

## MANAGING ACROSS LEVELS OF GOVERNMENT

## NETHERLANDS

**1. Institutions and authority****1.1 Structures**

“Managing across levels of government” in the Netherlands involves the concept of the “decentralised unitary State”, with its emphasis on the compound nature of the Dutch State. A certain balance is suggested between centralisation and decentralisation, i.e. between unity and local autonomy.

*Description of levels*

The structure of the Dutch administrative system has both a territorial and a functional dimension. In political administrative thinking the notion of territorial decentralisation is preferred, but the functional mode of service delivery has gained weight in recent years. The system of territorial decentralisation consists of three levels of government (*bestuurslagen*):

- central government;
- provinces; and
- municipalities.

The concept of *bestuurslagen* has a specific meaning in the Netherlands. First, it involves entities directly elected by the citizens. Second, a general purpose government is implied. Finally these bodies are considered to be in charge of their own affairs in that they are basically independent in deciding the scope and size of the tasks deemed necessary for performing their role and function. There are certain limitations to the degree of autonomy local governments enjoy. The definition as given is applicable only to territorial decentralised governments.

*Municipalities:* Municipalities constitute the most important type of sub-national government. They by far outweigh the provinces in terms of tasks, the level of expenditure and the number of personnel. In practical terms the range of the municipal tasks, the volume of expenditure, and the number and the quality of civil servants vary considerably. The variation can be explained by differences in the population size and related to the political administrative potential of the communities. The smallest Dutch municipality in 1994 (Schiermonnikoog) had 981 inhabitants while Amsterdam had 724 096 inhabitants.

*Provinces:* At present there are twelve provinces. Whereas municipalities and sometimes central government are in direct communication with the citizen, the province is more a “government for

governments". For the average citizen the province has slipped out of sight, although some provinces, mainly in rural parts of the country, have more visibility.

### *Central government at sub-national levels*

There is a widespread misunderstanding among the general public that municipal and provincial governments have a monopoly on sub-national (territorial) administration. In reality central government plays a major part in policy implementation at the local level. First, central government policy is often directly aimed at the community; and a wide range of field agencies have been created in order to implement national policy or secure the vital interests of central government. The system of field administration is not considered to be a form of territorial decentralisation. It is, rather, deconcentration with ministries keeping direct responsibility and being organised along functional lines. Field agencies are created on policy areas related to specific government departments. Of late there has been a tendency to convert some field agencies into independent public boards (*zelfstandige bestuursorganen*).

Some concerns have been expressed about possible negative effects of the functional organisation of field administration, reinforced by the diverging demarcation of administrative districts of the agencies involved. However, the creation of a system of field administration of a general purpose character, as is the case for instance in France, goes against the fundamental principles of Dutch administrative thinking. Many regional entities formed by inter-municipal co-operation were established either top-down by legal prescription, or bottom-up voluntarily, for reasons of efficiency. These regions, often different in size and structure for each function, are considered to be competing with, and as such eroding, provincial and municipal government.

Two separate categories of field agencies can be distinguished. Public Works (*Rijkswaterstaat*) and the Inland Revenue are examples of agencies that have been created for administering national interests at a regional level. The specific and technical nature of their tasks calls for a regional approach in the implementation of national policy. A second variety of field agencies have a specific responsibility in monitoring and advising provinces and municipalities. In the past complaints have been made about undue interference of these agencies in municipal and provincial affairs.

In addition to the field agencies and functional regions a wide range of independent functional authorities exists on the national level. "Statutory industrial organisations" (*publiekrechtelijke bedrijfsorganisatie*) are active in many (but not all) areas of trade and industry. Their legal foundation is in the Constitution and the Industrial Organisation Act (*Wet op de bedrijfsorganisatie*, 1950). Compulsory social security insurances are also administered by independent authorities by branch of industry and/or trade, whereas the compulsory health-insurance system is organised in functional bodies.

A second variety of functional decentralisation takes the form of "independent public boards" which are created by Act of Parliament. Although independent in their functioning, the powers and the composition of the boards are outlined by central government. These independent public boards have become more popular since the early 1980s as a means of reducing the size of government departments and the ministerial responsibility for policy administration.

Of late, all of these independent authorities and boards have attracted criticism for their lack of financial and democratic accountability. A general review was initiated in 1995 and in some sectors

political conclusions have been reached to either privatise or to introduce stricter control by ministers and stricter parliamentary scrutiny.

A very special form of special purpose governments is the “waterboards” (*waterschappen*). In 1995 there were around 90 waterboards responsible (in co-operation with the provinces) mainly for the maintenance and quality control on surface water in their respective areas. The representational structure of the waterboards is quite complicated as it differs according to the task area and involves a combination of direct and indirect elections. In the last decades their number has been reduced from over 3 000.

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

Number	Provinces		Municipalities	
	area (km <sup>2</sup> )	population (1991)	area (km <sup>2</sup> )	population (1991)
	12		647	
Largest	5 015.27	3 245 447	465.71	702 444
Smallest	1 358.66	221 505	1.71	933

Source: *Structure and Operation of Local and Regional Democracy: The Netherlands*, Council of Europe, 1993.

#### *Creation, elimination and restructuring*

With the creation of the province of Flevoland in 1982 the first new province was introduced since the middle of the nineteenth century. The provincial position in the Dutch system of government has remained somewhat ambiguous since the fall of the Dutch Republic at the end of the eighteenth century. The old Dutch Republic was really a confederation of semi-sovereign and powerful provinces. Abolished in the French era, they were reintroduced in 1815 after the creation of the modern Dutch decentralised unitary state. Nevertheless they lost their (much criticised) pre-eminent position of earlier times. A too powerful province was feared to endanger national unity. The balance of power shifted therefore from the provinces to central government and the municipalities.

Due to the ongoing decentralisation process and concerns over minimum standards of performance, central government is pursuing an active policy of amalgamation. The number of municipalities has gradually been reduced from 1 050 in 1950 to 636 in 1994. For the creation or abolition of a province or a municipality an act of parliament has to be drawn up. Although provinces and municipalities are involved in the process, final responsibility remains with parliament.

Table 2 shows the rapid decline in the numbers of small municipalities.

**Table 2. Number of municipalities distributed by population size (1950, 1970, 1994)**

Population size	1950	1970	1994
up to 5 000	624	406	64
5 000-20 000	314	389	381
20 000-50 000	53	78	135
50 000-100 000	13	26	36
over 100 000	11	14	20
TOTAL	1 015	913	636

Source: *Statistical Yearbook of the Netherlands*, Central Bureau of Statistics.

At present intermunicipal (although not exclusively) co-operation is the official government solution to regional problems. A number of areas have been designated in legislation on which municipalities have to combine forces on a voluntary basis, but there are some doubts about this approach. First, while a "blue-print" for co-operation is easy to make, it does not address the problem of incompatibilities between different catchment-areas. Secondly, the voluntary character of the co-operation is causing problems in urban areas. Voluntary regional co-operation is far easier to accomplish in rural areas than in urban (especially metropolitan) areas. In rural areas municipalities need each other in order to be able to perform tasks. In metropolitan areas there is more conflict and competition between municipalities, but at the same time there is an urgent need for comprehensive policy making -- especially in the areas of economic development and spatial planning. New initiatives have been taken which move away from intermunicipal co-operation and in the direction of forming new style "provinces" in these areas. The tasks of these "regional" provinces are much wider than the "standard" provinces. In seven urban areas regional public bodies have been established on the basis of the so-called *Kaderwet*. The creation of these new style provinces is envisaged in the urban areas of Rotterdam, Amsterdam and The Hague. These "urban provinces" would have the traditional provincial competences and some of the responsibilities of municipalities, as well as more instruments to deal more effectively and efficiently with metropolitan problems.

Referenda held in Rotterdam and Amsterdam rejected these plans. The citizens of both cities did not oppose the plans for the creation of an urban province, but they overwhelmingly rejected the plan to partition their cities. A new plan in which the government proposed less partition of the city of Rotterdam was rejected by the second chamber of Parliament. The government has therefore withdrawn its proposal.

In April 1996 central government outlined a new initiative in this field. The idea is that in the area of Rotterdam, with its large port, the competences of the authorities will be extended. For the other six major urban areas decisions are expected to be taken before 1997 to pave the way to a more effective and modernised structure.

In the other areas a redistribution of responsibilities between provinces and municipalities is planned. This re-allocation will have effects on the existing co-operation between municipalities. Therefore it may be necessary to adapt the Inter-Municipality Co-operation Act in the sense that obligatory co-operation in certain areas will be either limited or extended.

A second continuous (but fiercely argued) component of sub-national government reform has been the policy on merging municipalities. The basic thought behind this policy was and still is efficiency and consolidation of municipal service delivery. There is a close link between this policy of municipal

mergers and both the regional and the decentralisation policies. The basic idea is that the scale of sub-national government has to be adapted to the new larger scale of social and economic developments. Each municipality must have a minimum population size in order to be able to perform a certain minimum number of functions in an effective and efficient way. This policy is reinforced by the decentralisation initiatives as only “viable and strong” municipalities are thought able to perform the tasks that are under consideration for transfer to sub-national government.

### *Control bodies*

Supervision of sub-national affairs can take two forms: preventive and repressive supervision. Under a regime of preventive supervision, certain sub-national government decisions only take legal force when they are approved by a higher level of government. The instrument of preventive supervision is used, for instance, in the approval of the annual budget (and changes in the budget during the year) by a province in the case of municipalities with structural budget deficit. The same is the case with participation of municipalities and provinces in private law enterprises and companies. Changes in, or the establishment of, new sub-national government taxes have to be approved by central government. Supervision does not entail telling a sub-national government what to do. It can only be told what *not* to do. When applied it constitutes only a negative sanction.

Repressive supervision is the case when a decision or regulation is nullified although this decision or regulation has taken legal force. Repressive supervision is used in situations where sub-national government action is in conflict with the (higher) law or the “general interest”. This is associated with the negative limitation of the autonomous (domain and the co-operation formula under the co-administration. This kind of supervision is rarely used. It should be noted that from a formal perspective repressive supervision is rarely used. When conflicts arise between municipalities and provinces or between a sub-national government and central government parties normally will use informal consultation to solve the disagreements. The same applies to the instrument of preventive supervision. But there is, nevertheless, a marked preference for replacing preventive with repressive forms of supervision. Asking permission before being able to take action is considered to diminish the independent status of sub-national government.

A traditionally important provincial responsibility has been the supervision of municipalities and waterboards. The importance of this task has been reduced as supervision is used less. Finally the province has a responsibility in supervising and stimulating regional co-operation between (mainly) municipalities on basis of the Act on Joint Provisions. The province has to demarcate regions for intermunicipal co-operation and stimulate co-operation in an integrated way.

## **1.2 Powers**

### *Nature of sub-national institutions*

The general framework of the municipal government system has a remarkable degree of uniformity. This framework is provided by the Municipal Act, which was revised in 1994. The same degree of uniformity applies to the provinces under the Provincial Act, although there is some variation in the number of representatives on the council and the executive (daily) board. Only the new Municipal Act

allows for some degree of formal (functional) differentiation between municipalities. This differentiation mainly relates to the decentralisation of central government tasks.

The political structure of both the province and municipality consists of a council and an executive body. Municipal and provincial councils are (formally) the highest authority in their respective municipality or province. Elections for these councils take place at four year intervals on the basis of a system of proportional representation.

The number of councillors depends on the population size of the provinces and the municipalities. Day to day work is done by executive boards (the daily boards) of the provinces and the municipalities. These are composed of aldermen and the burgomaster in the municipality or provincial deputies and the commissioner of the Queen at the provincial level. These aldermen and provincial executives are elected for a four year term immediately after the municipal or provincial elections out of the councils. They remain councillors after their election to the daily board. A proposal has been submitted to widen the recruitment base of aldermen and to allow for the selection of candidates from outside the council.

The chairman of the daily board and of the council, the burgomaster and the Queen's commissioner are appointed by the national government. These central government appointments have been called the "aristocratic twist in a democratic drink". The Queen's commissioner was in earlier times primarily a central government official and had a special duty in supervising sub-national affairs. The burgomaster, however, has always been an integral part of the municipality and his salary was, and is, paid by the municipality. Nowadays both the burgomaster and the Queen's commissioner are considered to be functionaries of respectively the municipality and the province and not of the central government. Proponents of the present system argue that by appointing these officials local governments have a more direct access to central government. Opponents have stated that these appointments are an example of central government interference in local affairs. Political initiatives to change this system have been in vain. The only change that has taken place is that the municipal and provincial councils are consulted on the desired qualities of the burgomaster and Queen's commissioner. Central government is not obliged to follow the advice of the councils.

Although sub-national councils are technically the highest authority and the supreme legislative bodies, most political power resides with the executive (daily) boards. Councillors are officially only occupied part-time with local affairs whereas members of the executive board (primarily in the larger) municipalities and provinces are full-time (professional) politicians. In addition to this particular advantage the executive board is assisted by a large and specialised bureaucracy. Attempts are being made to improve the position of the council by enhancing the flow of information to councillors and a more extensive use of commissions in the earlier stages of drafting legislation.

Both the municipal and provincial executives in the daily boards have a collective responsibility. In many larger municipalities and provinces each alderman and provincial executive has a special responsibility for a specific policy area. Particularly in the larger municipalities, power has gradually shifted from the burgomaster to the aldermen. Nevertheless even in these municipalities the burgomaster still has important duties to perform particularly on the area of public order and safety.

*Type and degree of autonomy*

As noted earlier regulation concerning the political structure of municipal and provincial government is quite uniform. Although in practice some variation exists, the acts provide detailed guidelines for the (political) organisation of provincial and municipal government. The new Municipal Act has opened the way to some additional differentiation. Nevertheless some feel that this measure does not go far enough. The municipalities and provinces are considered independent political units in the context of the Dutch State. These local governments should, therefore, be able to regulate their own internal political organisation. To guarantee the accountability of these self-regulating local governments to citizens, adequate democratic and legal measures are needed.

Both provinces and municipalities operate according to two principles of legal authority: autonomy; and co-administration. These principles have, traditionally, played an important part in defining the position of sub-national governments and determining the nature of inter-governmental relations. This division is based on the Dutch Constitution and the Provincial and Municipal Government Acts.

Autonomy refers to the (legal) autonomous domain of sub-national governments. This notion is described as the “open household”. Sub-national governments in the Netherlands are free to develop any policy initiative they deem necessary without having to ask prior consent to a “higher level government”. However, changing municipal taxes requires approval by central government. The basic idea behind the autonomous domain is that sub-national government powers are not derived from central government but that entitlement to these powers is an independent right. Article 124 of the Constitution states: “*The powers to decide on and administer their own household is left to the provinces and the municipalities*”. The open formulation of the autonomous sub-national domain prohibits a general enumeration of the autonomous tasks. Thus there are no particular limits on sub-national government autonomy. The restriction is that an act made by central government overrides a (prior) local initiative.

**1.3 Responsibilities***Distribution of responsibilities*

Central government is generally responsible for tasks concerning Dutch society as a whole. This implies a responsibility for the system of justice (courts and public prosecution), defence, foreign affairs, tax collection, and infrastructure (in a wide sense). Central government also provides general guidelines for future development. The main function of the province is to translate central government plans to their territory. Municipal government is seen as the main provider of public services to the citizens.

Provincial governments overall play a mediating role between central government and the municipalities. These intermediary tasks primarily relate to co-ordinating and planning activities in areas such as welfare, culture, spatial planning, public housing and environmental affairs. (The guidelines given in these provincial plans are not always compulsory for municipalities.) There is a limited number of executive tasks in areas such as (provincial) public works (including water management) and the environment.

Municipal governments are active in a vast array of policy areas including public order, education, housing, public health care, social security, and welfare. Direct public service delivery is concentrated in these local governments. However, this does not imply that all powers in these fields are

in the hands of local governments. In education, for example, municipalities have direct executive tasks in public schools, where they form the boards. However, most schools have their own private boards, often inspired denominationally. Subsidies are funded directly by the State -- except for school buildings (since 1996) and transport facilities, which are financed by the municipalities. Other municipal involvement in education tends to reflect local conditions, especially concerning problems such as ethnic relations and inadequate sports facilities. Similar relationships exist in housing where large private housing associations administer most social premises on a co-operative basis. Most municipal housing corporations were privatised in the 1980's. Subsidies are becoming less important for financing housing, even in urban renewal areas. On the other hand, many local subsidies are being invested in neighbourhood social and physical infra-structure.

The planning and programming duties of local government are, however, becoming more comprehensive. And local government is increasingly the focal point from which others in the community are empowered to contribute to public facilities. The police is an example of executive powers being laid down outside the municipality, but the function in local public life is very important and demands good communication. Public health care is also partially a local duty (e.g. care for drug addicts) but hospitals and doctors are organised privately, within a State-regulated insurance system. Thus each field has its own arrangements and balances between the private sector and the three tiers of government.

#### *Mandatory, optional and shared responsibilities*

The (legal) autonomous domain of sub-national government has been reduced over the years. Most provincial and municipal tasks nowadays come under the heading of co-administration. What was forgone from a perspective of autonomy to central government, returned to local administration under the title of co-administration. Autonomy implied that only the more active local governments took up certain (vital) new tasks. The reason for centralising local tasks was very often to offer an equal standard of public service delivery to the whole country. Examples can be found in sectors such as education, social security, welfare and spatial planning.

The situation, after three decades of the centralising influence of State regulations and the decentralisation of executive and financial responsibilities, is the predominance of inter-active government. Many key problems associated with matters such as income policy and unemployment, care of the elderly, or environmental pollution can only be dealt with effectively by a mix of national and local government -- the latter primarily in an executive or complementary role. The national government generally sets a framework, sometimes by simply assigning a specific duty to municipalities and providing facilities for performance monitoring and improvement (e.g. childcare and crime prevention). Sometimes more elaborate regulations and financial arrangements are provided by the State -- particularly for relatively new tasks such as environmental protection -- until local policy-making has become more routine and regulations can be moderated.

## 2. Management functions

### 2.1 *Policy-making and co-ordination*

#### *Coherence, consultation and conflict resolution*

The principle of co-administration or co-governance is specified in the Provincial and Municipal Government Acts. This concept refers to the duty of sub-national governments to implement general regulations issued at a higher level of government.

Although in some policy-areas (for instance education and social security) strict guide-lines are attached to the local implementation of co-administration tasks, the overall picture is somewhat more balanced. The implementation or execution of many (though not all) co-administration tasks is not a neutral nor technical operation. There is often ample discretionary power for local governments to adjust the execution of these tasks to their local needs. Co-administration also implies that municipalities and provinces have a responsibility for making regulations on certain topics without having detailed guidelines by central government on how to do so.

There are, however, some serious draw backs attached to these new style inter-governmental relations. It is easier to adopt a new line of inter-governmental relations in theory than in practice. As emphasis is put on negotiation, inter-governmental decision-making can take some time. Although extra time is spent on the formulation of policy, and conflicts in the implementation of the particular policy can be avoided, this nevertheless can test the patience of the officials involved. At the same time the extent to which the policy agreements between central government, provinces and municipalities are legally binding is somewhat uncertain. It primarily depends on the good faith of the participants.

#### *Formal and informal mechanisms*

With respect to tasks and finance, sub-national government depends on central government but central government also depends on sub-national government. Although central government can create new field agencies, using municipalities or provinces is considered more efficient, effective and democratic (i.e. decentralisation is preferred to deconcentration). Central and sub-national government are very much interdependent. Especially in recent years, less emphasis has been put on hierarchical relations and more attention paid to closer co-operation between the different levels of government on the basis of a partnerships. This partnership is apparent in the increasing number of policy agreements (*convenanten*) that have been concluded between sub-national governments and their representatives on the one hand [for instance the Dutch Union of Municipalities (VNG) or the IPO for the provinces] and central government (with the Ministry of Home Affairs in a facilitating role) on the other.

### 2.2 *Financial management*

#### *Sources of revenue*

The sources of Dutch sub-national government finance are divided into three main categories: taxes/fees, general grants and specific grants from central government.

For the municipalities the most important tax is the property tax. Other sources of own income are constituted by fees and local government enterprises. The amount of the property tax is related to the

size of the general grant. A second source of income take the form of general grants from the central government. These general grants are paid out of a Municipal and a Provincial fund which is administered and fed by central government and funded by a certain percentage of the national tax revenue.

Specific purpose grants are a third source of sub-national income. These are associated with tasks which are co-administered and have the advantage of being a better way of providing for diversification in service delivery. Their number has reduced from 532 in 1980 to 161 in 1994.

Sub-national taxes and other sources constitute only a small fraction of the total municipal income. The same applies to the division of provincial resources. The evolution of the various sources of municipal revenue since 1950 is shown in Table 3.

**Table 3. Sources of municipal revenue (1950, 1960, 1970, 1980, 1990, 1994)**  
(percentage)

	1950	1960	1970	1980	1990	1994
Municipal taxes/own sources	14	11	7	6	10	11
General grants	56	41	39	31	26	29
Specific grants	30	48	55	63	64	59
TOTAL	100	100	101 <sup>(1)</sup>	100	100	99 <sup>(1)</sup>

1. Rounding-off.

Source: 1950-1985: Th. A.J. Toonen (1991), "Change in continuity: Sub-national and urban affairs in the Netherlands" in J.J. Hesse (ed.), *Sub-national government and urban affairs in international perspective* (Baden-Baden).

Prior to 1980 the sub-national tax percentage was continuously decreasing. The relative size of the general grant has, until recently, also significantly been reduced over the last thirty years. The specific grants have gradually become increasingly the most important source of sub-national government income.

A major current problem is that with central government cutbacks, sub-national government is "sharing" a part of the financial burden because of imposed reduction of both the general and the specific grants. In trying to decrease the dependency of sub-national government on central financing, initiatives have been taken to increase sub-national taxes. The effect can be seen from the rise of this area from 6 per cent in 1980 to 11 per cent in 1994. This increase can partially be explained by a rise in the amount received from levies and other forms of income.

#### *Expenditure responsibilities*

The volume of municipal expenditure (56 642 million guilders in 1993) is almost ten times as large than that of the provinces (6 344 million guilders in 1993).

**Table 4. Municipal gross expenditure by functions: 1980 and 1992 (estimates) <sup>(1)</sup>**  
(Dfl per capita)

	1980	1992
Social security and welfare	606	1 248
Physical planning and housing	341	699
Education	472	422
Culture and recreation	200	340
Transport, roads and dykes	369	318
General administration	259	200
Public health	62	266
Public order and safety	194	198
Economic affairs	63	30

1. Functional categories have slightly changed over this period.

Source: Ministry of Home Affairs

#### *Balance between discretion and control*

Each year, central government decides on the percentage of national tax revenue to go into the Municipal and Provincial Funds. Before deciding on this, in the case of the municipalities, advice is asked from the Municipal Finance Council. The actual size of the general grant to individual municipalities and provinces is determined in accordance with specified criteria mentioned in the (Municipal) Financial Relations Act and the Provincial Act. These criteria are currently being altered in order to support larger municipalities with a regional function and relatively higher proportions of poorer people and low-cost housing. Criteria concerning income level and social structure are given more weight and from 1997, the municipal tax capacity (value of real estate) is being taken into account before calculating the general grant for each municipality.

Some conditions with respect to proper use are attached to payments of specific purpose grants. Until recently, this was seen as encouraging central government intervention in the affairs of sub-national governments. Many specific grants, however, have been introduced at the explicit request of sub-national government for satisfying the needs of their citizens.

The importance of specific grants is associated with the growth of co-administration tasks. The changes in the composition of municipal income gave rise to concerns about increasing centralism in inter-governmental relations. Sub-national governments are free to use the income from their own resources (including taxes) and the general grant for the expenditure they consider necessary for their community. As stated earlier, the use of specific grants is preconditioned. This might -- though not always -- limit the freedom of sub-national government. This problem can be intensified as some specific grants are not sufficient to deal with actual expenditure needs. When having a deficit, a local authority has to cover it from its own taxes and general grants. In response to these problems a policy has been devised that aims at the reduction of specific grants and the curtailment of the special conditions attached to these grants. The number of these grants has been reduced by combining smaller ones in broader special (block) grants and transferring a number of these grants to the municipal and provincial funds.

## 2.3 *Performance management*

### *Mechanisms*

Performance measurement is relatively well developed at the sub-national level; and performance management questions at the national level almost invariably involve sub-national government issues. Dutch local government has developed a positive attitude to performance measurement and a number operate performance budgeting systems. The Government Accounts Act (1976) which focused on costs and volumes of outputs at the central level was followed by a similar budget renewal process implemented in 1985. The competence of the Court of Audit is limited to national government.

There is no systematic monitoring by central government of the performance and efficiency of local government. This is generally considered to be the domain of the municipalities and provinces themselves, and many cities now compare their costs and service levels with other cities (including the use of league tables that provide comparisons of cities' performance in a variety of areas). When specific grants are provided, specific information is required in the interests of accountability. In the recent covenants between the State and the largest Dutch cities concerning a comprehensive "city challenge" action programme, monitoring with respect to fixed performance targets plays an important role.

The Public Services Quality Monitoring System (see below) surveys the quality and efficiency of services provided by local government bodies which have frequent client contact. However, it is not compulsory and the role of national government in developing this system is purely that of a facilitator.

The "BBI" process is a system of output budgeting used by some 200 municipalities. The key objective of the system is to establish strong links between policy objectives, budget allocations and results and thus enhance democratic accountability. The system includes political objectives, specifies how they will be reached, and develops performance indicators to monitor progress.

### *Quality standards*

The Public Services Quality Monitoring System provides information on the quality and efficiency of service provision by local governments. The purpose is to help local governments set their own priorities for service quality. The information is used in devising, elaborating, implementing and assessing policy on service standards. The system has two components:

- standards of customer contact, which involve keeping a record of the way in which individuals are dealt with in the service system, using interviews with customers; and
- efficiency, by assessing the time and number of steps it takes to supply a given product.

The system develops standards for comparing past and present performance and the performance of different organisations. It uses a "case-history" approach, tracking clients and their perceptions of the services received. So far 20 out of about 600 municipalities have adopted the system. Some national agencies (social welfare and the police) are developing similar approaches and others may follow.

## 2.4 *Human resource management*

Each sub-national government has the power and responsibility to adopt its own regulation with respect to the legal position of government officials within the framework of the Civil Servants Act 1929 (*Ambtenarenwet* 1929). Most government personnel is appointed under this act, although some are hired on a private law basis. There is no legal distinction made between white and blue collar workers.

Matters of staffing, career decisions, labour relations, training and management development programmes are the domain of the different sub-national governments. There is a tendency for each level of government to decentralise practical personnel issues to each administrative unit. Thus the importance of central personnel units has diminished in recent years while at the same time the position of line agencies (and managers) has been reinforced.

Over the last few years some important changes have also taken place with respect to the system of wage negotiations. Until 1993 there was a more or less uniform system of conditions of employment across levels of government. This was particularly centralised with regard to pay levels. These conditions of employment were the results of negotiations between the national government and the major trade unions of national civil servants, although in fact, the government was able to fix the terms of employment almost unilaterally. When the results of negotiations at the sub-national level differed from the central government standards, the pay settlement could be nullified on the basis of a special provision in the 1929 Act which stipulates that the national government has the power to revoke pay settlements which go against the law or the general interest.

Since the early 1990s the importance of pay differentiation between sectors of government and a more equal position between government employers and trade unions have been acknowledged to be essential. This stems from the desire to modernise labour relations in the public sector and to bring it more in line with the private sector. A more balanced relationship between government employers was established in 1984 by the creation of a board of arbitration charged with settling disputes in the event of a breakdown in negotiations. In order to implement the decentralisation of this new system nine different government sectors have been defined and are shown in the following table.

In each sector (unions of) government employers negotiate with trade unions on pay settlements and terms of employment. The only exception are pensions and social security issues which are still dealt with at the central level. For example in central government each of the ministries are considered as employers and the Ministry of Home Affairs serves as a co-ordinating body; in the provinces the IPO (an inter-provincial co-operative body) is involved; and in the case of the municipalities it is the Dutch Union of Municipalities (VNG) which acts as the employers' representatives. The cities of Amsterdam, Rotterdam, The Hague and Utrecht negotiate directly with the labour unions.

**Table 5. Government employment by sector (1985, 91, 93)**

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

Government sector	1985	1991	1993
Central government <sup>(1)</sup>	154 400	113 744	116 894
Judiciary	1 277	1 583	2 020
Provinces	18 357	13 951	13 433
Waterboards	7 275	7 815	7 888
Municipalities	214 806	196 017	186 387
Inter-governmental corporations	--	21 222	21 750
Police	30 714	35 689	36 029
Defence (including conscripts)	103 160	121 064	108 910
Education (public)	304 782	302 929	370 915
TOTAL	784 949	814 014	864 226

1. Excluding civilian military personnel since 1991.

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

Research has shown that there is not much mobility between different levels of government. The same applies to inter-departmental mobility, although these are measures in central government to increase mobility in higher ranks by introducing a general "civil service" (*algemene bestuursdienst*). The exchange of personnel between municipalities is higher. Generally, however, the different governments are fairly compartmentalised with respect to employment.

### 3. Trends in redistributing authority across levels of government

#### 3.1 *Evolving tendencies*

During the latter part of the 18th century many abortive attempts were made to alter the political administrative system of the day -- and experience with the (very centralistic) unitary state during the French Era was not very satisfactory either. The present Dutch administrative and local (municipal and provincial) government design is, however, indisputably associated with the initiatives of the nineteenth century liberal statesman Thorbecke in response to dissatisfaction with the inept federative structure of the Dutch Republic. His legislative labour encompasses the introduction of the first modern democratic Constitution (1848), the Provincial Government Act (1850), and the Municipal Government Act (1851). With some minor revisions this legal structure still determines the present day administrative system. (In 1994 a new Municipal Government Act came into force, although it only differs marginally from the original one.)

The basic legal framework relating to local government in the Netherlands is, therefore, characterised by a high degree of continuity. Although at the outset it was general enough to allow for administrative development and new initiatives at the sub-national level, the "Thorbeckian" system nowadays appears to have been elevated to an almost sacrosanct status. Nevertheless societal changes have had a profound influence on sub-national governments.

Reform of the system of sub-national government has had a high position on the political agenda for over thirty years. These reforms have mainly focused on the inter-related issues of the regions; municipal mergers; and decentralisation.

### *Regions*

Since the end of the First World War there has been discussion about the existence and nature of regions in the Netherlands. The growth of the economy and of the population blurred the demarcation between cities and the surrounding country-side and often between cities themselves. In policy-areas including social affairs, industrial activity, housing and spatial planning, collective interests emerged which cannot be dealt with at the same scale as the present, territorial-based, three-tier system of government. The so-called "regional question" thus consists of an administrative gap between the provincial and the municipal levels of government.

At first this problem was especially apparent in the western, most populated and industrialised part of the Netherlands. In this area, conurbations came into existence around the larger cities of Amsterdam, Rotterdam and The Hague. At a later stage it spread to other (the eastern and southern) parts of the country. Administrative solutions have ranged from inter-governmental (mainly intermunicipal) co-operation to the establishment of a regional level of government.

The demand for regional public service provision has increased especially since the World War II. The demand for regional service delivery pertains particularly to the area between the provinces and the municipalities of government. Although in the past several efforts have been made to introduce a directly elected regional government, present government policy is opposed to a regional addition to the three tier system. The opposition is inspired by the perception that a regional government could erode local government and complicate the system of sub-national government. Intergovernmental and primarily intermunicipal co-operation has therefore been the favoured solution to regional problems. Although working in "rural" and "semi-urbanised" surroundings, experience with inter-municipal co-operation in urbanised areas has not been very successful. New initiatives are under way to create "new style provinces" with more powers and responsibilities in the areas around Rotterdam, The Hague and Amsterdam. This approach can be seen as a departure from the intermediary provinces described earlier.

Although inter-municipal regional co-operation is preferred, many so-called functional regions (targeted on specific policy areas) have been created. The most important functional region is that of policing.

### *Municipal mergers*

There is also a problem associated with the policy on merging smaller municipalities into larger ones -- partly as a way of dealing with regional problems. As the size of (particularly rural) municipalities grows, the regional gap is closed, but at the same time a local gap emerges as the distance to the citizen increases.

One of the most debated topics is the minimum population size of a municipality considered necessary. The relation between population size and the quality of municipal service delivery has been contested but without much avail. The Dutch Union of Municipalities (VNG) has also subscribed to a

large scale municipal merger policy in order to avert the introduction of a separate regional level and has suggested a minimum population size of 18 000.

### *Decentralisation*

Decentralisation has been an important element in central government policy from the beginning of this century. Consecutive governments have made proposals to decentralise government tasks and means. Most emphasis nowadays is put on territorial rather than functional decentralisation.

The arguments for decentralisation policy mainly relate to strengthening citizen participation (the democracy argument) as sub-national government is seen as the ideal level for citizen participation. Although many decentralisation proposals have been introduced, the results of these efforts were, until the middle of the 1980s, rather limited. The attitude of sub-national government towards decentralisation was quite cynical. The history of decentralisation has been considered by many of them to be a tale of “grand” and “broken” promises.

Since the middle of the 1980s an important change has taken place in central government policy on the role and function of the public sector and of central government in particular. The reduction of the size of (central) government was seen as imperative to solving budgetary problems on the one hand and on the other to improving the steering capacity of government. One of the instruments for reducing the size of central government is to decentralise its tasks. Decentralisation policy has gained momentum and at the same time the driving force has shifted from democratic arguments to ones of efficiency and effectiveness. Tasks are mainly decentralised to municipalities, either individually or on the basis of the Act on Joint Provisions. Sometimes a task is given to a larger municipality and, in the case of smaller towns, inter-municipal co-operation is used.

A problem is that although the task load of municipalities has increased considerably, financial resources have not risen at the same rate. Over recent years local governments have shared in the cutback policy of central government. For example, a reduction has been made in central government's contribution to the municipal and provincial fund. This has had some serious consequences for the financial situation of municipalities and provinces. Solving these difficulties is considered to be one of the main challenges for local government authorities in the 1990's. Generally this has implied raising taxes (mainly the property tax in the case of the municipality) and fees (for instance on garbage collection) and, more importantly, making cutbacks.

### **3.2** *The current debate*

The Netherlands is often characterised as a “decentralised unitary State” in terms of its government organisation. What this apparent contradiction signifies in terms of a balance between centralisation and decentralisation or for inter-governmental relations has been a topic of much debate. Two important questions in this respect are “to what extent is the framework of Dutch public administration characterised by centralist and decentralised elements and what should the balance be?”

Inter-governmental relations in the Netherlands have both unitary and decentralised elements. The legal framework has emphasized the hierarchical elements and hence the unitary components of policy-making and co-ordination across the levels of government. This perspective focused attention on the ongoing process of centralisation, and has to be seen in the context of an assertive central government

role in societal development from the end of the World War II to the beginning of the 1980s. Local government was involved but primarily used to implement the schemes. This conception of inter-governmental relations tended to overlook the fact that central government was dependent on local government for implementing many tasks. The alternative, of setting up expensive field agencies, was considered not to be attractive. It was also held that local government had no freedom to manoeuvre beyond the guidelines given by central government. But implementation is not neutral -- it often involves a reformulation of policy. Ideas have to be put into practice. At the same time insufficient attention was paid to the fact that central government legislation was very often only a framework for making regulations or taking measures. The detailed content has to be decided by local government itself.

A new perspective of inter-governmental relations was then developed. This stressed the interdependency between the different actors in the local government system. Instead of looking at inter-governmental policy co-ordination as intrinsically hierarchical; equality between governments each having their own role was emphasized. The municipalities are considered as the main provider of services to the citizens. The role of the province is seen as intermediary between central government and the municipalities. Central government has to provide the national framework for development. Each level of government is, therefore, dependent on co-operation with the other. This implies close collaboration and negotiations between different levels. Instead of hierarchical command, more use is made of policy agreements (covenants). This new approach is being adopted more and more in official policy documents. For example, in the reorganisation of local government in the urbanised areas, the views of the municipalities were solicited before central government made its proposals.

### 3.3 *Driving forces*

The driving force behind the efforts to reform the Dutch system of government can be grouped into two separate developments. First are the financial and economic aspects. The reorganisation of local government and changes in their functions reflect a desire to increase the efficiency and effectiveness of local government. This stems from the need to cope with reduced finances. This in turn impacts on the internal organisation of governments as well as on the division of tasks and relations between levels of government.

A second motivation is to improve the relationship between government and the citizen. By transferring tasks to local governments, the aim is to improve both citizen involvement and government performance. As the municipality has, at least in theory, a closer relationship to the citizen than central government, the municipality can be more responsive to the needs of citizens.