

MANAGING ACROSS LEVELS OF GOVERNMENT

SWEDEN

1. Institutions and authority**1.1 Structures**

Sweden is a parliamentary democracy. The Parliament has until recently been elected for a three-year term. From 1994 the term is four years. The Parliament is elected directly and representation is strictly proportional. This promotes a multi-party system. Direct and proportional elections are also held for county councils, municipalities and parishes.

Sweden has four constitutional laws, and one of these, the Instrument of Government provides constitutional protection for regional and local authorities. Chapter 1, section 7 reads: "There are in Sweden primary units of local government (municipalities) and county councils. The right of decision in municipalities and county councils is exercised by elected assemblies. The municipalities and county councils may levy tax for the performance of their duties."

Description of levels

The ministries in Sweden are relatively small. State agencies and boards (around 300) handle most of the State responsibilities and administration. Some State agencies only work at the national level. Others can have regional and local branches. At the regional level, the central administration is represented by 24 counties. Around 250 000 persons are employed by the State including defence, and some State companies (railroads, post, airports).

Sweden is divided into county councils (23), municipalities (288) and parishes (2 500). The counties are primarily a central government administrative division at the regional level. The parishes are local units of the State church administration.

Approximately 734 000 persons are employed by municipalities, 303 000 persons are employed by county councils and 25 000 persons are employed by the church.

The total area of Sweden is 450 000 square kilometres. Its population of 8.8 million is spread over an area almost 30 per cent larger than Germany. There is a need, therefore, for an extensive regional and local government even if the number of inhabitants in each constituency may be quite small.

Table 1. Area and population of sub-national governments (1992)

| Number | Counties | | Municipalities | |
|----------|-------------------------|--------------------------|-------------------------|------------------------|
| | area (km ²) | population | area (km ²) | population |
| | 24 ⁽¹⁾ | | 288 ⁽¹⁾ | |
| Largest | 98 911 | 1 641 669 ⁽²⁾ | 19 447 | 672 452 ⁽²⁾ |
| Smallest | 2 941 | 57 108 | 9 | 2 959 |

Number of municipalities and population distribution

| Population size | Number of municipalities ⁽¹⁾ |
|-----------------|---|
| 0 -1 000 | 0 |
| 1 000 -5 000 | 10 |
| 5 000 -10 000 | 56 |
| 10 000 -50 000 | 181 |
| 50 000 -100 000 | 30 |
| over 100 000 | 11 |

1. Figures from 1996.

2. Stockholm, which is both a county council and a municipality.

Source: *Structure and Operation of Local and Regional Democracy: Sweden*, Council of Europe, 1993.
Ministry of Finance for 1996 figures.

Central government at sub-national levels

Within the central government there is also a deconcentrated regional and sometimes local administration. County Administrative Boards act on behalf of central government at the regional level. These boards are responsible for both planning and administration. The heads of the boards are the County Governors, appointed by the government. The 14 members of each board are appointed by the government on the proposal of the county councils concerned. The County Administrative Boards exercise supervision over the municipalities in their respective counties and are the reviewing authorities for appeals against decisions by the local authorities that are covered by special laws. In recent years they have concentrated to an increasing extent on regional policy and physical planning, as well as government sectoral planning.

Regional organisations established by central government agencies are called county boards. They are responsible to their parent agency but have lay advisory boards. Where agencies have no regional organisation, the County Administrative Boards perform the functions of the agencies. Central government bodies at the local level are the local tax offices and social insurance offices.

Creation, elimination and restructuring

The boundaries of regional and local authorities are defined by the Act Amending the Division of Sweden into Municipalities and County Councils. Municipal boundaries can be altered by the amalgamation or division of two or more municipalities or by the incorporation of part of a municipality into another. Such decisions are made by the government. Cases of minor importance may be decided by the County Administrative Boards. Municipalities have no veto in such cases, but under the Act, local opinion has to be taken into account.

The present number of municipalities has come about through a radical reduction in several steps in the period 1950-1974, starting with 2 500 municipalities and ending with about 280. This process was initiated and controlled by the central government and caused considerable opposition. In later years some municipalities have, at their own request after a local referendum, been divided, so that the number has increased slightly to 288 (1996).

The motivation for increasing the size of the municipalities was to strengthen their capacity to handle public sector responsibilities. A large number of tasks have been decentralised, to the new structure of enlarged municipalities.

Swedish local and regional authorities are free to set up associations subject to public law for co-operation on matters of common interest. Provisions relating to such associations are contained in the Local Authority Associations Act. The formation of such associations is voluntary, but in a few cases it may be a compulsory requirement for certain purposes (housing, regional planning and public transport).

Control bodies

There is no authority with responsibility for exercising general administrative supervision over the legality or expediency of the acts of local authorities. The government is collectively responsible for public administration. Municipalities are supervised by the County Administrative Boards, other State agencies with supervisory functions, and, in turn, by the government.

Municipal activities are also subject to supervision of courts if -- and only then -- a member of the municipality makes a formal appeal against decisions taken by the municipality or the county council. There is no central authority with the task to monitor the legality of all decisions taken by municipalities or county councils or the spending of tax income. Local/regional authorities appoint their own auditors.

The Swedish Government has an overall responsibility for the whole public administration but no direct powers within the "self-government area". Changes must be executed through the Parliament and laws.

Government's supervision is divided among a large number of agencies. The County Administrative Boards are directly responsible to, and supervised by, the government. The County Administrative Boards in their turn supervise the municipalities in some specific areas.

Local governments are to some extent supervised by the central government. Supervision has become less and less intensive over a long period of time. Formerly many decisions by municipalities had to be submitted to a central government agency to be confirmed. Today there is but one such provision left, regarding local government decisions on foreign aid.

In fields that have been decentralised to local governments by special laws, dissatisfied individuals may appeal to central government agencies and courts and in some instances ultimately to the Cabinet.

1.2 Powers

Nature of the sub-national institutions

Government has four levels: central, regional (county), local (municipal) and parochial. There are directly and proportionally elected councils (parliaments) at the central, regional, and local levels. 23 county councils are elected at the regional level and 288 municipal councils at the local level. Parishes within the state church are the smallest local entity at which elections are held. Elections to all levels take place at the same time (parishes four weeks later). Increasingly voters vote for different parties in the three elections. Majorities therefore differ.

Municipal councils and county council assemblies themselves decide on the number of their members (not less than 31 when the number of people entitled to vote is less than 1 200 and not less than 101 when the number of people entitled to vote exceeds 300 000). Local elections are held in conjunction with the Parliamentary elections.

The municipal and county council executive boards have a management and co-ordinating functions within their unit of government and are responsible for the administration and supervision of the various committees (but cannot intervene in their activities). They are also responsible for policy on certain important economic matters and submit any proposals they consider appropriate to the elected councils or other authorities.

The head of the municipality is the chairman of the municipal executive board and is appointed by the municipal council. The county council appoints the chairman of the county council executive board. The chairmen of these boards have only limited decision-making powers. Most decisions are taken collectively by the boards.

Type and degree of autonomy

The principle of local self-government is stated in the Instrument of Government. Even the right of taxation is explicitly stated there. All four levels of government have the right to tax their citizens. Local taxes are income taxes, which since a couple of years are restricted to personal income. Only the national parliament has legislative authority. Municipalities have the power to issue local statutes of order.

Municipal council and county council assemblies have the right to set the tax rate in the form of a percentage of personal income. All other tax related administration and decisions are handled by the State. Taxes are collected by government agencies. Neither municipalities nor county councils may introduce any new types of local tax without legislative authorisation by the national parliament.

In 1991 a new Local Government Act suspended several restrictions on the internal organisation of municipalities and county councils. Formerly, a set of committees, with specified authority, were prescribed. Now, only an executive committee is required. Municipalities and county councils therefore have almost complete freedom to organise themselves as they like. In a very short time after the new act, the organisational pattern has become very varied.

Central government can use several means to exercise influence over local government, in particular through legislation which can be used to prescribe tasks, prohibit activities or shape the process

of decision-making. For instance the central government has imposed legislation in two important areas aiming at uniform service standards, that eliminate the local freedom of variation. One area is welfare payments, the other is support of handicapped. Welfare payments and support of a handicapped person are stated as citizens' rights. A dissatisfied individual may appeal to an administrative court to have the decision changed. Viewed in a long-term perspective, court decisions on the municipal provision of public services is something quite new in Sweden.

1.3 *Responsibilities*

Distribution of responsibilities

Swedish municipalities and county councils have, in the Local Government Act, the right to undertake "a matter of general concern which are connected with the area of the municipality or county council or with their members." Exceptions are activities relying only on the State or other organisations. The Local Government Act is supplemented by a number of laws defining the powers, and the restriction of powers, in various fields. In these laws the Parliament can express the general goals for local services. These laws can also regulate various aspects of production, provision and financing. As much as 70-80 per cent of the services provided by municipalities are in some way or other regulated by national laws. The Government/Parliament has the overall responsibility for the whole public administration and can -- through laws and finance powers -- regulate matters of national concern.

Broadly, the central government provides for defence, police, courts, and university education; and operates the fundamental social benefit schemes - pensions, children's allowances, health and unemployment insurance and housing subsidies. Local governments on the other hand provide individual services - health care, primary, secondary and high school education, social welfare services - and to a lesser extent handle social benefits. Both the central government and municipalities engage in infrastructure provision.

Areas which are in principle the prerogative of the central government include macroeconomic planning, business cycle policies, regional development, redistribution, public law, business promotion and regulation, labour market policies, environmental policies and foreign policy.

Municipalities and counties are free to engage in all kinds of activities that lie within the general frame of authority stated in the Local Government Act. The authority is quite wide, but it prohibits for-profit business activities and activities that go beyond the territory of the municipality. In addition, municipalities and counties must engage in activities that are explicitly decentralised to them by law. Many tasks have been decentralised and are mandatory for the municipalities, such as primary and secondary school, old-age and child care, social welfare payments and fire-fighting. Other tasks such as the provision of housing, local transport, and adult education are optional. Municipalities and county councils also engage in cultural and leisure activities and the promotion of local business. Health care is, with some exceptions, decentralised to county councils. County councils also deal with other matters, i.e. regional co-operation in the fields of regional planning and promotion, public transportation, social welfare, education and culture. A long time ago parishes were the cradle of local democracy. Today they deal exclusively with the operations of the state church at the local level. A separation of the Protestant church from the State has been discussed for many decades. It now seems likely that it will come about in the year 2000 when parishes will cease to exist as general democratic institutions.

Municipalities have a very strong role in district planning. In 1987 a new law on building regulation was adopted which strengthened the role of the municipality. At the same time the Natural Resources Act was adopted making explicit the right of the central government to intervene in the planning process only when stated national interests in the law is at stake.

Mandatory, optional and shared responsibilities

A recent law states that local government is responsible for supplying adequate child-care services. From a local government perspective the consequence of such legislation is that they lose control. Services that must be provided regardless of their cost can, and are, directed towards local governments.

Not all activities of local governments are mandatory in a formal sense and that obligations sometimes are not very specific. In 1977 mandatory activities were estimated to occupy only 40 per cent of municipal expenditures. Since then, however, obligations have been extended in the fields of social welfare, health and education. In the beginning of the 1990s two investigations estimated that mandatory tasks constituted as much as 75-90 per cent of local government expenditures. Mandatory tasks have expanded and been extended. Day-care for all children and secondary school have both become mandatory tasks and have expanded. A large part of the shift between 1977 and the 1990s, however, reflects a change of definitions. In the broad framework laws of 1980 on social welfare and of 1983 on health care, municipalities and county councils respectively, finally were given the ultimate responsibility for these broad areas. The responsibility is, however, to a large extent a matter of judgement and resources. Within those responsibilities local governments exercise considerable freedom.

2. Management functions

2.1 Policy-making and co-ordination

Coherence, consultation and conflict resolution

Local governments have a co-ordinating function. One of their important tasks, perhaps the “*raison d’être*” of municipal governments, is the geographic co-ordination of community planning. County councils to some extent also perform this kind of co-ordination on the regional level -- a task also sometimes performed by unions of municipalities (*kommunalförbund*).

The central government uses several means to exercise influence over local government. Legislation may be used to prescribe tasks, prohibit activities, or shape the process of decision-making. This is the fundamental means of control, in order to achieve co-ordination between local governments and between policy areas. Nowadays, legislative regulation is seldom very detailed.

Concerned individuals may appeal to the county administration and to administrative courts and sometimes to the agency concerned and have local government decisions repealed. The agency has the right of inspection and to some extent the possibility of prescribing. In areas of general authority citizens may appeal to courts if the local community decision is considered to go beyond its general authority.

Formal and informal mechanisms

As already noted, the county administration serves as regional offices for those central agencies that do not have them. This places the burden on the county administration to co-ordinate central government policies in fields such as communications, environment and education at the regional level.

The Swedish Association of Local Authorities and the Federation of County Councils are governed by private law. All the municipalities are members of the Swedish Association of Local Authorities. The association has an advisory role on economic, legal and technical matters. It also speaks on behalf of the municipalities in relation to central government and other authorities and organisations. The Association can only make recommendations. It has a governing body consisting of elected representatives from all municipalities on the basis of the distribution of the political parties. The Federation of County Councils consists of all the county councils and has the same duties and organisation as the Swedish Association of Local Authorities.

2.2 Financial management

Sweden has a very large public sector. At present public expenditures amount to approximately 70 per cent of GNP. Public consumption amounts to roughly 30 per cent of GNP. Sweden also has a very decentralised system for delivering government services. Almost 80 per cent of public consumption is accounted for by local governments.

Sources of revenue

Financially local governments are quite independent. Less than 20 per cent of local governments' revenues stem from central government grants, the balance coming from local taxes and user fees. County councils and municipalities are financed by local taxes, fees for services and government grants. Their most important source of income is the income tax paid by all wage earners. Local taxes are now based on a flat rate representing a certain proportion of income.

Grants from central government are still used to stimulate some activities of local governments. But since 1992 the number of specific grants has been heavily reduced. Specific grants have been replaced by one general block grant, with the sole aim of equalising financial prerequisites on the different municipalities and county councils. Formerly specific grants were often created when local governments were to take over a specific task from the central government. Changes in the general grant will now have to be undertaken.

In 1996 a new equalisation system for municipalities and county councils was introduced. The main components of the new equalisation system are income equalisation, equalisation of structurally related cost differences, a general block grant and certain transitional rules.

The income equalisation system implies a far-reaching equalisation of both municipal and county council taxation revenue. After equalisation, all municipalities and county councils are to have revenues corresponding to the national average. Municipalities and county councils with a taxable income per capita falling short of the national average will receive equalisation grants. Municipalities and county councils with a per capita taxable income exceeding the national average are to pay an equalisation charge to the State.

The cost equalisation system implies an equalisation of structurally related cost differences between municipalities and county councils respectively for mandatory and certain optional activities and for certain non-operational expenditure. Municipalities and county councils with relatively disadvantageous structural conditions will receive an equalisation grant from the State, whereas those whose structural conditions are relatively favourable will pay an equalisation charge to the State.

The general block grant gives the State an opportunity to control the financial scope of the local government sector. The total volume of State grants to the municipalities will be decided annually by the Parliament, with reference to an assessment of the economic scope available for local government activities. The general grant can also be used for regulating financial relations between the State and municipalities/county councils, e.g. when changes are made to the allocation of responsibilities.

For many municipalities and county councils, the new system of grants and equalisation will have substantial financial effects. For this reason, the new system is being progressively introduced over a period of eight years.

Table 2. Main revenue sources of sub-national governments (1990, 1993)

(per cent)

| | Municipalities | | County councils | |
|--------------------------------|----------------|------|-----------------|------|
| | 1990 | 1993 | 1990 | 1993 |
| Local income tax | 48 | 55 | 69 | 71 |
| Central special-purpose grants | 22 | 8 | 3 | 3 |
| Central block grants | 4 | 14 | 6 | 6 |
| Fees and co-payments | 16 | 15 | 16 | 14 |
| Other sources | 10 | 8 | 6 | 6 |
| TOTAL | 100 | 100 | 100 | 100 |

Source: Ministry of Finance.

Expenditure responsibilities

Local governments operate almost 70 per cent of the service production (their share of public consumption). Local governments and national government invest almost the same sums. The national government is responsible for almost 90 per cent of transfer payments to households. Transfer payments to others, except to local governments, are also mainly a national government affair. The national government is responsible for the major social security schemes such as pensions, children's allowances, housing subsidies, subsidies to agriculture, etc. Local governments are responsible for social welfare payments, which fill in when other social benefits are not enough. Until recently local governments have also handled some housing subsidies. Local governments also subsidise local non-profit organisations for various purposes, such as education, culture, and youth affairs.

The total expenditures of Swedish municipalities and county councils in 1991 amounted to 25 per cent of the GDP. This represented a decrease of 2.6 percentage points over the preceding 10 years. Education is by far the largest component of total municipal spending, followed by childcare (12 per cent) and care for the elderly (10 per cent). Effective from 1992, the municipalities assumed greater

responsibility for care for the elderly, and over 20 billion SKr has been transferred from the county councils to the municipalities for this purpose

Table 3. Municipal and county council operating expenditures by field (1992)

(per cent)

| Municipalities | | Counties | |
|---|------------|-------------------------------------|------------|
| Social services | 35 | Health care | 75 |
| Education | 23 | Services for the mentally retarded | 9 |
| Energy, water and waste management | 7 | Educational and cultural programmes | 5 |
| Joint municipal administration | 9 | Central administration | 3 |
| Recreation and cultural affairs | 6 | Social welfare programmes | 1 |
| Land and housing | 8 | Miscellaneous programmes | 7 |
| Environmental, health and protective services | 5 | | |
| Transportation and communications | 4 | | |
| Labour market and business sector | 3 | | |
| TOTAL | 100 | TOTAL | 100 |

Source: Ministry of Finance.

Balance between discretion and control

Central government exercises only general supervision over local authorities' finances. Every year, Parliament specifies a frame for local authority expenditure in terms of desirable volumes. Both the municipalities and county councils have the right to determine local tax rates, but the Parliament can freeze taxes for a certain period. In recent years, the government has controlled local authority expenditure by means of a local tax freeze through manipulation of the tax base and by putting a temporary cap on local government tax rates. The replacement of many matching grants by one block grant per municipality was another mean of controlling the expansion of the local government sector. Apart from this, the government has no means of controlling expenditure by individual municipalities or county councils. The Local Government Act contains general provisions concerning responsible financial management by local and regional authorities.

During the 1980s, the central government changed the right of local governments to levy taxes. Formerly, local government taxes included taxes on corporate profits. This is no longer the case.

2.3 Performance management

Mechanisms

Performance management in a stricter sense is not used by the central government to govern the county councils and the municipalities. The central government governs by setting national objectives in the laws that regulate education, health, social welfare, etc. The central government is implementing new methods to monitor the county councils and the municipalities, especially regarding education, health and social welfare services. For instance, agencies which used to deal with these matters, now decentralised to local government, play a role in policy framing based upon evaluation and inspection. They also have a role of inspection and approval of privately owned centres for care and schools. New ways are also being

developed to communicate, on a yearly basis, the overall performance and results of local governments to Parliament. The State conducts inspections of municipalities and county councils in different ways. The National Agency for Education, for example, has a regional body especially for this purpose, and there is a similar body attached to the National Board for Health and Welfare.

Many -- but not all -- local governments have implemented performance management. New financial management systems have more generally been introduced and at the same time financial responsibility have been delegated to schools, day-care centres, hospitals, etc. It is in principle the task of the local government auditors to audit the yearly performance reports. The county councils and the municipalities appoint their own auditors.

Quality standards

A lot is happening at the local level in areas such as health, schools and aged care. Considerable work has been done at the local level on service standards issues, in particular by the Local Authorities Association on the benchmarking of individual authorities in terms of levels of services and costs. This aims to assist individual authorities to decide where to place themselves in terms of level of service and to evaluate their relative performance in terms of cost and efficiency. A lot of efforts have been put into the development of performance indicators for more complex services. Following are some reported examples of quality indicators for schools:

- test results;
- percentage of examinations and drop-outs;
- average number of pupils per class;
- educational level of the teachers;
- special services for the disabled, etc.;
- access to computers;
- pupils' and parents' satisfaction level.

Many local governments are working with "Quality Management" programmes. These represent a shift from a more traditional management culture based on rules and procedures to a more client-oriented culture are often aiming at developing clear targets and performance measurements.

One good example of a more advanced application of performance measurement in management is Nacka municipality outside Stockholm. They publish a budget and activity plan document which contains measurable goals for activities. For each goal a measurement technique has been approved and a desired result has been set -- in figures or other controllable facts.

2.4 Human resource management

Statutory distinctions

Local governments are free to hire and fire personnel at their own will, restricted of course by the general laws of the labour market.

Municipalities and county councils are completely independent of central government in making decisions with regard to the administrative and financial status and the recruitment of their staff. The conditions of service are not linked to those of the national civil service.

Table 4. Public sector employment by level of government and sector (1990, 1994)

| (full time equivalents) | | |
|------------------------------------|---------|------------------------|
| | 1990 | 1994 |
| Municipal personnel | 600 500 | 616 900 |
| County council personnel | 322 500 | 236 200 ⁽¹⁾ |
| TOTAL | 923 000 | 853 100 |
| Public sector employees by sector: | | |
| Education | 230 700 | 203 300 |
| Health care ⁽¹⁾ | 298 000 | 205 900 |
| TOTAL | 529 300 | 409 200 |

1. The responsibility for long-term care of the elderly was transferred from the county councils to the municipalities in 1992. The county council personnel was transferred to the municipalities and registered as "social welfare personnel".

Source: Statistics Sweden.

Table 5. Personnel in the government sector by level (1980,1985,1991,1993)

(number of persons full-time and part-time)

| | 1980 | 1985 | 1991 | 1993 |
|-------------------------------------|-----------|----------|-----------|-----------|
| Central government ⁽¹⁾ | 427 300 | 423 100 | 387 400 | 309 500 |
| Local and county council government | 867 200 | 951 900 | 1 134 100 | 1 062 560 |
| TOTAL GOVERNMENT SECTOR | 1 294 500 | 1 375 00 | 1 521 500 | 1 372 060 |

1. Excluding conscripts.

Source: *Public Management Developments: Update 1995*, OECD, 1995.

2.5 *Regulatory management and reform*

There are different kinds of legislation in relation to local governments. One kind states the general authority of local governments, another states specific authority. Taking all kinds of regulation that is specific for local government services, as much as 80 per cent of the services provided are in some way or another regulated. The laws regulating specific authority may either prescribe mandatory tasks or may authorise optional tasks. Central government control is different for these different kinds of laws. In areas of specific authority there is always a central agency in charge of that area.

There are two important areas in which the central government has introduced regulation causing local governments to loose some of their control. Both aim at creating competition. Firstly, since 1993 there is a voucher system in primary and secondary school. Such that parents may choose a private school for their children. A child has the right to transfer 75 per cent of the average cost of the municipal school to any school approved by the National School Board which the parents choose. Secondly, from 1995 physicians have the right to establish themselves as practitioners, with the same degree of subsidies

from the county councils as publicly provided primary health care. Both reforms have been the subject of political controversy and it is quite possible that these decisions may be changed.

In areas such as social welfare (welfare payments, old age homes, day-care centres for children), health, schools and district planning detailed regulation has been replaced by frame-work legislation, in which general goals and aims play the major role and rules stand back.

3. Trends in redistributing authority across levels of government

3.1 *Evolving tendencies*

The growth of the local government sector and the accompanying decentralisation of public services should be viewed in relation to the deconcentration that has taken place within the central government sector as the two are often considered as alternatives. A centralisation movement could be observed at the same time.

Centralisation

Examples here are transfer payments and taxes, i.e. areas in which local variations are not desirable. The social security administration has over the decades become more and more unified. Recently the regional agencies for the administration of student aid and grants were abolished and merged under the central agency. The central government tax administration has been centralised in three steps, first by creating a central agency in 1971, then by removing the regional tax administration from the county administration in 1987, and thirdly by abolishing local tax offices as separate agencies.

Several tasks have also been moved from local governments to the central government: the employment of disabled and handicapped persons; the administration of a housing subsidy, transferred in 1994 from municipalities to the central government. In 1995 the only remaining municipal housing subsidy was transferred to the central government.

Deconcentration

Some minor modifications to the county administration were undertaken in the 1970s. A major change took place in 1991 when a series of regional offices of State agencies were discarded and some of their responsibilities were transferred to the State county administration. Another important case of decentralisation within the central government is the freeing of the universities from central control. The first step was to increase regional influence by appointing representatives of local government and other regional interests on the regional boards of the universities. This arrangement was discarded in the early 1980s. But in 1992 the National Board of Universities was abolished with the aim of increasing local autonomy.

A “free municipality” experiment was carried out between 1984 and 1991. The purpose of the experiment was to see what happened when a municipality did not have to follow certain State regulations. Exemptions were made by the government on request for participation from municipalities.

Thirty-eight municipalities and four county councils took part in the project. Around 300 applications were made to the government for exception from State regulations. About three-quarters

of the applications received a positive response from the government. In many cases existing rules did not have to be changed -- other actions were taken.

The experimental scheme presented problems on two main levels: the constitutionality of not treating all municipalities alike and what the experiment was to include. It soon became clear that the experiment was constitutionally possible. The overall purpose was defined as that of "exploring the possibility of substantially increasing local autonomy". Liberty for the municipality to alter its internal structure was an important part of the experiment. Exemptions from State regulations which impede the efficient conduct of municipal activities also was an important part. Development of procedures for better co-operation between municipalities and between municipal and central government agencies was important. The limits of the experiment were fundamental principles concerning the fair distribution of social services, protection of citizens' life and health, protection of vulnerable groups, security under the law and national economy.

In the education sector the experimental activities were aimed at more flexible State grants and greater liberty in the organisation of school work. In the planning and building sector the municipalities looked for simplification of existing rules toward the citizens. Other experimental activities in the health sector led to uniform charges to patients and medicine prescriptive rights for district nurses. Many other activities were performed in other sectors.

The final political evaluation of the experiment came in the autumn 1991. The government stated that the "free municipality" experiment had played an important part in the development and the renewal of local government activities. The government also stated that the experiment had stimulated a climate of change which had done a great deal to make it possible to introduce reforms in the school sector, in planning and building, etc.

The most important result of the project was the new Local Government Act (1992) which extended to all municipalities the right of the "free municipalities" to choose their own organisational structures.

Some old, powerful central agencies have been reduced heavily in size and their powers sharply curbed. This is the case of the National Board of Education and the National Board of Health and Welfare. Both deal with matters that have been decentralised to local governments. They used to have the role of authorisations, approving grants, prescriptions etc. They have now been deprived of most of their powers and their mission is best described as policy framing, based upon inspection and evaluation. These agencies have, however, acquired a completely new domain of powers. It has to do with inspections and approvals of privately owned centres for care and schools, which is a consequence of the spread of contracting-out and the use of vouchers.

Decentralisation

Over a period of time, the local government provision of services has grown tremendously. Growth has taken place in the traditional areas for local government service provision: schools, health care, old-age and child care. Responsibilities in these areas were transferred from central government to county councils and municipalities over a period starting in the 1960s. For instance, in the education sector the transfer of the high school system to municipalities and county councils was the first step of a process which ended in 1991 with the decentralisation of the primary, secondary and high school systems to municipalities. Wage negotiations for teachers (who are employed by municipalities) were also transferred from central government to the municipalities. Changes of responsibility in the health care sector followed a similar pattern : in the beginning of the 1980s county councils had complete

responsibility for health care in Sweden until 1992 when municipalities were given increasing responsibility for long-term medical care of elderly and of handicapped, county councils retaining responsibilities for specialist medical care of these patients. During that same period, public transportation on a regional level was transferred from the central government to the county councils.

These changes follow the logic of an established division of responsibilities between national, regional and local governments. This logic is less evident in some other instances of changed responsibility. For example, municipalities have been given considerable responsibility for the inspection of local environmental problems, although the environment policy is in all other respects regarded as an (inter)national issue. The area of schools for juvenile delinquents has been transferred forth and back.

During the era of rapid expansion of the public sector as a whole (1960 and onwards) decentralisation was promoted by political ambitions to take government closer to the people in order to become more democratic. During that period few problems were recognised in connection with the decentralisation of service delivery. Equal treatment of citizens has for long been a competing value but could be said to have been taken care of through a far-reaching scheme of equalising the tax bases of different local communities.

Beginning in the 1980s and reinforced by the deep recession in the beginning of the 1990s a different view emerged. It is the view that government should operate more business-like. Stress is put on efficiency, service quality, client choice, contracting out and other market-like arrangements.

There are two other important views that help to explain the change of policy *vis-à-vis* local governments that evolved during the 1980s. The first is the need to slow down local government expansion in general. The second is the view that there ought to exist some contractual relationship between the tax-paying citizen and the service providing government. The contractual view on the public sector obviously has been inspired by similar views that called for more business-like operations.

The situation at the beginning of the 1990s is a situation representing different tendencies. One tendency is of decentralising more and more tasks of local governments -- especially to the municipal level. Generally, the change of responsibilities have strengthened the traditional division of responsibilities between the national, regional and local governments and made it more logical in relation to the nature of the tasks. The decentralising tendency has been reinforced by liberating local governments from detailed regulation and matching grants. However, the combination of financial constraints and the widening and the growth of mandatory tasks have limited the area of local government discretion.

The other tendency is to make it possible for local governments to use different market mechanisms. Connected with this tendency is the new emphasis on citizens' rights.

3.2 *The current debate*

The system of local government may be viewed in two different perspectives. One is that local self-government is the foundation of political democracy and that as such it may not be questioned. The other is that local self-government is merely a practical way to supply public services. According to this perspective the central government decentralises whatever tasks and powers seem practical to municipalities or counties. Decentralisation is not forever, but may be suspended at any time. The latter view is supported by the proposition that 80 per cent of municipalities' and counties' activities (prior to

the abolition of the many matching grants in 1993) could be said to be regulated, in some way or another, by the central government. The former view gains support from the fact that not all activities of local governments are mandatory in a formal sense and that obligations sometimes are not very specific.

It is interesting to note that up to now reduction of legislative controls and block grants go hand in hand. There is a case for interpreting legislative regulation and matching grants as substituting means of control. But they seem instead to be complementary. When one has been used, so has the other. When one has been discarded, so has the other. It is, however, too early to preclude the possibility of renewed regulation when the central government for some reason wishes to increase its control.

Today, local governments are at a cross-road. Reduction of control has taken great leaps forward and at the same time a new kind of regulation has been introduced. Deregulation is in line with a long-standing tradition. It rests not only upon the arguments of democracy and participation, but also on the arguments of efficient choice of inputs and adaptation to local needs.

There is at least one instance in which reducing central government control has aimed at creating competition. Formerly profit-based day-care centres were not eligible for central government grants. This is not so any longer. Otherwise, competition for the provision of local government services and citizens' freedom of choice has produced regulation of a new kind. Also, the framing of citizens' rights is a new way of regulating the activities of local governments. From the central government point of view reduction of controls has created an increased demand for following-up and assessment of local government activities. What will come out of this demand is not yet obvious, but may include new regulation in the future. There is a discussion on the grant system in favour of several block grants instead of only one. These block grants would be general grants per capita for different purposes, calculated on a per pupil, per child, per old-age person etc. basis. The present block grant is calculated in this way but amalgamated into one lump sum for each local government.

A debate is under way as to how activities at regional level should be organised in Sweden. Should the numbers of counties and county councils be reduced? How can the power of the regions be strengthened? Which decisions should be taken at national, regional and local level respectively? Should development issues, for example, be the responsibility of the State's regional bodies, or should they be dealt with by new popularly elected regional bodies? Certain changes are probably forthcoming, but they will not take place until there is agreement between the central government and the county councils on how the relevant bodies in each region should organise their activities. To this end a new distribution of regional political power will be tested in the counties of Kalmar, Gotland, Skåne and Jämtland between June 1997 and the end of the year 2002.

There is a growing need for collaboration between central and local government. Various forms for this collaboration are currently being developed. There are "Citizens' Service Centres" where the public can receive services from the State administration and municipalities, and also other services. The State administration and municipalities are also concluding reciprocal agreements on joint efforts to help unemployed young people. Moreover, there are pilot projects in which the State administration, municipalities and county councils are jointly financing such activities as rehabilitation of occupational-injury victims.

At local government level, disparities in services and charges are increasing. This is due to the greater freedom secured by the municipalities and county councils when detailed control has been removed, and also reflects local political priorities. But there is a limit to what is considered reasonable. Hitherto, the centre has noted disparities of this kind but taken no action to offset them. The measure now

being adopted is aimed at improving central government monitoring of how service quality develops in different policy areas.

In some cases, the State has given the public statutory rights for which the municipality is obliged to be responsible. A citizen may, for example, bring a court action to claim a particular minimum allowance if he lacks a means of livelihood. This type of legislation is criticised by representatives of municipalities, on the grounds that courts of law should not take decisions that are fundamentally political. But there are strong arguments for, and a long tradition of, rights that can be upheld in court.

The early 1990s saw major changes in terms of using competition as a way of enhancing efficiency in public administration. In the sphere of local government, for example, ten per cent of child care is now provided by municipally contracted companies. Independent schools can be opened that are eligible for municipal grants. In such areas as communications and property management, large portions of activities are being run on a contracting basis with public financing. A debate is now in progress about matters such as enhancing public access to information about activities conducted on a contracting basis, evaluating whether democratic control is affected, and ascertaining whether there have been financial benefits.

A stronger emphasis is also being laid on the public's scope for choosing which municipal units are to provide services. People are free to select their own doctors, day nurseries, schools, etc., and this freedom is encouraging competition in municipal administration. In the public debate, the desire to give more power to the individual is expressed. Both democracy and efficiency are cited as reasons for such a development.

The public is also formulating demands for greater influence over activities. Swedish schools will, under the current Government education Bill, be permitted to set up governing boards on which parents and users form a majority. Several other measures aimed at the same purpose have been implemented previously. A hospital may, for example, be managed by a group of experts if the politicians are willing to waive their administrative decision-making right.

Substantial savings have been made in the public sector, and more savings are called for. Today, however, it is hardly feasible to find cost-cutting measures that have no external impact on activities. How savings are to be achieved has, accordingly, become a political issue. The central government has opted primarily to save on direct transfers to individuals. Service activities like education and health care have not needed to save as much. The public debate is about the future financing of the public sector. One relevant issue in this connection is whether charges should be used more extensively.

Municipalities and county councils have secured considerable freedom to choose how they organise their own activities. This great freedom necessitates improved monitoring of activities, but there are shortcomings at present. Nation-wide statistics are lacking, and in many cases those that exist are subject to time lags. The quality and comparability of information inputs leave much to be desired. Nor can existing information on activities always be related to established national objectives. There is therefore no overall picture of how the savings implemented have affected activities and users.

If the division of functions between the central and local government is modified, there must be financial control to prevent costs being passed on to any party. However, this principle prompts many discussions on when such financial controls should be carried out, and on the size of the sums involved. Nevertheless, the formal situation is that the final decisions are taken by the government.

3.3 *Driving forces*

Decentralisation within the central government has mostly been justified with efficiency: savings of over-head staff, fewer levels of authority and speedier handling of cases, increased flexibility and adjustments to local demands and circumstances, exploitation of local knowledge of production, etc. Freeing the central level of tedious handling of cases would open up the possibility for long-term strategic thinking, development of management and management systems.

But there has also been an argument for increased citizens' influence and for increased democratic control. In some case of decentralisation various forms of citizens boards were created. A motive that is sometimes seen in this connection is the hope that decentralisation will bring about a renewal of service and the process of production. The most pronounced motive is, of course, that of democratic control. Local self-government is seen as a value in itself, one of the pinnacle of popular rule.

Other motives have been less explicitly stated, for example that the central government may rid itself of responsibilities without having to pay local governments or that the central government hands over the difficult task of down-sizing and activity to local governments instead of doing it itself.

The prerequisite for handing over new tasks to local governments has been that they should be capable of handling them. Before the reorganisation of the many small municipal governments to larger ones got started in the 1950s, it was deemed impossible to levy any new tasks upon them.

The merging of municipalities -- from about 2 800 to 288 -- and the growth of the number of municipal civil servants successively widened the platform for not only taking over new responsibilities but also for abandoning detailed control and supervision by central government. This has turned into a dynamic process. Those fields in which local governments from the outset have been active have experienced a tremendous increase in demand and have therefore grown. This has made local governments more competent to take on more responsibilities.