expenditures by category in per cent of total in Rendalen (Hedmark) . . . . .	166
2.9.	Number of pupils in primary and lower secondary schools (2001-2005) in Norway . . . . .	167
2.10.	Number of primary and lower secondary public schools (2001-2005) in Norway . . . . .	168
2.11.	Number of primary, lower secondary private schools (2002-2006) .	168
2.12.	Average wage expenditure per pupil in primary and secondary schools . . . . .	170
2.13.	Pupils per teacher with required qualification. . . . .	171
2.14.	Evolution of the number of physicians (all types) 2002-2005 . . . . .	177
2.15.	Average wages for nursing and care between 2001-2005 by type of municipality . . . . .	181
2.16.	Average net operating expenditures per capita, nursing care services in municipalities . . . . .	182
3.1.	Size of municipalities (average number of inhabitants per municipality; 2005) . . . . .	204
3.2.	Number of municipalities by population size in 2006. . . . .	205
3.3.	Size of municipalities (average surface per municipality; 2005) . . .	206
3.4.	Number of municipalities in Norway 1947-2006 . . . . .	207
3.5.	National and subnational employees as share of total employment .	208
3.6.	Staff employed by counties per 1000 inhabitants (2005). . . . .	208
3.7.	Subnational government expenditures and total government spending, Norway and OECD countries (2003) . . . . .	210
3.8.	Expenditures of central, regional and local governments in Norway (billion NOK, 2005) . . . . .	211
3.9.	Subnational expenditures (county and municipal) per capita in Norway (2005) . . . . .	212
3.10.	Main expenditure categories of counties (2005). . . . .	212
3.11.	Main expenditure categories of municipalities (2005). . . . .	213
3.12.	Personnel costs as percentage of the municipal budget in North Norway and the rest of Norway over 1994-2004 . . . . .	213
3.13.	Expenditures in education and elderly care by municipalities (as % of municipal budget) . . . . .	214
3.14.	County revenues (2005) . . . . .	215
3.15.	Municipal revenue sources (2004) . . . . .	216
3.16.	Share of municipal revenues (in %) in North Norway and the rest of Norway (2005) . . . . .	218
3.17.	Trends in municipal revenues 1994-2004 . . . . .	219
3.18.	Pro-cyclicality of the local income tax revenues . . . . .	220

3.19.	Ten largest contributors to the municipal equalisation system (million NOK; 2005) . . . . .	228
3.20.	Ten largest contributors per capita to the municipal equalisation system (in NOK per inhabitant; 2005) . . . . .	229
3.21.	Ten municipalities benefiting most in absolute terms from equalisation (million NOK; 2005) . . . . .	229
3.22.	Ten municipalities that benefit most in relative terms from equalisation system (NOK per inhabitant; 2005) . . . . .	230
3.23.	Voter turnout in national, county and municipal elections in Norway: 1967-2005 . . . . .	249

### List of Boxes

0.1.	Norway basic facts and figures . . . . .	23
1.1.	The Government Pension Fund – Global . . . . .	39
2.1.	2006 regional policy ambitions and challenges . . . . .	100
2.2.	The components of Norwegian Regional Policy . . . . .	102
2.3.	Social security concessions in Sweden and Finland . . . . .	110
2.4.	Regional Strategic Initiative (RSI), Bas Saint Laurent Region, Quebec, Canada . . . . .	131
2.5.	Finnish Centre of Expertise Programme . . . . .	150
2.6.	The Norut Group . . . . .	156
2.7.	Council of Oulu Region’s 1+3 regional centre network . . . . .	161
2.8.	Health Centre in Steigen . . . . .	179
2.9.	Social services provided by municipalities in Norway . . . . .	180
2.10.	Improving the quality of life of the elderly in Saône-et-Loire (France) . . . . .	183
2.11.	Partnership for broadband projects in “Sogn og Fjordane” . . . . .	188
2.12.	An example of tele-education in an upper secondary school . . . . .	191
3.1.	The Ministry of Local Government and Regional Development . . . . .	199
3.2.	KOSTRA database (Subnational government reporting) . . . . .	221
3.3.	Examples of tax equalisation . . . . .	224
3.4.	Example of expenditure needs equalisation for Oslo and Steigen . . . . .	226
3.5.	Norwegian Association of Local and Regional Authorities (KS) . . . . .	235
3.6.	Government Sub-committee on Rural and Regional Policy . . . . .	236
3.7.	Forms of national-regional co-ordination within selected EU member states . . . . .	243
3.8.	Pilots on governance in a single regional body . . . . .	246
3.9.	“Inhabitant Initiative in Norway” . . . . .	251



**From:**  
**OECD Territorial Reviews: Norway 2007**

**Access the complete publication at:**  
<https://doi.org/10.1787/9789264038080-en>

**Please cite this chapter as:**

OECD (2008), "Governance Issues", in *OECD Territorial Reviews: Norway 2007*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264038080-5-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).