



From Subsidiarity to Success: The Impact of Decentralisation on Economic Growth

Part 1: Creating a Decentralisation Index

A Study commissioned by the Assembly of European Regions Researched and produced by BAK Basel Economics

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From Subsidiarity to Success

1 Executive Summary

Do regions with more competences perform better than others? Are countries with a higher degree of decentralisation economically more successful than centrally governed countries?

The aim of the study "From Subsidiarity to Success: The Impact of Decentralisation on Economic Growth", commissioned by the Assembly of European Regions (AER) and produced by BAK Basel Economics, is to seek links between the degree of autonomy of a region, or the degree of decentralisation within a country, and economic development.

The project has been divided into two parts. The following summarises the **first part** which contains the methodology, explains how the Decentralisation Index has been drawn up and the Index family synthesized and presents results of the descriptive analysis and the country profiles. The **second part** deals with the impact of decentralisation on economic performance – explored through econometric analysis.

The core of the present is the construction of a **Decentralisation Index** as part of an Index family which indicates how decentralised or autonomous a territorial jurisdiction is.

Decentralisation is therefore defined as sum of competences the sub-national jurisdictions (regions and municipalities within a country) have from a country perspective. The more competences the regions and municipalities have (competences being used as a synonym for the regulatory power), the more **decentralised** the country is. From the perspective of sub-national jurisdictions (e.g. regions, municipalities), their degree of **autonomy** rises with a higher degree of decentralisation. Hence autonomy and decentralisation have the same meaning but are used depending on the perspective.

The Decentralisation Index takes both qualitative and quantitative data into account. While quantitative data have been collected from official international sources, the qualitative data have been collected directly in the regions by means of a questionnaire developed in a previous pilot study. Data from all the different types of regions within the EU 27, excluding the small countries Luxembourg, Slovenia, Cyprus and Malta, but including non-EU members Croatia, Switzerland and Norway, have been incorporated.

Separate descriptive analyses have been made regarding the qualitative and the quantitative data. Some aspects of decentralisation are covered by qualitative information, others by quantitative information or by both. It is interesting to see that the two samples have quite a high correlation (chapter 7.2) which points to a high reliability of the qualitative data.

For the construction of the Decentralisation Index and its sub-indices, individual indicators have been aggregated to a weighted average. Therefore participatory methods to assign weights which incorporate the subjective valuation of experts have been used. Each of the five sub-indices (Administrative, Functional, Political, Vertical and Financial Decentralisation) incorporates the respective data from either quantitative or qualitative sources. While Administrative and Financial Decentralisation are mixed indices (in terms of qualitative and quantitative components), Functional, Political and Vertical Decentralisation are purely qualitative indices. The reason for using only qualitative data to build these indices is that no quantitative data are available from official statistical sources.

The values of the Decentralisation Index and therefore the degree of decentralisation for the different conglomerates (set of similar regions within a country)¹ vary widely. On the top of the sample, with the highest degree of decentralisation, are Switzerland, Germany, Belgium and Spain, at the bottom, with the lowest degree of decentralisation, Bulgaria, Estonia and Greece (see chapter 7.1).

With regard to the sub-indices, some have a high correlation with others, some do not. Vertical Decentralisation (as indicator for the vertical fragmentation of a country) for example shows no or a slightly negative correlation with all other subindices what could mean that the more fragmented a country is, the less power to

For further definitions refer to the **glossary** in chapter 9.6.

In most countries, all regions have the same competences. In some countries, however, some regions have more competences than others. In the present study, a set of regions with similar competences within a country is called a conglomerate. In most countries, the conglomerate is thus identical with the sum of all regions of the country.

decide and implement the regions have (chapter 7.3.1). Thus, fragmentation does not necessarily lead to more regional autonomy. On the contrary, it can be argued that a higher fragmentation generally leads to more control by the central government and consequently to less decentralisation.

By contrast, Functional and Political Decentralisation are highly correlated: The more political functions the regional tier exercises, the more autonomous it is in terms of overall political power (chapter 7.3.2). Also Financial and Functional as well as Administrative Decentralisation are correlated highly positively: The more financial means the regions have, the more functions they can handle and the more e.g. employees they can afford (chapters 7.3.3 and 7.3.4).

The analysis of the relation between implementing and decision making competences shows that in general the regions have more implementing than decision making competences (chapter 7.3.5). This result is quite interesting but not surprising, because the national tier tends to retain decision making competences and to delegate implementing competences to the regions.

The correlation of the two aggregates Deciding and Financial Decentralisation is high implying that generally the regions have sufficient propre means at their disposal to execute their autonomy. Nevertheless, there is a great disparity between the different countries (chapter 7.4).

The data gathered in this project and the indices drawn up form the basis for the econometric analysis in project two which measures the impact of decentralisation on economic development by the means of regression analysis.

2 Introduction

The AER has commissioned the independent economic research institute BAK Basel Economics (Switzerland) to conduct the research project "From Subsidiarity to Success: The Impact of Decentralisation on Economic Growth". The project establishes a link between the degree of decentralisation of European countries and their economic development. The superior aim of the project is to analyse whether regions which assume more competences are able to develop better than regions that do not. Therefore, a large amount of quantitative as well as qualitative data has been collected - the latter to evaluate how the principle of subsidiarity is conducted within a country not only on paper but also in practice.

The project has been divided into two parts with two separate technical reports. The **first part** "Creating a Decentralisation Index" is outlined in the present report. The study contains the methodology applied, the calculation of the Decentralisation Index accompanied by the results of the descriptive analysis and a set of country profiles. The **second part** "Decentralisation and Economic Performance "deals with the impact of decentralisation on economic performance - explored through econometric analysis.

In the following chapter 3, a methodical overview is provided. In chapter 4 the data gathering process is described, in chapter 5 the creation of the qualitative and quantitative part of the database. Chapter 6 provides a detailed description of the construction of the Decentralisation Index and the Index family as core of the first part of the study. The most insightful descriptive results are presented in chapter 7, followed by country profiles of all countries incorporated in the analysis (chapter 8).

On the basis of the results of the first part, the econometric analyses will be conducted in the second part.

3 Methodology

In this chapter the methodological procedure of constructing the Decentralisation Index as part of an index family is described. The Decentralisation Index is constructed in five aggregation steps illustrated in Figure 1. The Decentralisation Index, the Aggregates, the Sub-Indices (Index families) and the Indicators are based on more than 200 quantitative and qualitative variables. The **qualitative data** was gathered via a survey which was elaborated and tested in a previous pilot study in close collaboration with the AER member regions Friuli-Venezia Giulia (I), Istra (HR), Hordaland (NO) and Västra Götaland (S). The **quantitative data** was collected via desk research. Besides the BAK International Benchmarking database the sources for the quantitative database were official statistics such as IMF, Eurostat, OECD or ILO².

For the construction of the Decentralisation Index and its sub-categories, indicators have been aggregated as weighted average in several steps (see figure 1): In the first step, the collected variables were aggregated to 185 quantitative and qualitative sub-indicators. In step two, the sub-indicators were summarised to 23 different indicators which in turn were grouped into 5 sub-indices (step number three). In step number four the sub-indices Administrative, Functional, Political and Vertical were pooled into the aggregate Deciding Decentralisation; the sub-index Financial Decentralisation already corresponds to the aggregate Financial Decentralisation. In the final step, the Decentralisation Index was synthesized out of the two aggregates Deciding and Financial Decentralisation.

Each of the five sub-indices (Administrative, Functional, Political, Vertical and Financial Decentralisation) incorporates data from quantitative or qualitative sources. While Administrative and Financial Decentralisation are mixed indices (in terms of qualitative and quantitative components), Functional, Political and Vertical Decentralisation are purely qualitative Indices. The reason for using only qualitative data to build those latter indices is that no quantitative data are available from official statistical sources.

² For a detailed overview of the different variables and sources see table A1 in the annex.





- Columns represent the five aggregation levels: Decentralisation Index, Agg Indicators and Sub-indicators Numbers 1, 2, 5, 23, 185, >200 at the bottom line denote the number of v sponding level Numbers in parentheses indicate the weights of the different variables. Column Indicators: White fields: quantitative data; Grey fields: qualitative data Source: BAK Basel Economics 2008 Aggregates, Sub-indices,
 - line denote the number of variables at the corre-

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4 Data gathering

4.1 Preselecting the countries

In order to gain a broad overview of decentralisation in European countries, all the different types of regions of the following countries were included in the database: EU-27 member states and the non EU countries Switzerland, Norway and Croatia. The EU member states Luxembourg, Slovenia, Cyprus, Malta and the non-member states Monaco, Andorra, Liechtenstein, San Marino and the Vatican State have been excluded because of their small size. Altogether, regions from 26 European countries have been included. In addition, a few overseas countries have been included as well (USA, Canada, New Zealand).

4.2 Survey: Qualitative data gathering

The qualitative data was gathered by means of a survey that was elaborated in the pilot study. For two reasons it was a unique kind of research:

- 1. The survey was directly addressed to the regions and therefore gathered information about their *actual political and financial* powers.
- 2. The survey enabled a *qualitative distinction* between the degrees of decentralisation of different region types within a country. This regional distinction of decentralisation cannot be made by considering only quantitative data.

The following two chapters illustrate the content and the technical implementation of the online survey as well as the response of the regions to our request to participate.

The survey is divided into part (1): questions concerning the national level and part (2): questions concerning the regions. The first part covers the topics political interrelation between different tiers and financial flows between jurisdictions. The second part captures the functional power distribution, general information about the region, fiscal autonomy, evolution of autonomy and regional identity. The survey was technically converted into an online version by Konso³ and had to be com-

³ Konso is a Swiss market research institute located in Basel

pleted online. Annex 9.2 contains the complete survey.

For the purpose of constructing a Decentralisation Index it was essential that at least one region of the different region types within a country participated in the survey. To augment the response to the survey, an official invitation was sent to the presidents of the regions (see annex 9.5 for the official letter). In each region an official in charge was also informed personally and invited to coordinate the completion of the survey.

The addresses stem from the AER database of regions which was systematically completed for our purpose. Also non-member regions (such as Latvian regions and Northern Ireland) were included. The official letter of invitation was translated into six languages, i.e. Spanish, French, English, German, Italian and Russian and sent to 350 predominantly European regions. The electronic version of the letter was mailed in English.

The survey was sent to 350 regions in Europe, Australia, New Zealand, Canada and USA. Eventually, there were 88 questionnaires completed from 29 different region-types from 26 European countries. In addition, there were also completed questionnaires for New Zealand, Canada and the USA. The survey took place in April 2008 for the European and in June 2008 for the overseas countries.

4.3 Quantitative database

In the following the data gathering process for the quantitative database is described. In contrast to the qualitative data collected through the online survey, the quantitative data was collected by desk research on a national level and does therefore not distinguish between different region-types.

4.3.1 Content

The quantitative database consists of four different data groups. One group is the public sector data, i.e. tax revenues, public expenditure, public employment, public consumption, public investment etc. for the national, regional and sub-regional tier.

The socioeconomic data contains GDP per capita, GDP growth, population, population growth, population density. Additional information was drawn from the size of a country (square kilometres, geographic data group). For a detailed list of the data see annex 9.1.

4.3.2 Sources

The data stem predominantly from the official statistical sources such as IMF, Eurostat, OECD and ILO. The methodology is therefore identical and the data are comparable for most of the countries. For the countries Estonia, Canada, United States which do not figure in the international statistics, data have been collected from the respective national statistical offices and processed for integration in the database which might affect data comparability. Adjustments were also required for the US government revenue and expenditure which were only available for the central government in the IMF statistics. Data for the regional and sub-regional governments were extracted from the US census bureau. In the case of the United States the public sector employment was not gathered from the ILO but from the US census bureau. The year of reference is 2005, although in some cases the use of older data became necessary because data for 2005 has not yet been published. Table A1 in the annex gives an overview of the indicators and the data sources.

5 Preparation of the data

The next step after collecting the data and establishing the qualitative and quantitative database was to prepare the data and build the sub-categories of decentralisation (Figure 1). In this chapter we describe the process of data preparation and illustrate some of the problems which came up.

In the process of preparation more than 200 variables of the databases were broken down to 185 qualitative and quantitative sub-indicators. The process was different for qualitative and quantitative data (Figure 2). For the quantitative data the preparation involved the sub-processes coding, calculating shares, transforming and – for some data – stretching. The qualitative data had to be streamlined, coded and transformed. Streamlining means summarising different data sets. This extra procedure was required for the qualitative data because of the high response to the survey. The aim of streamlining was to have one single answer set per region type representing all regions belonging to the same region type. These representative regions are referred to as synthetic regions. By the sub-process coding the qualitative data was converted into values. «Assessing shares» means the determination of the regional shares. Transforming brought the data into an scale ranging from 0 to 100 (sub-indicators). The last sub-process stretching was necessary if the subindicators were in a too narrow range.





Source: BAK Basel Economics

5.1 Streamlining

It was essential to clean, restructure and aggregate the qualitative data obtained from the survey. The main steps in this sub-process streamlining were:

- 1. Elimination or correction of obviously wrong answers (if possible)
- 2. Contacting coordinators to complete missing answers
- In order to get data from missing countries, the respective embassies were contacted.
- 4. The data sets of the regions were grouped to countries and brought into alphabetical order.
- 5. The qualitative data of the different region types was standardised (streamlining in the narrow sense). Questions about the country's political structure were harmonised for all region types within a country. For the regional part, different region types within a country had to be distinguished. Answers from regions belonging to the same region type were standardised.

The result of the above streamlining process is: 29 synthetic region types in 26 different countries.

5.2 Coding

After streamlining, the qualitative data had to be coded. Coding means assigning values to the answers to the survey. Answers in favour of decentralisation obtained higher values than answers indicating a centralised structure. The survey in the annex (chapter 9.2) contains the answer codes applied. It was challenging to code certain answers as the examples below illustrate:

- Question B/F17: Do the elections for the national and the regional tier take place on the same day? If the elections of the national and regional government take place on the same day, the regional tier tends to be more dependent on the national tier. Regions where the elections do not take place on the same day can be regarded as more decentralised and got higher values.
- Question C/F49: Is there a perequation system between the tiers? A
 perequation system implies that regions had enough political power to
 force the national tier to establish a perequation system. The existence of
 such a system is therefore an indicator for decentralisation and obtained
 higher values.
- Question C/F53: Do financial decisions on the sub-national tiers affect (net) financial flows? Regions affecting net financial flows by taking financial decisions possess more power and got higher values.
- Question E/F101: Does your region have an agency in Brussels (EU)? If the regional tier has an agency in Brussels, policy making can be influenced and regional needs can be submitted at EU level. An agency implies more regional power.
- Question F57-F98: Decision making power and implementing power. Vernon (2002), Treismann (2002) as well as Rodden (2004) proposed to take decision making authority into account when measuring decentralisation. Question block F57-F98 captured the distribution of decision making authority among the national, regional and sub-regional tier in various pol-

icy fields. Thereby, power on the national tier was turned into a low value. Power on the sub-national tier, in contrast, got high values. Decision making and implementing power on the regional tier was regarded as more decentralised than power on the sub-regional tier.

For four reasons some survey questions were not coded. Firstly, the structure of the question did not always allow a coding (e.g. A/F9, C/F50). Secondly, a few questions were not appropriate decentralisation indicators (e.g. A/F12, A/F13). Thirdly, some questions were poorly answered (e.g. C/F54, C/F56). And lastly, certain questions addressed the power of the sub-regional tier within the regional tier. Since the *regional* and the *sub-regional* tiers were summarised in this study that question block (B1: Role of sub-regional tier in regional tier) was no longer relevant. Uncoded questions were not incorporated into the Decentralisation Index.

5.3 Assessing shares

For the quantitative data the first preparation step was assessing shares. Within the quantitative data two categories could be identified which necessitated a different treatment: The perequation data and the non-perequation data. The perequation data was a small group consisting of financial transfers between the national, regional and sub-regional tier (for instance from the national to the regional tier). The non-perequation data covered the rest of the quantitative data. The following difference between the two categories was relevant for the sub-process assessing shares. Non-perequation data were available at the national, regional and subregional level enabling the calculation of regional public sector data in total government public sector data. The resulting regional shares ranged between zero and one. The perequation data, in contrast, contained financial transfers among the tiers requiring a different approach. To guarantee comparability between the countries the share of financial flows in gross domestic product was calculated. Technical details are shown in the subsequent grey box.

Technical Details

Category 1: Perequation data

The perequation data (financial transfers) came in national currency. To assure comparability, the first step was to convert the data into USD. Afterwards, the share of financial transfers in GDP was calculated by the following formula:

$$shareGDP_i = \frac{exrate_i \times transf_i^{na}}{GDP_i^{USD}}$$

 GDP^{USD}:
 gross domestic product in USD for country i

 transf^{ina}:
 financial transfers in national currency for country i

 exrate;
 US\$ exchange rate for country I

 shareGDP;
 share of financial transfers in country i on its gross domestic product

Category 2: Non-perequation data

S

For the non-perequation data the regional shares were computed. The following formula was applied:

$$hareTOT_i = \frac{re_i + su_i}{na_i + re_i + su_i}$$

 na;
 public sector data on national tier

 re;
 public sector data on regional tier

 su;
 public sector data on sub-regional tier

 shareTOT;
 share of regional public sector data on total public

5.4 Transforming

The aim of transforming was to bring the qualitative and the quantitative data into an scale from 0 to 100. The value 100 was the maximum score that a region could get for decentralisation. The value 0 means a completely centralised state. By the sub-process transforming the majority of the data was brought into their final condition: they were turned into sub-indicators. The preparation step of transforming will be described first for the qualitative data, then for the quantitative data.

The qualitative data had already run through the preparation steps streamlining and coding. For the purpose of transformation the questions were divided into five categories:

- 1. Yes-no questions
- 2. Multiple-answer questions
- 3. Geographical-structure questions
- 4. Functional-power questions
- 5. Power-distribution questions

The geographical-structure category contained questions concerning the administrative and geographical division of the country. The category functional-power was covering the question block about policy making and implementing power in various policy fields. Power-distribution was treated as a separate category because it was not purely qualitative: It consists of a single question where the countries estimated the power distribution among the tiers. Although this was a quantitative estimate, the question is part of the survey and should therefore be regarded as qualitative data. The category names serve only for the purpose of explanation; they should not be confused with the denotation of aggregates and sub-indicators introduced in chapter 6. The next box contains technical details concerning the methods applied to the five categories.

Technical Details

code:

Category 1: Yes-no questions

Yes-no questions were transformed by the following formula:

 $sub_ind_i = 100 \times code_i$

code 0 or 1 of country i sub_ind_i: transformed code of country i

Category 2: Multiple-answer questions

The questions were transformed by the following formula:

 $sub_ind_i = \frac{100 \times code_i}{code_i}$ code; code 0 or 1 of country i sub ind: transformed code of country i

maxcode: highest possible code

Category 3: Vertical-structure questions

More elements on the regional tier do not automatically lead to a high degree of decentralisation. For a small country it might be better to have fewer elements on the regional tier than for a large country. The optimal number of elements also depends on the population within a country. A larger population requires more elements per tier. Therefore, the elements per tier were set in relation to the population of a country (elements per tier / population = elements per capita). The higher the elements per capita the more decentralised the country was.

For the transformation the following formula was used:

$$sub_ind_i = \frac{100 \times elements_pc_i}{\max(elements_pc_{a-uk})}$$

elements_pc;: elements per capita country i $max(elements_pc_{a:uk})$: country_i of all countries (a-uk) with the highest elements per capita sub ind: transformed elements per capita country i

Category 4: Functional-power questions

The formula was applied to decision making power and implementing power separately. If the code of each tier - national, regional and sub-regional - was 0 the sub-indicator had no value (the region did not answer the question). If at least one tier had a value the formula was applied.

if
$$code_i^{na}, code_i^{re}, code_i^{su} = 0$$

then $sub_ind_i = novalue$
else

 $sub_ind_i = 25 \times ((code_i^{na} + code_i^{re} + code_i^{su}) + 1$ code^{na}: 0 or -1; power of national tier in country i code^{re}: 0 or 2; power of regional tier in country i code^{su}:

0 or 1: power of sub-regional tier in country i *sub_indi*: transformed code country *i*

In the table below the various code constellations and the corresponding sub-indicators are listed in descending order.

Code ^{re}	<i>Code^{su}</i>	Sum	Sub_ind
2	1	3	100
2	0	2	75
2	1	2	75
0	1	1	50
2	0	1	50
0	1	0	25
0	0	-1	0
0	0	0	nv
	Code ^{re} 2 2 2 0 2 0 0 0 0 0	Code ^{re} Code ^{su} 2 1 2 0 2 1 0 1 2 0 0 1 2 0 0 1 0 0 0 0 0 0 0 0	Code ^{re} Code ^{su} Sum 2 1 3 2 0 2 2 1 2 0 1 1 2 0 1 0 1 1 0 1 0 0 1 0 0 0 -1 0 0 0

Note how the various constellations of power distribution among the tiers influence the final value of the sub-indicator: If the regional and sub-regional tiers have a lot of decision making power they achieve higher values. As soon as the national tier has some decision making power they get a deduction and the subindicator decreases.

Category 5: Power-distribution questions

The formula is actually the same as for quantitative data:

 $sub_ind_i = 100 \times code_i$

code; continuous from 0 to 1; estimated power of regional tier in country i sub_ind; transformed code country i

For the transformation process of the quantitative data the distinction between perequation data and non-perequation data was maintained. Transforming the non-perequation data was similar to the category yes-no questions of the qualitative data. The transformation process of the perequation data was more challenging. The following box contains the technical details.

Technical Details

Category 1: P	erequation data	Category 2: Non-perequation data	
The formula to is as follows: sub _ ind	b transform the perequation data $l_{i} = \frac{100 \times shareGDP_{i}}{\max(shareGDP_{i}, v_{i})}$	The shares of the non-perequation data ranged between zero and one. Therefore, the same transformation method was used as for the yes- no questions of the qualitative data:	
max(shareGDP _{a-uk}): sub_ind _i :	country with the highest share of financial transfers transformed share of country <i>i</i>	$sub_ind_i = 100 \times shareTOT_i$ $shareTOT_i$ share of regional tier on total public sector data sub_ind_i : transformed share of country i	

5.5 Stretching

For most of the data the preparation process was completed by the sub-process transforming. However, the sub-indicators of the category non-perequation data sometimes took values only below 60 which made them undervalued compared to the yes-no questions. To assure comparable weights in the aggregation process

(index calculation), these sub-indicators were additionally stretched after transformation.

$$sub_ind_str_i = \frac{100 \times shareTOT_i}{\max(shareTOT_{a-uk})}$$

max(shareTOT _{a-uk}):	highest transformed sub-indicator
$shareTOT_i$:	share of regional tier on total public sector data
sub_ind_str _i :	stretched sub-indicator

After the data had been run through all sub-processes, the preparation process was completed. As a result, the data was comparable and ranged from 0 to 100. The 185 qualitative and quantitative sub-indicators were thus ready to be incorporated into the Decentralisation Index.

6 Decentralisation Index and Sub-Indices

6.1 Decentralisation Index

The Decentralisation Index shows the degree of decentralisation of a country or conglomerate on a scale from 0 to 100. High scores represent a high degree of decentralisation and low scores indicate a low degree of decentralisation. It has to be taken into account that the values of the aggregated Decentralisation Index and the Sub-indices are strongly affected by the weights of the different variables incorporated. Those weights can generally be assessed using two different methods, a qualitative and a quantitative one.

Applying the **qualitative method**, relevant information was retrieved by discussions with experts from regional governments about the importance of different aspects of decentralisation in their political life (expert-valuation). On the basis of this information approximate values are allocated (numbers in parentheses in Figure 1). The **quantitative method** assesses weights with the aid of statistical analyses such as the factor analysis⁴. In the present report the method of expert-valuation has been employed foremost so that expert know-how and politicians' priorities could be taken into account.

The Decentralisation Index pools the two aggregates Deciding and Financial Decentralisation. Deciding Decentralisation indicates roughly the autonomy of the sub-national tier(s) to make decisions independently from the national tier. This form of autonomy has for example been mostly weighted more by regional politicians than the financial means at their disposal. Financial Decentralisation on the other hand indicates whether the regional tier can decide over certain financial means independently. In theory the two indicators are highly interrelated: the regional tier can only decide independently if it has the necessary financial means at its disposal and vice versa.

⁴ For a detailed discussion of the aggregation methods and the results of the statistical analyses (factor and sensitivity analyses) see chapter 9.4 in the annex

As a result of relevant discussions with regional officials the representation of qualitative sub-indicators (weight of 65%) in the Decentralisation Index is stronger than that of the quantitative sub-indicators (weight of 35%). The qualitative subindicators are especially highly represented in the aggregate Deciding Decentralisation (83%). In the aggregate Financial Decentralisation, in contrast, the quantitative sub-indicators are weighted higher (63%). Both aggregates can be divided into five sub-indices: Administrative, Functional, Political, Vertical and Financial Decentralisation. Below these sub-indices are briefly described.

6.2 Sub-Indices

6.2.1 Administrative Decentralisation

The sub-index Administrative Decentralisation accounts for 12 percent out of the index total of 100. It is the only sub-index in the aggregate Deciding Decentralisation that consists of qualitative and quantitative indicators. The quantitative indicator «employees» for example consist of the regional share of public employees (civil servants) and the regional share of public remuneration. This indicator reflects the manpower resources of the sub-national tier(s) and is well suited for comparisons. Therefore the indicator accounts for 10 percent. The indicator *EU* – weighted by 2 percent – consists of the qualitative sub-indicators administration and competences on a regional level. This asks the question whether the region is represented in Brussels with an own agency, which is for example important for an efficient lobbying and the collection of subsidies. Furthermore the indicator considers whether the region in question is responsible for the transposition of EU legislation.

6.2.2 Functional Decentralisation

A very important sub-index is Functional Decentralisation (therefore strongly weighted with 25%). This sub-index pools the indicators decision making power, implementing power and territory. *Decision making power* measures the regional power to decide in various policy fields and *implementing power* measures the regional power to implement those policy decisions. Accordingly both indicators reflect regional power with regard to the most common policy fields such as econ-

omy, education and research, infrastructure, migration, social services, healthcare policy etc. The indicator *territory* on the other hand reflects regional competences to constitute the spatial and administrative territory.

6.2.3 Political Decentralisation

A further sub-index is Political Decentralisation (weighted 20%). It contains indicators which include regional representation in the *national parliament*, election of the regional government, political power distribution, constitutional rights of the regional tier and the interrelation of the regional with the national tier.

The first indicator – regional representation in the national parliament – reflects the existence of a uni- or bicameral parliamentary system and whether the region is represented adequately in the national legislative. The indicator *political interrelation* covers the role of the regional tier in the national tier and vice versa, for example whether the national government has the power to overrule regional decisions. The indicator *regional government* reflects the existence and partly the competences of the legislative, executive and judiciary authorities in the regions. The indicators *regional constitution* and *political power distribution* show whether a regional constitution exists and how much political power each tier in a country possesses.

6.2.4 Vertical Decentralisation

The *number of tiers* and the *amount of elements* within the regional tier reflect the geographical division in a country. The *hierarchical structure* and the *residual autonomy* of regions capture the formal power distribution among the tiers. The reason for the low weight of this sub-index is the – compared to other sub-indices – minor explanatory power with regard to decentralisation and autonomy (weighted 3%).

6.2.5 Financial Decentralisation

The indicator Financial Decentralisation shows the financial power of the regional tier. This is the most important part, thus weighted with 40 percent. It integrates quantitative and qualitative indicators. To the *qualitative indicators* belong (among

others) perequation (financial flows between the jurisdictions), the power to levy taxes (financial competences, e.g. determination and allocation of taxes), financial debts and incentives.

Financial Decentralisation also contains *quantitative indicators* such as the percentage of revenues, expenditures, public consumption and investment, assets and debt of the regional tier. It also includes information about the amount and direction of financial flows within the perequation system of the country.

7 Descriptive results

In this chapter, the results of the descriptive analysis are presented. In chapter 7.1, the Decentralisation Index values of the 29 conglomerates are illustrated and compared. In chapters 7.2 and 7.3 the relation between pairs of sub-categories are analysed. When comparing different sub-categories each reflects only a part of the whole "truth of decentralisation". Shedding light on different aspects of decentralisation.

7.1 Decentralisation in Europe

Figure 3 displays the degree of decentralisation in 29 European conglomerates in descending order. In most conglomerates (e.g. Switzerland, Germany, Austria, Poland) all regions have equal rights. Thus, only one region type (and consequently only one conglomerate) exists.





Some countries, however, comprise several region types which are expressed through different endings of the abbreviation⁵. Different region types could be covered for Sweden (such as Västra Götaland and Västernorrland), Belgium (such as

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⁵ For the different conglomerates and their abbreviations see table A2, p.95 in the annex

Brussels and the German Community) and Italy (such as Friuli-Venezia-Giulia and Lombardy).

The regional tier of Switzerland leads the ranking with an index score of 70 followed by Germany (66), the two Belgian regions (64, 62) and Spain (58). Also above the sample average are Austria (54), the autonomous regions of Italy represented by the region of Friuli-Venezia-Giulia (54), The Netherlands (51), the Czech Republic (50), the non-autonomous regions of Italy represented by Lombardy (50), the UK (49), Poland (48) and the autonomous conglomerate of Sweden (S-VG) with an index score of 46.

The former socialist countries Bulgaria (25), Estonia (31), Latvia (33) and Lithuania (34) are positioned at the bottom of the ranking, together with Greece (31).

7.2 Quantitative and Qualitative Decentralisation



Figure 4: Match of Quantitative and Qualitative Decentralisation

Figure 4 shows the correlation between qualitative and quantitative decentralisation. As can be seen, the two sub-indices are correlated positively (r=0.46).

The aggregate Qualitative Decentralisation consists of all qualitative indicators listed in the survey. Thus, the aggregate estimates the actual power of the regions – it is a model of reality. Quantitative Decentralisation on the other hand summarises the quantitative indicators (predominantly financial sub-indicators) (see Figure 1).

The congruence- or 45°-line divides the sample into an upper and a lower half. Conglomerates positioned below the congruence line have more qualitative power than those above the line which in turn have more quantitative power.

The conglomerates found at the top right hand corner of the chart (Switzerland, Germany, Belgium, Spain) have both high qualitative and high quantitative power. However, their quantitative power is slightly overbalanced indicating that they might have more financial means than autonomy to dispose of those financial resources. Almost the same is true for the regions in the Nordic countries Denmark, Norway, Sweden and Finland which dispose of more financial means than actual power. In countries like Greece, Croatia, Portugal, Romania regions have in turn less financial means than qualitative autonomy.

Both in terms of quantitative and qualitative decentralisation most of the former socialist counties are positioned at the end of the sample. Exceptions are Poland and the Czech Republic.

7.3 Sub-indices and indicators of Decentralisation

7.3.1 Functional and Vertical Decentralisation

In scientific literature, Vertical Decentralisation (e.g. number of tiers in a country) is taken as an indicator of decentralisation (Treismann 2000, p. 5). It is assumed that a country with many tiers (e.g. China) has a more decentralised system of government than a country with for instance only one tier of government (Singapore) or just a central government and municipalities (Slovenia). However, the assumption of more tiers = more autonomy cannot be made without at the same time taking the

political and the functional autonomy into account: For instance, if a representative who is elected directly by the people of a region is not allowed to decide and implement political tasks without the approval of the national government, there exists no vertical decentralisation at all, even if this person is directly elected. In this study vertical decentralisation is therefore above all seen as an indicator of the spatial and administrative fragmentation of a country, in most cases rooted in history.



Figure 5: Functional versus Vertical Decentralisation

The correlations of Vertical Decentralisation with the other sub-indices Administrative, Functional, Political and Financial Decentralisation indicate a negative relation. One of these correlations, Functional with Vertical Decentralisation, is shown in Figure 5. Functional Decentralisation encompasses indicators which describe the regional implementing and decision making power in various policy fields.

What does this negative correlation mean? The result might indicate that the more fragmented a country is, the less power the regions have to decide and implement policy. With other words, fragmentation does not necessarily lead to greater regional autonomy. On the contrary, it can be argued that a higher fragmentation leads in general to more control by the central government and consequently to less decentralisation.

Nonetheless, there are some exceptions like highly fragmented Switzerland where the cantons are endowed with a huge amount of functional power. The regions of the Czech Republic and Italy, too, have quite a lot of competences despite being located in rather fragmented countries. Denmark is positioned in the bottom left corner of the graph due to a low degree of fragmentation and functional power.

7.3.2 Functional and Political Decentralisation

Contrary to Vertical Decentralisation, Political Decentralisation has considerable explanatory power with regard to decentralisation. Political Decentralisation incorporates indicators measuring the political participation of the regional tier and the interrelation between the tiers (see chapter 6.2). It indicates how independently the regional tier can make decisions without the national tier having the right to intervene. It is not surprising that Political and Functional Decentralisation overlap somewhat in their explanatory content which is confirmed in the empirical result in Figure 6. The chart shows a clear positive correlation (r = 0.63) between Functional and Political Decentralisation. In almost all countries the degree of Political Decentralisation.



Figure 6: Functional versus Political Decentralisation

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Germany, Switzerland, Belgium and Spain are located in the upper right hand corner of the chart clearly showing the high degree of both Functional and Political Decentralisation. The scores of the Czech Republic, Portugal and Poland are also quite high. The outliers Austria and Slovakia have much more political than functional competences. In Slovakia, Functional Decentralisation is on a very low level (13) and Political Decentralisation on a relatively high level (47) what indicates that the regional tier has almost no decision making power. Bulgaria and Lithuania, by contrast, have more functional than political power. This implies that the regions have quite some competences on the regional level, but hardly any influence on the national level.

7.3.3 Functional and Financial Decentralisation

The same is true for the relation between Functional and Financial Decentralisation (Figure 7). None of them works without the other: For instance, if the regions are endowed with a certain amount of money but have no functional power (power to decide and implement), the financial autonomy is more or less worthless. The other way round, if they have functional power but no financial means at their disposal, they cannot implement functional policy.



Figure 7: Functional versus Financial Decentralisation

In Figure 7 the correlation between Functional and Financial Decentralisation for

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the investigated conglomerates is also quite high (r = 0.55). At the top of the sample is Switzerland, followed by Germany, Belgium, the Spanish regions and the autonomous regions of Italy (I-F). As before, the Czech Republic and Poland are also close to the top group. Positioned in the middle of the sample are the UK, Portugal, Ireland, Sweden etc. which are all endowed with approximately the same financial autonomy. Also located in the middle are the former socialist countries Hungary, Romania and Lithuania, at the end Estonia, Latvia, Bulgaria and Slovakia, with little financial and functional power.

7.3.4 Financial and Administrative Decentralisation

Financial and Administrative Decentralisation are highly (r = 0.72) positively correlated (Figure 8), the latter reflecting mainly the number of employees and their remuneration in the sub national tier(s).



Figure 8: Financial versus Administrative Decentralisation

The high correlation is quite obvious: A large regional public administration needs to be financed resulting in higher regional public revenues and expenditures. However, it is interesting to note that the slope of the correlation (or regression) line is distinctly below one. The regional administration of the conglomerates above the 45° line is therefore relatively small; their financial competences, however, are rather big. Countries (or conglomerates) belonging to this group are Croatia, Portugal, Ireland and Greece.

Austria, Belgium, Spain and the Nordic countries, by contrast, are located below the 45° line what means they have a relatively large public administration but relatively less financial means.

7.3.5 Indicators of Functional Decentralisation

Implementing power and decision making power are the main components of the sub-index Functional Decentralisation. Matches on the congruence (45[°])-line show that implementing and decision making power have the same index value. That means the two kinds of powers are balanced.



Figure 9: Implementing versus decision making power

Figure 9 shows that all conglomerates are located above the 45°-line. This indicates that the sub-national tier(s) always have more implementing power than decision making power. This is due to the fact that the national tier tends to keep the decision making power and delegates the implementing power down to the regions or sub-regions. Only for few countries like Austria, the allocation of implementing and decision making power seems to be poised because they are located close to the congruence line. Also endowed with considerable implementing and decision making power are the Czech Republic, Poland and Lithuania. Nonetheless these former socialist countries are positioned quite high above the 45°-line. The same is true for the other countries in this group, endowed with even less decision making power. Greece, Finland and Croatia show a clear discrepancy between implementing and decision making power.

7.4 Aggregates: Deciding and Financial Decentralisation



Figure 10: Deciding versus Financial Decentralisation

Figure 10 shows the correlation of the aggregates Deciding and Financial Decentralisation, The latter is equivalent to the sub-index Financial Decentralisation and incorporates quantitative and qualitative financial indicators. Deciding Decentralisation is an aggregate of Administrative, Functional, Political and Vertical decentralisation.

The correlation answers the crucial question: "Do the regions have the necessary financial means to take advantage of their autonomy?"
For regions positioned on the 45° line, Deciding and Financial Decentralisation are congruent. This indicates that the regions have the financial means to realise political tasks in accordance with their degree of autonomy. Due to the fact that most regions are positioned close to the congruence line it seems that no big imbalance between the two aggregates exists in any of the conglomerates.

Nonetheless, certain disparities do exist between the different countries. In Slovakia, Denmark and Ireland, the degree of financial decentralisation is much higher than the degree of deciding decentralisation. On the other hand, the regions in Spain and Austria have a high degree of decision making while their financial competences are smaller.

From Subsidiarity to Success

8 Country portraits

This chapter contains profiles of all 26 countries included in the analysis. All country profiles are structured in the same way:

First, an overview of the country is given with facts such as the name of the capital, the surface area, population and population density as well as economic key figures. The regional (administrative) boundaries are shown in a map.

After the country facts, the political system including the administrative structure of the different countries is described. Special attention is paid to the varying levels of autonomy of the different conglomerates within one country.

In the third section, the most important insights related to decentralisation gained so far are presented with results of the different sub-indices, aggregates and the Decentralisation Index.

The position of the country/conglomerate in the Decentralisation Index is shown and compared with the European average to provide an idea of the degree of decentralisation or regional autonomy. Some particularities of decentralisation are highlighted without claim to completeness.

8.1 Austria

Country Facts

Capital Area	Vienna 83'871 km ²	Form of governmen	t Parliamentary federal republic
Population (06) Population density GDP nominal (06) GDP per capita GDP growth (00-06)	8'265'930 99 per km ² 258 bn EUR 31'221 EUR 1,8%	Number of tiers - second tier - third tier - fourth tier Official language	4 9 states (Bundesländer) 101 districts (Bezirke) 2'357 municipalities (Gemeinden) German plus minority languages in designated areas
Vorarlberg Tire	Sal	Oberösterreich (zburg Kärnten	Niederösterreich Steiermark Burgenland

Political System

Austria's federal constitution initially assigns all legislative power to the regional tier (9 states or Bundesländer), unless it is explicitly assigned to the federation (Bund). The most important competences, however, are assigned to the federation. The states are in charge of the administration of most federal laws. This gives substantial weight to state politics in the federal context. The Executive consists of the head of government (federal chancellor/Bundeskanzler), and the cabinet (Bundesregierung/Ministerrat). The legislative power is vested in the bicameral parliament,

- 1. the National Council (183 deputies, elected by the citizens of Austria), the predominant chamber, and
- 2. the Federal Council (ca. 64 members elected by the State Parliaments) which is subordinate to the national council which has a veto right.

Sub-indices		Austria	European average	Difference	Rank
Weight	in %				
Administrative	12	76	47	29	3
Functional	25	35	39	-4	18
- thereof decision making	16.8	33	33	0	14
- thereof implementing	6.3	36	66	-30	25
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	77	49	28	1
Vertical	3	54	43	11	7
Financial	40	47	47	0	14
- thereof qualitative	15	47	47	0	15
- thereof quantitative	25	47	46	1	12
Decentralisation Index	Σ100	54	45	9	5

With the score of 54 in the Decentralisation Index Austria ranks fifth in the European comparison. In the sub-index Administrative Decentralisation (score of 76) Austria ranks third. This result is closely related to the first rank in Political Decentralisation (77): The second tier is endowed with legislative, executive and judiciary organs. The manpower needs of these institutions increases the regional share of

civil servants and their remuneration.

Within the subindex Functional Decentralisation (score 35, rank 18) decision making (score 33) and implementing (score 36) power are al-



most congruent in Austria, though at a relatively low level. Whilst the decision making power is average, implementing power is significantly below the sample average.

8.2 Belgium

Country Facts



Political System

Belgium's federal structure and division of competences among the tiers is complex. The federal state (first tier) is responsible for matters concerning all Belgians, such as foreign affairs, national defence, justice and public health. The federal government, the communities and the regions represent the interests of Belgium including those of the communities and regions in the European Union and NATO,. The second tier consists of three regions (Flanders, Brussels-capital and the Walloon region) and three communities (the Flemish, the French and the German speaking community). The territorial boundaries of regions and communities overlap: The bilingual Brussels-capital region belongs to both Flemish and French speaking communities. The competences of the regions are closely related to their territory and include economy, employment, town planning and the environment. The communities, on the other hand, deal with matters of language, culture and education. The provinces (third tier) are responsible for everything in their territory that is of provincial interest. They are supervised by the authorities in the higher tiers.

			European	5.4	
Sub-indices		Belgium	average	Difference	Rank
Weigh	t in %				
Administrative	12	78	47	31	1
Functional	25	54	39	15	3
- thereof decision making	16.8	57	33	24	1
- thereof implementing	6.3	64	66	-2	16
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	69	49	20	5
Vertical	3	28	43	-15	23
Financial	40	64	47	17	3
- thereof qualitative	15	60	47	13	3
- thereof quantitative	25	66	46	20	3
Decentralisation Index	∑100	63	45	18	3

With a score of 63 in the Decentralisation Index Belgium ranks third in the European comparison. Except for Vertical Decentralisation (score 28), Belgium betters the European average in each of the sub-indices. The reason for the low score for Vertical Decentralisation is the low regional fragmentation of the country (3 communities and 3 regions)., In the remaining sub-indices Belgium ranks fifth or better. In Administrative Decentralisation Belgium achieves first rank (score 78): The parallel existence of communities and regions, each with particular competences in overlapping territories, requires primarily labour resources. The regional share of employees and remuneration is therefore rather high. The high Administrative Decentralisation is coupled to a high degree of Financial Decentralisation. The Belgian regions are financially fairly independent which allows them to employ own

labour. As far as Functional Decentralisation is concerned, Belgium occupies rank three with a higher score (64) in implementing power than in decision making power (score 57).



Similar to the United States of America, Belgium has rather a dual federalism than an executive federalism.

8.3 Bulgaria

Country Facts



Political System

In Bulgaria the political power at the national tier is divided between the executive, the legislative and the judiciary body. Head of state is the president, who is responsible for the army and the national security. Whilst he is unable to initiate legislation, the president can return a bill for further debate. The prime minister heads the Council of Ministers, the primary component of the executive branch.

Most legislative power lies with the parliament. The Bulgarian unicameral parliament, the Narodno Sabranie (National Assembly) consists of 240 members elected by popular vote. The distribution of the seats is proportional to the population of the regions. Parliament appoints and dismisses government ministers, including the prime minister, exercises control over the government, and sanctions deployment of troops abroad.

The 28 provinces (oblasti) form the regional tier. Their political autonomy is small. The regions only have an executive and neither a parliament nor a judiciary body.

			Europeen		
Sub-indices		Bulgaria	average	Difference	Rank
Weight	t in %				
Administrative	12	29	47	-18	19
Functional	25	28	39	-11	22
- thereof decision making	16.8	14	33	-19	24
- thereof implementing	6.3	75	66	9	8
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	15	49	-34	26
Vertical	3	44	43	1	13
Financial	40	25	47	-22	26
- thereof qualitative	15	27	47	-20	26
- thereof quantitative	25	24	46	-22	25
Decentralisation Index	∑100	25	45	-20	26

The regions of Bulgaria achieve the lowest score (25) in the Decentralisation Index. In the sub-indices, Bulgaria's rank 26 in Financial Decentralisation (score 25). can be ascribed to the lack of a perequation system and tax setting competences. This low financial autonomy is also reflected in the low value of the quantitative financial autonomy (score 24, rank 25). The share of e.g. tax revenue (about 8%) and expenditure (about 11%) of the regions in relation to the national tier is low. Bulgaria also ranks last in Political Decentralisation (score 15, rank 26) because the political interrelation between the regional tier and the national tier is asymmetric: the na-

tional government can influence regional politics by overruling regional decisions and appointment or suspension of regional officials. In contrast, the regions cannot block national legisla-



tion and decision making. There are also no regional governments but only an executive branch of government. In Administrative Decentralisation, too, Bulgaria achieves a below average score of 29 (rank 19).

8.4 Croatia

Country Facts



Political System

In Croatia political power is horizontally divided into an executive, legislative and judiciary branch. The president has limited power. He primarily represents Croatia abroad and is responsible for foreign policy. The main executive body is the government headed by the prime minister. The legislative branch is made up by a unicameral parliament called the Hrvatski Sabor (between 100 and 160 members elected directly by the people).

Vertical power distribution is limited. The regional tier has some autonomy in affairs of regional significance such as education, health services, area and urban planning. Despite these various functions, the counties must obey national laws and orders from the national tier.

			Europoon		
Sub-indices		Croatia	average	Difference	Rank
Weight	in %				
Administrative	12	13	47	-34	26
Functional	25	38	39	-1	14
- thereof decision making	16.8	25	33	-8	18
- thereof implementing	6.3	85	66	19	5
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	45	49	-4	14
Vertical	3	57	43	14	3
Financial	40	40	47	-7	20
- thereof qualitative	15	48	47	1	13
- thereof quantitative	25	32	46	-14	21
Decentralisation Index	∑100	38	45	-7	20

Croatia's score in the Decentralisation Index (38) is below average and the country occupies rank 20. Except for Vertical Decentralisation (score 57, rank 3), the scores for all sub-indices are below 50. The lowest score is the one in Administrative Decentralisation (13, rank 26). In the following we take a closer look at the sub-indices Vertical (score 57, rank 3) and Financial Decentralisation (score 40, rank 20): Vertical Decentralisation is an indicator of the administrative fragmentation of a country which on its own does not tell much about decentralisation. It is important to look at Functional and Political Decentralisation at the same time: Although the regions would have a high implementing power (score 85, rank 5) they do not have

the financial means to actually implement the different tasks because their financial autonrather omy is small. The regions can for instance not create



a legal framework for either income taxation, company taxation or any other kind of taxation nor can it influence the amount of taxes it receives; the tax base is set by the national tier.

8.5 Czech Republic

Country Facts

Capital	Prague	Form of government	Parliamentary republic
Area	78'866 km ²		
Population (06)	10'183'500	Number of tiers	4
Population density	129 per km ²	- second tier	14 regions (kraj)
GDP nominal (06)	114 bn EUR	- third tier	76 districts (okres)
GDP per capita	11'207 EUR	- fourth tier	6'248 municipalities
GDP growth (00-06)	4,2%	Official language	Czech
Pizeňský kraj Jih	raj Liberecký kraj Praha Středočeský kraj Očeský kraj	ecký kraj dubický kraj Jihomoravský kraj Zlínský kr	s oslezský kraj aj

Political System

The Czech Republic is headed by the president. His power is limited. He may return laws to the parliament, nominate judges and dissolve the parliament under rare conditions. Considerable executive power is vested in the prime minister and his chosen ministers. The prime minister can set the foreign and domestic political agenda. The parliament has two chambers:

- 1. The chamber of deputies (200 members elected by proportional representation), lower house of the parliament, and
- 2. the senate consisting of 81 seats (each being a single-seat constituency). The candidates have to obtain an absolute majority in the first election round. If not, the two candidates with the most votes go into the second round in which the one with more votes wins the election.

Sub-indices		Czech Republic	European average	Difference	Rank
Weigh	t in %		arerage	Billoronoo	<u>rtanit</u>
Administrative	12	38	47	-9	14
Functional	25	49	39	10	7
- thereof decision making	16.8	46	33	13	6
- thereof implementing	6.3	75	66	9	8
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	57	49	8	9
Vertical	3	54	43	11	6
Financial	40	50	47	3	8
- thereof qualitative	15	51	47	4	10
- thereof quantitative	25	49	46	3	10
Decentralisation Index	∑100	50	45	5	8

The Czech Republic is positioned among the top ten countries with regard to decentralisation in Europe, on a par with e.g. Italy (52) or the Netherlands (51). Except for Administrative Decentralisation (score 38, rank 14), the Czech Republic is positioned above the European average in all other sub-indices, so Functional (score 49, rank 7), Political (score 57, rank 9), Vertical (score 54, rank 6) and Financial (score 50, rank 8) Decentralisation.

As far as Functional Decentralisation is concerned, the Czech regions are endowed with above average decision making (score 46, rank 6) and implementing (score 75, rank 8) competences. The reason for this is that decision making and implementing competences in political fields such as agriculture, fishing and farm-

ing, business development, innovation system, labour market are shared between the tiers. In Political Decentralisation the existence of a bicameral system contributes to the relatively



high autonomy of the Czech regions. Only three of the former socialist countries (Romania, Poland and Czech Republic) have a parliament with two chambers. Furthermore, the regional tier is quite independent in terms of political interrelation: the national tier can neither suspend nor appoint regional and sub-regional officials or overrule their decisions.

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8.6 Denmark

Country Facts

Copenhagen	\mathcal{A}
43'098 km ²	/ (.
5'430'000	
126 per km ²	Nordjylland
220 bn EUR	- martin
40'523 EUR	
1,7%	At and "
Constitutional	
monarchy	Midtjylland
3	Hovedstagen
5 regions (regioner)	hand and a find
98 municipalities	L' Zu Zu Mardo
(kommuner)	the second second
Danish	Syddanmark Sjaelland
	Copenhagen 43'098 km ² 5'430'000 126 per km ² 220 bn EUR 40'523 EUR 1,7% Constitutional monarchy 3 5 regions (regioner) 98 municipalities (kommuner) Danish

Political System

Denmark is a constitutional monarchy with executive authority belonging to the monarch. However, this power is strictly ceremonial, and the monarch is expected not to influence the government in any way. Executive authority is exercised by the government headed by the prime minister. Both, the government and the Danish parliament, the Folketing, have joint legislative power.

The Folketing consists of 179 members elected proportionally to the population. Compared to other European countries the Danish unicameral legislature is rather powerful: Government bills become law only after intensive negotiations and compromises between supporting and opposing parties.

With the Danish Municipal Reform (2007) the competences of the regional tier have changed. However, the national health service remains the most important area of responsibility of the regions. In contrast, unlike the former counties, the regions are not allowed to levy taxes.

			European		
Sub-indices		Denmark	average	Difference	Rank
Weigh	t in %				
Administrative	12	69	47	22	8
Functional	25	20	39	-19	25
- thereof decision making	16.8	12	33	-21	25
- thereof implementing	6.3	52	66	-14	20
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	33	49	-16	22
Vertical	3	22	43	-21	26
Financial	40	52	47	5	5
- thereof qualitative	15	32	47	-15	23
- thereof quantitative	25	64	46	18	4
Decentralisation Index	Σ100	42	45	-3	17

Denmark achieves a score of 42 in the Decentralisation Index and is positioned slightly below the European average (45). Denmark has a low Functional (rank 25), Political (rank 22) and Vertical (rank 26) Decentralisation. Within Functional Decentralisation both decision making and implementing power in different policy fields lie mainly with the national tier. Furthermore, regions and sub-regions cannot change their borders without the consent of the national tier. In contrast to Functional Decentralisation, Denmark has a quite high Financial Decentralisation (rank 5). The overall result could have been better if it were not dragged down by the low score in the qualitative sub-indicators (32): The regions can for example not set the tax

bases themselves and get a fixed share of national tax income. Inspite of this the regional tier does not lack financial means as the quantitative sub-indicators reach a score of



64. The regional shares of tax revenues and of expenditures is quite high. In addition grants (transfers received from other government units) and fees (sales of goods and services) contribute to the high autonomy in the quantitative part of Financial Decentralisation.

8.7 Estonia

Country Facts



Political System

Head of State is the President of Estonia who gives his consent to the laws passed by parliament. He has the right to send the bills back and propose new laws. Apart from this, the president's role is ceremonial: he represents Estonia in international and diplomatic relations.

The government consists of 15 ministers headed by the prime minister. The government sets and implements national policies.

The centre point of the Estonian political system besides these two bodies is the unicameral parliament, the Riigikogu (101 members elected by popular vote). Legislative authority is vested in the Riigikogu. There are no devolved legislatures. The 15 counties (regional tier) only have administrative tasks. The Riigikogu initiates and passes law, adopts the national budget and observes the work of the government.

			European		
Sub-indices		Estonia	average	Difference	Rank
Weight	in %				
Administrative	12	20	47	-27	23
Functional	25	30	39	-9	2
- thereof decision making	16.8	28	33	-5	17
- thereof implementing	6.3	46	66	-20	22
- thereof territorial (not indicated)	1.9	-	-	-	
Political	20	34	49	-15	2
Vertical	3	44	43	1	12
Financial	40	34	47	-13	23
- thereof qualitative	15	31	47	-16	2
- thereof quantitative	25	35	46	-11	20
Decentralisation Index	Σ100	31	45	-14	2

Estonia achieves a score of 31 in the Decentralisation Index and ranks second last (rank 25 out of 26 countries). Looking at the values of the different sub-indices, Estonia scores below 50 in each of them. Administrative Decentralisation for example is low (score 20, rank 23) due to the high share of employees and their remuneration in the national tier in relation to the regional tier. Also far below European average is Functional Decentralisation (score 30) on account of the low territorial autonomy and particularly also the low decision making power. In most policy fields the regional tier is only supposed to implement decisions made at the national level (e.g. family policy and basic health care). In some areas such as kindergarten, primary and secondary schools or social housing the regions cannot even implement decisions: this competence is delegated to the sub-regions (municipalities). Compared to the scores in the other sub-indices Financial (34) and

Political Decentralisation (34) are slightly higher. Among others three factors are responsible for the low score in Political Decentralisation: There are no regional governments and consequently the regions do



not have a constitution. In addition to this lack of legislative power at the regional level there is no second chamber where the regions could influence policy making at the national level.

8.8 Finland

Country Facts



Political System

In the Republic of Finland power is horizontally divided between the executive, legislative and judiciary branches of government. It combines a parliamentary system with a strong presidency. Noteworthy is the division of executive power between the prime minister and the president. Most of the executive authority is vested in the council of state, headed by the prime minister. The prime minister is responsible for the country's internal affairs and EU issues. The President, on his part, has considerable power: Among other things, he is commander-in-chief of the armed forces, responsible for Finland's foreign affairs, has appointive power and approves laws.

Legislative authority is the 200 member unicameral parliament (Eduskunta or Riksdag). It amends and extends legislation. It may alter the constitution, bring about the resignation of the Council of State and override presidential vetoes. The Eduskunta is elected on the basis of proportional representation.

Sub-indices		Finland	European average	Difference	Rank
Weigh	t in %				
Administrative	12	71	47	24	7
Functional	25	35	39	-4	17
- thereof decision making	16.8	19	33	-14	23
- thereof implementing	6.3	88	66	22	3
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	39	49	-10	19
Vertical	3	46	43	3	11
Financial	40	46	47	-1	15
- thereof qualitative	15	36	47	-11	21
- thereof quantitative	25	53	46	7	8
Decentralisation Index	Σ100	45	45	0	12

With a score of 45 in decentralisation Finland is positioned in the middle (rank 12 out of 26) of the country sample. This result derives from the average scores in Functional (35), Political (39), Vertical (46) and Financial Decentralisation (46). With a high score of 71 in Administrative Decentralisation Finland ranks seventh in that sub-index. The good performance in Administrative Decentralisation is due to the regional employees and salaries in the public sector, both reaching shares of over 70 percent. In Functional Decentralisation (score 35) there is an obvious mismatch between decision making (19) and implementing power (88). In most policy fields decisions are made at the national level and the regional tier (maakunta)

enforces them. That means that regions do for instance not deliver basic services. The sub-regional tier (municipalities) is fairly autonomous and almost not influenced by the decision making of re-



gions and vice versa. The municipalities which form the regions have also considerable decision making and implementing power. In contrast only limited power lies with the regional level, given by municipalities to regional councils or other federations of municipalities (e.g. in special health care). Nevertheless, the concentration of decision making power at the national level indicates a very centralised functional power distribution.

8.9 France

Country Facts



The national government of France is divided into an executive, a legislative and a judicial branch. Under the Fifth Republic presidents have traditionally tended to leave day-to-day policy-making to the prime minister and government. The president appoints the prime minister, presides over the cabinet, commands the armed forces and concludes treaties. The legislative organ is a bicameral parliament:

- 1. The national assembly (lower house) is a 577-seat body representing single-seat constituencies.
- The senate (upper house) consists of 321 members. 296 thereof are representing mainland France, 13 French overseas territories and 12 French citizens living abroad. It is the weaker chamber.

Decentralis	sation Facts
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			European		
Sub-indices		France	average	Difference	Rank
Weight	in %				
Administrative	12	32	47	-15	18
Functional	25	41	39	2	12
- thereof decision making	16.8	38	33	5	11
- thereof implementing	6.3	69	66	3	13
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	44	49	-5	15
Vertical	3	27	43	-16	25
Financial	40	46	47	-1	16
- thereof qualitative	15	48	47	1	13
- thereof quantitative	25	45	46	-1	15
Decentralisation Index	<u>Σ</u> 100	42	45	-3	16

With a score of 42 in the Decentralisation Index France is positioned slightly below the European average. France's score (32) in Administrative Decentralisation: for instance is quite low as public employment is concentrated at the national level. In addition, Functional Decentralisation is relatively low (score 41) with implementing power (score 69) considerably higher than decision making power (score 38). This pattern is typical for similarly centrally governed countries. e.g. Portugal, Ireland

and Greece, all of which score below 50 in Administrative Decentralisation coupled with a significant imbalance between decision making and implementing power (implementing power



being at least 1.5 times higher than decision making power). In Financial Decentralisation (46), qualitative and quantitative sub-indicators match on an average European level (48 and 45). This implies that the sub-national tiers not only possess the financial means but can also decide autonomously over the use of thereof.

8.10 Germany

Country Facts

Capital	Berlin	for my
Area	357'114 km ²	Schleswig-Holstein
Population (06)	82'658'300	
Population density	232 per km ²	Harfbourg/Jecklenburg-Vorpommern
GDP nominal (06)	2'324 bn EUR	Breitten
GDP per capita	28'117 EUR	Niedersachsen
GDP growth (00-06)	1,0%	Brandenburg
Form of government	Parliamentary republic	Nordrhein-Westfalen
Number of tiers	4	Hessen & Thüringen
- second tier	16 states (Länder)	have by the property and
- third tier	439 districts (Kreise)	Rheinland-Pfalz
- fourth tier	12'239 municipalities	Saarland West ha
	(Gemeinden)	Bayern
Official language	German	Baden-Württembergers

Political System

The legislative power of the federal government lies with the Bundestag (2008: 612 seats elected by popular vote) and the Bundesrat (69 votes directly represented by state governments). The Bundesrat has the absolute veto right over laws that, as explicitly stipulated by the constitution (basic law), require its approval. The German interrelation between the federation (Bund) and the 16 states (Länder) can be characterised as unitary federalism meaning that competences not explicitly assigned to the federation are automatically the task of the states. However, the constitution favours the federation in giving it more powerful competences. Decision making power remains to a high degree with the federation. Implementing power, in contrast, is exercised by the states: They have to enforce federal and the state laws. As compensation about 30 - 45 percent of all laws passed in the Bundestag require the approval of the Bundesrat. All other laws are the so called "objection bills" meaning that the Bundesrat may table an objection to a law. Such objection, however, may be overturned by the Bundestag. The states' participation rights in the legislative process can considerably influence law making at the federal level.

Sub-indices		Germany	European average	Difference	Rank
Weigh	t in %	Connaily		2	Harm
Administrative	12	75	47	28	4
Functional	25	58	39	19	1
- thereof decision making	16.8	52	33	19	3
- thereof implementing	6.3	79	66	13	6
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	75	49	26	2
Vertical	3	36	43	-7	19
Financial	40	66	47	19	2
- thereof qualitative	15	57	47	10	4
- thereof quantitative	25	71	46	25	2
Decentralisation Index	∑100	66	45	21	2

Germany ranks second after Switzerland with a score of 66 in the Decentralisation Index. Except for Vertical Decentralisation Germany is among the top four and above the European average in each sub-index. The high value in decentralisation stems mainly from Functional Decentralisation (58) where Germany ranks first. Within Functional Decentralisation a typical pattern can be identified: The score of implementing power (79) is much higher than the one of decision making power

(52). The reason for this imbalance between the two main components of Functional Decentralisation has already been mentioned above. The constitution assigns a lot of decision making power to the federation whereas



the regional tier (states) has to implement both national and regional decisions. Germany also achieved high scores in Political (75) and Financial Decentralisation (66) ranking second in both sub-indices.

8.11 Greece

Country Facts



Political System

In Greece the executive power lies with the cabinet headed by the prime minister. The cabinet is responsible for the general policy. The most powerful person in the Greek political system is the prime minister. He is responsible for the unity government and its activities. Although the president has limited powers, he is the regulator of the regime. He is also responsible for representation of the state on the international level and other matters of national importance. Legislative authority is vested in the unicameral Greek parliament (300 members elected by direct vote and a reinforced proportional representation). The regional tier is made up of 54 prefectures. Each prefecture is headed by a prefectural council directly elected by popular vote. Prefectures are responsible for a number of matters within their administrative delimitation. The economic resources of prefectures are approved by the central administration. The second and the third tier (Prefectures and Communities respectively) are both supervised by the national tier. There is also an intermediate level which is part of the national tier and consists of 13 Regions. The head of each region is appointed by the Government (Ministry for Internal Affairs).

Decentralis	sation Facts
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			-		
Sub indiana		Crassa	European	Difforence	Book
Sub-Indices		Gleece	average	Difference	RAHK
Weight	in %				
Administrative	12	17	47	-30	24
Functional	25	37	39	-2	16
- thereof decision making	16.8	25	33	-8	18
- thereof implementing	6.3	98	66	32	1
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	30	49	-19	24
Vertical	3	62	43	19	2
Financial	40	31	47	-16	25
- thereof qualitative	15	52	47	5	8
- thereof quantitative	25	18	46	-28	26
Decentralisation Index	<u>Σ</u> 100	31	45	-14	24

Greece achieves a score of 31 in the Decentralisation Index and is ranked third last in the country comparison, above Estonia and Bulgaria. The index value is primarily determined by Political (30) and Financial Decentralisation (31). Both subindices are highly weighted and have therefore a major influence on the Decentralisation Index. By taking a closer look at the data, three factors that reduce the political autonomy of the regions can be distinguished. Firstly, the national legislative body consists of only one chamber. Without a representation of the regions



constitutions. Thirdly, although the regions have executive and judiciary bodies, a legislative body is missing. Within Financial Decentralisation the score for the qualitative sub-indicators is quite high (52, rank 8) due to a well established perequation system. The score for the quantitative sub-indicators, in contrast, is rather low (18, rank 26). Furthermore, Greece has a very low score in Administrative Decentralisation (17) in combination with a considerable mismatch between decision making (25) and implementing power (98).

8.12 Hungary

Country Facts



Political System

In Hungary the executive branch consists of the president together with the prime minister and the cabinet. Whilst the prime minister has the leading role (he appoints the cabinet ministers and has the prerogative to dismiss them) the president's function is merely ceremonial. For instance, he appoints officials and chooses the date for parliamentary elections.

Although legislative authority vests in both the government and parliament, the unicameral National Assembly is the body which predominantly passes legislation. The parliament is elected by a mixed system: Of the representatives for the 386 seats, 176 are elected in single-seat constituencies and 210 through regional and national lists from the competing parties.

			European		
Sub-indices		Hungary	average	Difference	Rank
Weigh	t in %				
Administrative	12	48	47	1	13
Functional	25	38	39	-1	15
- thereof decision making	16.8	22	33	-11	21
- thereof implementing	6.3	79	66	13	7
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	43	49	-6	16
Vertical	3	30	43	-13	21
Financial	40	48	47	1	12
- thereof qualitative	15	56	47	9	6
- thereof quantitative	25	42	46	-4	17
Decentralisation Index	Σ100	44	45	-1	13

Hungary is positioned in the middle of the European sample (Decentralisation Index score 44, rank 13) with Poland, Finland and Sweden. Hungarian regions are quite autonomous in financial matters (Financial Decentralisation: score 48, rank 12) due, among other factors, to the well established perequation system. Perequation aims at reducing per capita inequality among the regions and provides regions with disadvantageous topography or socio-demographics with funds. A similar score as in Financial Decentralisation is achieved in Administrative Decentralisation (48, rank 13). This is no coincidence: As mentioned in the descriptive part of the study, the two sub-indices are positively correlated: A large regional public administration requires financial resources or - the other way round - regions

with a solid financial endowment can afford the necessary manpower. A slightly lower score is achieved in Political (43, rank 16) and Functional decentralisation (38, rank 15). In Functional Decen-



tralisation a substantial mismatch exists between the two components, with the score for implementing power being more than three times as high as that for decision making power. Hungarian regions never have the sole decision making power, i.e. without the nation state's influence.

8.13 Ireland

Country Facts



Head of state of the Republic of Ireland is the president who has no executive function. The president has a ceremonial role in representing Ireland and he is commander of the defence force. The executive body consists of the prime minister, deputy prime minister and up to 13 additional ministers. The legislative authority is vested in two chambers:

- 1. The Dáil Eireann, the stronger legislative chamber, because the president does not have a veto and the senate cannot refuse laws but only postpone them. The 166 members are elected by proportional representation.
- The Seanad Eireann, the second chamber, has advisory functions. The 60 members are elected by a special system: 11 members are nominated by the prime minister, 6 are elected by national universities and 43 are elected from special vocational panels of candidates.

The regional tier consists of two levels: the first level consists of 26 counties. They are the main providers of local services. Within a county may exist borough or town councils (a certain population and an application is necessary) but they do not cover the whole territory of Ireland and are not regarded as a third tier.

Decentra	lisation	Facts
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			European		
Sub-indices		Ireland	average	Difference	Rank
Weight	in %				
Administrative	12	23	47	-24	21
Functional	25	33	39	-6	20
- thereof decision making	16.8	25	33	-8	18
- thereof implementing	6.3	74	66	8	10
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	41	49	-8	18
Vertical	3	50	43	7	9
Financial	40	49	47	2	9
- thereof qualitative	15	56	47	9	6
- thereof quantitative	25	44	46	-2	16
Decentralisation Index	∑100	41	45	-4	18

With the score of 41 Ireland is positioned slightly below the European average (45). Looking at the values of the sub-indices to identify the reasons for this average score, reveals relatively high scores in Vertical (50, rank 9) and Financial Decentralisation (49, rank 9) and relatively low ones in Administrative (23, rank 21), Functional (33, rank 20) and Political Decentralisation (41, rank 18). Ireland has a low score in Administrative Decentralisation (23) coupled with an imbalance of decision making (25) and implementing power (74). Most decision making power is vested in the national tier with the regions (counties) being mainly responsible for enforcement. Only in a few policy areas, e.g. local roads, local transport systems, fire

fighting services, area planning and social housing are decision making competences assigned to the regional tier. The score in Administrative Decentralisation



(23) is far lower than the European average (47); this is mainly due to a very low share of regional public sector employment. This fact contrasts somewhat with the rather high score in Financial Decentralisation, where both qualitative and quantitative (income and expenditures) indicators show a considerable degree of financial means in the regions.

8.14 Italy

Country Facts



Political System

Italy is a parliamentary republic with a two chamber system:

- 1. The Chamber of Deputies (lower house) comprises 630 seats. They are elected proportionally to the population.
- 2. The Senate of the Republic (upper house) has 315 members. It represents the regions and is also elected proportionally to the population.

Both chambers are elected by people's direct vote. Legislation can originate in both houses, but bills must pass in identical form by a majority in each chamber. There is no formal mediation procedure. This makes decision-making drag on and regular legislation less important. To accelerate the process the government (council of ministers) increasingly issues decrees that have to be confirmed by parliament. This induces a considerable shift of legislative power to the executive authority.

Italy has two different kinds of regions: 5 of the 20 regions are autonomous and have more competences than the other 15 regions. Three of them are in the north and have ethnic minorities (French, German, Rhaeto-Romance and Slovenian), the other two are the big islands (see above map).

Sub-indices		Italy	European average	Difference	Rank
Wei	ght in %				
Administrative	12	51	47	4	12
Functional	25	50	39	11	6
- thereof decision making	16.8	46	33	13	5
- thereof implementing	6.3	61	66	-5	17
- thereof territorial (not indicate	d) 1.9	-	-	-	-
Political	20	57	49	8	8
Vertical	3	52	43	9	8
Financial	40	50	47	3	7
- thereof qualitative	15	40	47	-7	18
- thereof quantitative	25	56	46	10	7
Decentralisation Index	<u>Σ</u> 100	52	45	7	6

With the score of 52 in the Decentralisation Index Italy ranks sixth in the comparison with the other European countries. The Decentralisation Index and its subindices are the weighted average of the regions with a normal status and the 5 autonomous regions. Italy has high scores in Functional (50, rank 6), Political (57, rank 8) and Financial Decentralisation (50, rank 7). A closer look at the data shows what caused the high score in Functional Decentralisation: The decision making power is equally distributed among the different tiers for various policy fields. In addition, more implementing power lies with the regions than with the national and sub-regional tiers. In the case of Political Decentralisation several factors contribute to the high result: The regional tier is politically relatively autonomous: The

national tier has for example no power to overrule regional decisions. In turn, regions cannot block national legislation or decision making. Nevertheless, it is possible to intervene if the national tier is not



acting in accordance to the regional constitution or law. In the case of Financial Decentralisation the seventh rank is mainly owed to the quantitative sub-indicators. In terms of income the regional shares of tax revenues (over 40%), grants (over 90%) and fees (over 90%) are high. On the expenditure side public consumption is around 60% and public investments even around 80%.

8.15 Latvia

Country Facts



Political System

At the national level political power is horizontally divided between the legislative, executive and judiciary bodies. The executive power is exercised by the cabinet of ministers headed by the prime minister. The prime minister leads the government and represents the government before parliament. Head of state is the president who has a ceremonial role. Although he is formally responsible for the armed forces, signs treaties, represents the state in international relations and appoints key officials, these powers are exercised on the advice of the prime minister. The Constitution of the Republic of Latvia states that the President has the right to initiate legislation. Besides, the President has the right to suspend the proclamation of a law for a period of two months. The unicameral parliament (Saeima) consists of 100 members elected by people's direct vote. The legislative power (first tier) is not in any way subordinated to the second and third tiers. District councils consist of first tier mayors. In that capacity they cannot decide about local competences. Any decision by a district is not binding to the first tier.

Sub-indices		Latvia		European	Difference	Pank
Sub-indices	1. 0/	Latvia		average	Dillerence	Nalik
Weigh:	t in %		~ 4	47	40	47
Administrative	12		34	47	-13	17
Functional	25		23	39	-16	24
- thereof decision making	16.8		20	33	-13	22
- thereof implementing	6.3		38	66	-28	24
- thereof territorial (not indicated)	1.9		-	-	-	-
Political	20		33	49	-16	23
Vertical	3		55	43	12	4
Financial	40		38	47	-9	22
- thereof qualitative	15		39	47	-8	19
- thereof quantitative	25		37	46	-9	19
Decentralisation Index	∑100		33	45	-12	23

Latvia's score of 33 in the Decentralisation Index ranks the country 23rd of 26. Except for Vertical Decentralisation (score 55, rank 4) each sub-index receives a score below the European average. There is no imbalance within Functional Decentralisation (23, rank 24): Decision making (rank 22) and implementing power (rank 24) match on a very low level: Latvian regions have some decision making power (e.g. in their relation with foreign regions, area planning, sports services, promotion of arts and culture) and implementing power (e.g. in basic healthcare, primary schools, main roads, area planning). More implementing power is assigned to the sub-regional tier. Three reasons cause the low score in Political Decentralisation (33, rank 23): Firstly, the regions have no constitution. Secondly, Latvia has a unicameral system,

i.e. the regions can hardly influence policy making at the national level. Thirdly, there is neither a legislative nor an executive nor a judiciary body at the regional level. Alto-



gether, the Latvian regions (districts) are quite dependent because the competences are mainly vested in the superior national tier. Although all tiers have their own budgets, only the national tier has its own income – 80% of individual income tax and 100% of real estate tax. On the other hand, all tiers can decide almost freely about the allocation of their budgets.

8.16 Lithuania

Country Facts



Political System

Lithuania consists of 10 counties which constitute the regional tier. The counties hold little power, but have a supervising role: County governments oversee local governments and the local implementation of national laws. In addition, the county governors are not elected by popular vote but appointed by the central government.

The executive authority is vested in the president and the government. Although the constitution assigns to the president policy functions such as foreign affairs, national security and military commander-in-chief, he always needs the approval of the government. The role of the president is thus rather ceremonial. Legislative authority lies with the unicameral parliament, the Seimas. It consists of 141 members, 71 of which are elected in single constituencies and 70 in a nationwide vote.

			European		
Sub-indices		Lithuania	average	Difference	Rank
Weig	ht in %				
Administrative	12	22	47	-25	22
Functional	25	50	39	11	5
- thereof decision making	16.8	43	33	10	8
- thereof implementing	6.3	86	66	20	4
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	22	49	-27	25
Vertical	3	32	43	-11	20
Financial	40	33	47	-14	24
- thereof qualitative	15	37	47	-10	20
- thereof quantitative	25	30	46	-16	22
Decentralisation Index	∑100	34	45	-11	22

Lithuania achieves a score of 34 in the Decentralisation Index and is positioned 22nd in the European comparison. Like in other former socialist countries, there is a typical gap between decision making (43) and implementing power (86). Despite this imbalance Lithuania does quite well in overall Functional Decentralisation (50, rank 5).

In Political Decentralisation (22) Lithuania ranks second last. Several factors contribute to this result: Firstly, the legislative body consists of only one chamber in which



the regions are not represented. Secondly, the regions have no constitution. of their own. Thirdly, there are only executive and judiciary regional bodies, but no legislative one.

8.17 Netherlands

Country Facts



The Netherlands is a constitutional monarchy. The monarch's function is ceremonial. Executive power is mainly exercised by the cabinet headed by the prime minister. The legislative branch consists of two chambers:

- 1. The second chamber (Tweede Kamer) with 150 members elected proportionally to the parties by people's direct vote.
- The first chamber (Senate) with 75 members elected by the provincial assemblies. This chamber has less power because it can only reject laws but not propose or amend them.

The Netherlands do not have a traditional separation of power. The cabinet as the executive body and the states-general (parliament) share legislative authority. Dutch politics and governance are characterised by broad consensus.
Sub-indices		Netherlands	European average	Difference	Rank
Weigh	t in %				
Administrative	12	63	47	16	9
Functional	25	40	39	1	13
- thereof decision making	16.8	37	33	4	12
- thereof implementing	6.3	61	66	-5	18
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	49	49	0	12
Vertical	3	47	43	4	10
Financial	40	56	47	9	4
- thereof qualitative	15	65	47	18	2
- thereof quantitative	25	49	46	3	11
Decentralisation Index	∑100	51	45	6	7

The Netherlands' achieve an above average score in the Decentralisation Index (51, rank 7). The score in Administrative Decentralisation (63, rank 9) is also quite high which is typical for federal countries, most of which (e.g. Switzerland or Germany) achieve scores above 60. The high share of labour in the regional administration requires appropriate financial means. Therefore the Netherlands also achieve a high value in Financial Decentralisation (56, rank 4). Especially two indicators contribute to the high value of this sub-index: Firstly, there is a well established perequation system that aims to fund regions with disadvantageous sociodemographics or topography and aims to create incentives for regions to spend money in fields that are prioritised by the national tier. Secondly, the regional tier

receives a share of tax income determined by the national tier. In contrast to the above mentioned subindices the Netherlands reach a low value in Functional



Decentralisation (40, rank 13): In most policy fields the sub-national tiers only have implementing power. In policy fields such as healthcare, family policy, education, research or infrastructure the regions have to share decision making authority with the national tier.

8.18 Norway

Country Facts



Political System

In the constitutional monarchy of Norway the political power is shared between the executive (council of state headed by the prime minister), the legislative (Nowegian parliament) and the judiciary. Executive power is vested in the government. Legislative power is exercised by the unicameral parliament, the Stortinget. It consists of 169 members elected by people's direct vote. Of these 150 seats are distributed proportionally to the population in the regions. The remaining 19 seats are additional and allocated when discrepancies between the number of seats and received votes occur.

Decentra	lisation	Facts
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Out in the se		Neman	European	D://	David
Sub-Indices		Norway	average	Difference	Rank
Weight	in %				
Administrative	12	56	47	9	11
Functional	25	28	39	-11	23
- thereof decision making	16.8	28	33	-5	16
- thereof implementing	6.3	39	66	-27	23
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	36	49	-13	20
Vertical	3	39	43	-4	16
Financial	40	46	47	-1	17
- thereof qualitative	15	44	47	-3	16
- thereof quantitative	25	47	46	1	14
Decentralisation Index	<u>Σ</u> 100	41	45	-4	19

With a score of 41 in the Decentralisation Index the Norwegian regions' autonomy is below average compared to the regions of other countries. The degree of decentralisation in Norway can be compared to that of e.g. Ireland, Hungary or Denmark. Norway's score in Functional Decentralisation (28, rank 23) is low. Within Functional Decentralisation, decision making (28) and implementing power (39) are also at a low level. Decisions are predominantly made at the national level, while implementation is mainly tasked to the regions. Officially, the national and regional tier share decision making and implementing autonomy. Only in policy fields like main roads, local roads, local transport systems and regional development is the decision making power officially assigned to the regions. In practise, the national tier is for instance responsible for the transeuropean transport systems. A moderate score is achieved in Political Decentralisation (36, rank 20). This indicates that

the regional tier has practically no political autonomy. Given the unicameral system, the regions are represented at the national level only in proportion to their population. They



cannot block national legislation nor can they intervene in any way. In terms of Administrative Decentralisation Norway scores well (56, rank 11). Despite their low autonomy the regions benefit from quite a high share of government employees and their remuneration.

8.19 Poland

Country Facts



Poland is a parliamentary democracy, with a president as a Head of State who is elected by popular vote every five years. The president appoints the cabinet which exercises the executive power. Legislative power is vested in the two chambers of parliament, the Sejm and the Senate:

- The lower chamber (Sejm) is composed of 460 members elected by people's direct vote. The distribution of the seats is proportional to the population in the regions.
- The upper chamber (Senate) consists of 100 members. The members represent 40 constituencies with 2 to 4 seats each.

When sitting in joint session, members of the Sejm and Senat form the national assembly. It sits on three occasions: on taking the oath by a new president, when impeaching the president and when declaring the president's incapacity to exercise his duties because of his state of health. The latter two cases have never occurred. Head of state is the president. He has the power to veto legislation passed by par-liament. Apart of that, his role is mostly representative.

Decentra	lisation	Facts
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Sub-indices		Poland	European average	Difference	Rank
Weight	in %				
Administrative	12	37	47	-10	16
Functional	25	45	39	6	9
- thereof decision making	16.8	41	33	8	9
- thereof implementing	6.3	74	66	8	11
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	62	49	13	6
Vertical	3	36	43	-7	17
Financial	40	48	47	1	10
- thereof qualitative	15	51	47	4	10
- thereof quantitative	25	47	46	1	13
Decentralisation Index	Σ100	48	45	3	10

Poland's score of 48 in the Decentralisation Index is above average. Compared to other former socialist countries Poland ranks quite high, after the Czech Republic, on account of the high score in Political (62, rank 6) and Functional Decentralisation (45, rank 9). Within Functional Decentralisation Poland achieves a high decision making autonomy (41, rank 9), confirmed by a closer look at the data: In important policy fields such as basic health care, business development, innovation systems and labour market the national and regional tier share the decision making power. Within Political Decentralisation several sub-indicators can be identified where Poland is better served than former socialist countries. Firstly, Poland has a

bicameral parliament which is unusual for those countries. Only Quantitative finance three (Poland, Czech Republic, Romania) have such a system. Qualitative finance Secondly, the national government cannot dismiss or appoint re-



gional officials. The dismissal and appointment competences are restricted to the sub-regional tier. Thirdly, there is a vertical power distribution at the regional level. Regions have their own legislative, executive and judiciary bodies.

8.20 Portugal

Country Facts

Capital	Lisbon	llha dg Corvo Ilha das Flores	Viana do Castelo
Area	92'345 km ²		Braga
Population (06)	10'567'400	الha da Graciosa الha do Faial ک	Porto Vila Real Bragança
Population density	114 per km ²	Ilha do Pico	from the former and
GDP nominal (06)	155 bn EUR		Aveira Viseu Viseu
GDP per capita	14'700 EUR	Ilha de São Miguel	Coimbra
GDP growth (00-06)	9,5%	liha de Santa Maria S	Leiria Cantola Branco
Form of government	Semi-presidential republic	 	www.
Number of tiers	4	Ilha de Porto Santo	Santarém Portalegre
- second tier	18 districts (distritos)	الم	Lymphing 5
- third tier	308 municipalities (municipios)	-	Evora Evora
- fourth tier	4'259 parishes (freguesias)	<	
Special status	2 autonomous regions	/	Beja m
	(Azores, Madeira)	7	\sim
Official language	Portuguese	l-	Faro

Political System

The constitution of Portugal ensures the division of powers among legislative, executive and judiciary branches. The unicameral parliament, the assembly of the republic, is the legislative authority par excellence: it has exclusive responsibility to legislate in some matters unless it authorises the executive authority to do so. The parliament consists of 230 deputies elected by direct vote. The seats are distributed proportionally to the number of citizens registered in each constituency. The parliament has the power to dismiss a government when an absolute majority of all the members in full exercise of their office approve a no confidence motion, to impeach the president according to a conviction from the Supreme Court of Justice and to change the country's laws and the constitution. The government is the body that conducts the general policy. It consists of the council of ministers and the prime minister, ministers and secretaries of state. It has the executive authority. The president of the republic represents the Portuguese republic and may only remove the government when it becomes necessary to do so in order to ensure the normal functioning of the democratic institutions and after first consulting the council of state. The districts of mainland Portugal are not regarded as a regional tier according to our definition. To qualify for a tier, at least one person has to be directly elected by the people of the respective jurisdiction. The results presented below are from the autonomous regions Madeira and the Azores. In analysing the results it has to be kept in mind that the autonomous regions are not representative for the districts of mainland Portugal. Because of their special status they are more autonomous and achieve higher scores in the Decentralisation Index.

			European		
Sub-indices		Portugal	average	Difference	Rank
Weigh	t in %				
Administrative	12	15	47	-32	25
Functional	25	46	39	7	8
- thereof decision making	16.8	38	33	5	10
- thereof implementing	6.3	65	66	-1	15
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	58	49	9	7
Vertical	3	39	43	-4	15
Financial	40	41	47	-6	19
- thereof qualitative	15	57	47	10	4
- thereof quantitative	25	29	46	-17	24
Decentralisation Index	Σ100	42	45	-3	15

The autonomous regions of Portugal are positioned in the middle of the sample (Decentralisation Index: score 42, rank 15). High values are achieved in Functional (46) and Political (58) Decentralisation. The high value in Functional Decentralisation is not unexpected for regions with special status: Decision making power is equally distributed between the national and the regional tier in most policy areas. In fields like local roads, health care, social security and education, harbours, local transport systems even both, decision making and implementing power, are assigned to the autonomous regions. In the case of Political Decentralisation the fact that the Azores and Madeira have their own executive, judiciary (an extension of the national judiciary system) and parliament with legislation competences contributes to the high score. Only Administrative Decentralisation (score 15, rank 25) and the quantitative

sub-indicators (score 29, rank 24) of Financial Decentralisation (score 41, rank 19) lack behind. The quantitative sub-indicators also give an insight into how centralised the distribution of power among the tiers in mainland Por-



tugal is: the share of employment and remuneration at the national tier in relation to the regional tier is over 75 percent, respectively 86 percent.

8.21 Romania

Country Facts



Political System

The constitution provides for the division of power between the legislative, the executive and the judiciary body. The president and the government, headed by the prime minister, form the executive branch. The president is in charge of supervising the proper functioning of the public authorities and of foreign affairs. He acts as mediator among the main organs of the state. The president nominates the prime minister, who in turn appoints the government, which must be confirmed by a vote of confidence by Parliament. Legislative power is vested in parliament which consists of two houses:

- 1. The chamber of deputies, with approximately 340 seats. Deputies are elected in proportion to the population in the regions.
- The senate with roughly 140 seats; senators are also elected proportionally to the population in the regions.

Each of the 42 counties is governed by an elected county council. County councils are responsible for local affairs.

Decentra	lisation	Facts
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			European		
Sub-indices		Romania	average	Difference	Rank
Weigh	t in %				
Administrative	12	37	47	-10	15
Functional	25	43	39	4	11
- thereof decision making	16.8	30	33	-3	15
- thereof implementing	6.3	90	66	24	2
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	54	49	5	11
Vertical	3	36	43	-7	18
Financial	40	40	47	-7	21
- thereof qualitative	15	52	47	5	8
- thereof quantitative	25	30	46	-16	23
Decentralisation Index	∑100	43	45	-2	14

Romania achieves a score of 43 in the Decentralisation Index which corresponds to rank 14. High values (rank 11 in both sub-indices) are achieved in Political (54) and Functional Decentralisation (43). In the case of Political Decentralisation two factors speak for the high value: Firstly, the parliament consists of two chambers. Romania is one of the three former socialist countries with a bicameral system. Secondly, the regional parliaments, elected by people's direct vote, with legislative

and executive power. However, the score in Political Decentralisation must be qualified in respect of the limited possibilities of the regions to influence national policy: Neither can



they block national legislation nor intervene when the national tier is not acting in accordance with the constitution. In Romania the relation between implementing power and Financial Decentralisation is special: Although the regions have an extremely high degree of implementing authority (90, rank 2) there is a lack of financial resources. In Financial Decentralisation Romania achieves a score of only 40 (rank 21).

8.22 Slovakia

Country Facts

Capital	Bratislava	Form of government	Parliamentary republic
Area	49'034 km ²		
Population (06)	5'370'700	Number of tiers	4
Population density	110 per km ²	- second tier	8 regions (kraje)
GDP nominal (06)	45 bn EUR	- third tier	79 districts (okresy)
GDP per capita	8'348 EUR	- fourth tier	2'883 municipalities (obce)
GDP growth (00-06)	5,5%	Official language	Slovak



Political System

Slovakia has a traditional division of power between the executive, legislative and judicial bodies on the national level. The president and the government, headed by the prime minister, share the executive power. The president is elected by popular vote and has only limited power. Most executive power lies with the government.

The legislative is a unicameral parliament consisting of 150 members. In Slovakia no individual electorate exist. The deputies are not elected proportional to the population in the regions but the whole national population forms one electorate. The parliament approves the constitution, legal acts and the state budget.

			Europoon		
Sub-indices		Slovakia	average	Difference	Rank
Weight	in %				
Administrative	12	29	47	-18	20
Functional	25	13	39	-26	26
- thereof decision making	16.8	6	33	-27	26
- thereof implementing	6.3	36	66	-30	26
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	47	49	-2	13
Vertical	3	55	43	12	5
Financial	40	45	47	-2	18
- thereof qualitative	15	51	47	4	10
- thereof quantitative	25	41	46	-5	18
Decentralisation Index	∑100	36	45	-9	21

Slovakia (rank 21) reaches a far below average score of 36 in the Decentralisation Index due among other things to the low score in Functional Decentralisation (13, rank 26). The regional tier has practically no functional power at all. In important policy fields, decision making authority is never assigned to the regions, at most they have implementing power. In contrast, Slovak regions are relatively autonomous in Political Decentralisation (score 47, rank 13). They do have a legislative and executive body, but the regional parliament cannot make laws. In addition, the

means of the national government to interfere are restricted: It cannot suspend or appoint regional officials nor can it overrule decisions made by the regional tier. Nonetheless, a mis-



match exists between Functional and Political Decentralisation. Political autonomy is devalued if the regions are not allowed to make decisions in the first place. The low score in Administrative Decentralisation (29, rank 20) also indicates the centralised system of government with power retention by the first tier.

An.

8.23 Spain

Country Facts

		Galicia Asturias
Capital	Madrid	SPais Vasto
Area	504'645 km ²	Rigia Castilla y León
Population (06)	43'451'400	Cataluña
Population density	86 per km ²	Aragón
GDP nominal (06)	981 bn EUR	T good the start
GDP per capita	22'587 EUR	Extremadura
GDP growth (00-06)	3,4%	Castilla-La Mancha
Form of government	Constitutional monarchy	Baleares
Number of tiers	4	Andalucia
- second tier	17 autonomous communities	
	(comunidades autónomas)	Gibraltar
- third tier	50 provincies (provincias)	
- fourth tier	8'111 municipalities (municipio)	Canarias
Special status	2 autonomous cities (Ceuta, Melilla)	G
Official language	Spanish (Basque, Catalan and Galician	are official
	languages in the respective autonomou	s communities)

Political System

The Kingdom of Spain is a constitutional monarchy. Head of State is the monarch. The executive power is vested in the council of ministers headed by the president of government. The congress of deputies (350 members elected by popular vote on block lists) and the senate (259 seats of which 208 are directly elected by popular vote and 51 are appointed by the regional legislatures) build the legislative authority. Spain is composed of 19 autonomous coummunities (Comunidades Autónomas) and cities which are granted political autonomy by the constitution. However, the division of power between the federal state (national tier) and the autonomous communities (regional tier) is particular: The constitution lists the exclusive powers of the state and transfers the determination of the power of the communities to the statutes of autonomy. Therefore, when validating state versus autonomous community power, the constitutional court considers the "block of constitutionality" - a set of the constitution, statutes and the laws which limits the power in certain areas. This high degree on self-determination of the communities leads to an asymmetrical power distribution: Some statutes of autonomy assume more and some less power that is not reserved by the state. Thus, power may differ among the autonomous communities.

Sub-indices		Spain	European	Difference	Rank
Weight	in %	opun	arenage	Billoronoo	Rank
Administrative	12	76	47	29	2
Functional	25	53	39	14	4
- thereof decision making	16.8	51	33	18	4
- thereof implementing	6.3	66	66	0	14
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	69	49	20	4
Vertical	3	27	43	-16	24
Financial	40	51	47	4	6
- thereof qualitative	15	36	47	-11	21
- thereof quantitative	25	61	46	15	5
Decentralisation Index	Σ100	58	45	13	4

Spain achieves a high score (58, rank 4) in the Decentralisation Index and is positioned far above the European average of 45. Today, all regions (comunidades autónomas) have the same official status concerning their autonomy. In the past, some regions were more autonomous than others, but the degree of autonomy has been adjusted over time. In Administrative Decentralisation (score 76) Spain achieves rank 2, in Functional Decentralisation (score 53) rank 4. The high functional autonomy is not surprising: except for a few policy fields reserved for the national tier the regions have autonomy over their functional fields. In Political Decentralisation (score 69) the regions are also over average autonomous: All regions have an executive and a parliament elected by direct vote of the regional people. The appointment

of the judiciary is also the same for all regions: the General Council of Judicial Power (national tier) appoints the Regional Judiciary (Tribunal Superior de Justicia). The high score of 61 in the quanti-



tative component of Financial Decentralisation (score 51, rank 6) indicates that the regions have enough money to benefit from the political and functional power given them by the constitution.

8.24 Sweden

Country Facts

Capital	Stockholm	- Sound
Area	449'964 km ²	
Population (06)	9'045'480	
Population density	20 per km ²	
GDP nominal (06)	314 bn EUR	
GDP per capita	34'672 EUR	Västerholten
GDP growth (00-06)	2,8%	
Form of government	Constitutional monarchy	Vissiemontand Jämtland
Number of tiers	3	Gävleborg
- second tier	21 provincies (län)	
- third tier	290 municipalities (kommun)) have the second of
Special status	2 autonomous regions	Värmland Orebra Stockholm
	(Västra Götaland, Skåne)	Västra Götaland
Official language	Swedish	ostergötlan sönköping Gotland
		Halando Kalma Halando Kronoberg
Political Systen	n	Ching V Skáne

olitical System

Sweden is a constitutional monarchy. Head of state is the King whose power is limited to official and ceremonial functions. The legislative body is the unicameral parliament (Riksdag) which consists of 349 seats. The seats are distributed proportionally to the population in the regions. The Riksdag can alter the Swedish constitution and individual members have the competence to initiate legislation. Head of the cabinet (executive branch) is the prime minister who chooses the number of ministers. The cabinet proposes new laws and implements decisions taken by the Riksdag. Thus, the cabinet has both a legislative and executive function. Sweden has 3 political tiers, the national, the regional (21 provinces) and sub-regional tier (290 municipalities). The national constitution does not grant residual autonomy to any of the other tiers. Two of the provinces (Västra Götaland, Skåne) have a special status. The two provinces or regions were established in the late 1990s because the old administrative county borders had been made obsolete by people's way of living and working. Västra Götaland was created out of three old counties, Skåne by two. The two regions were given a broader mission including, in the first line, taking over the responsibility for regional development questions from regional state authority. In all other aspects the regions Skåne and Västra Götaland have almost the same competences as the other Swedish regions. In the following it has to be taken into account that index values for Sweden are averages of the regions with a special status and those with a normal status.

			European		
Sub-indices		Sweden	average	Difference	Rank
Weight	t in %				
Administrative	12	74	47	27	5
Functional	25	34	39	-5	19
- thereof decision making	16.8	33	33	0	13
- thereof implementing	6.3	47	66	-19	21
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	42	49	-7	17
Vertical	3	42	43	-1	14
Financial	40	47	47	0	13
- thereof qualitative	15	32	47	-15	23
- thereof quantitative	25	57	46	11	6
Decentralisation Index	∑100	46	45	1	11

The Swedish regions are positioned in the centre of the decentralisation ranking (score 46, rank 11) of European countries. In the sub-index Administrative Decentralisation (score 74, rank 5) the regions achieve an extraordinary high value (comparable to Norway). Also in Financial Decentralisation (score 47, rank 13) Sweden's rank is above average. However, it has to be noted that the qualitative and the quantitative components within the financial dimension drift apart: While the Swedish regions are endowed with a high amount of financial means, the decision making in financial matters remains to a large extent at the national level. Furthermore, the Swedish regions have average functional decision making power whilst

the implementing power is below the European average. Because the latter has less weight than most of the other dimensions it does not really affect the overall score.



When it comes to Political Decentralisation Sweden is positioned slightly below the European average. This indicates that the national level can intervene more in regional decision making than in other European countries.

8.25 Switzerland

Country Facts



Political System

Switzerland is a federation of 26 cantons (20 cantons and 6 half-cantons). The cantons are at least to some extent sovereign states, each with an own constitution. The Federal Constitution was adopted in 1848, a new one in 1999. The latter did not introduce notable changes of the federal structure. Besides basic and political rights of individuals and federal authorities, the constitution defines the power distribution between the confederation and the cantons. Article 3 states: "The Cantons are sovereign as long as their sovereignty is not limited by the Federal Constitution". Both residual autonomy and subsidiarity are stated explicitly.

The Federal parliament consists of two chambers (or houses):

- 1. the National Council with 200 members (number of members per canton proportionate to the population, but at least one)
- 2. the Council of States with 46 members (two from each canton and one from each half-canton)

When both houses are in joint session, they form the Federal Assembly, which elects (among others) the Executive (Federal Council) consisting of 7 members.

Sub-indices		Switzerland	European average	Difference	Rank
Weight	in %				
Administrative	12	72	47	25	6
Functional	25	58	39	19	2
- thereof decision making	16.8	55	33	22	2
- thereof implementing	6.3	73	66	7	12
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	75	49	26	3
Vertical	3	67	43	24	1
Financial	40	75	47	28	1
- thereof qualitative	15	69	47	22	1
- thereof quantitative	25	78	46	32	1
Decentralisation Index	∑100	70	45	25	1

With a score of 72 in the Decentralisation Index Switzerland ranks first among the European countries. The sub-index with the lowest value is Administrative Decentralisation (72, rank 6): Although the index value is relatively high in Switzerland, regions of Austria, Belgium and Germany have a higher share of employment and remuneration in relation to their national tier. Within Functional Decentralisation (score 58, rank 2) the two components decision making power (score 55) and implementing power (score 73) match at a high level. Much decision making authority is assigned to the regions (cantons). The larger implementing value is predictable

as the regions have to implement both their own decisions and those passed at the national level. The regions achieve the highest result in Financial Decentralisation (score 75, rank 1) of all re-



gions in the European sample. Both, qualitative and quantitative sub-indicators occupy a first rank. Swiss regions have a high degree of financial autonomy: They have vast tax competences and can for instance set the tax base, the tax rate, keep their tax revenues and in addition get a fixed share of national taxes.

8.26 United Kingdom

Country Facts



Political System

As a constitutional monarchy, the United Kingdom's head of state is the monarch. Although the monarch has a ceremonial function, he/she can exercise three essential rights: the right to be consulted, the right to give advice and the right to warn. The actual executive power lies with the government made up of the prime minister and the cabinet. Supreme legislative authority is vested in the government and the parliament which consists of two chambers:

- 1. House of Commons, currently with 646 members of parliament, each elected by a constituency of broadly equal population.
- House of Lords, consisting of the Lords Temporal (722 peers) and the Lords Spiritual (26 representatives of the church). It has a veto but cannot completely block legislation.

Of the second tier Scotland, Wales and Northern Ireland each have a legislative and executive body alongside that of the United Kingdom.

Out indiana		United	European	D://	Deal
Sub-Indices		Kingdom	average	Difference	Rank
Weight	in %				
Administrative	12	57	47	10	10
Functional	25	43	39	4	10
- thereof decision making	16.8	44	33	11	7
- thereof implementing	6.3	54	66	-12	19
- thereof territorial (not indicated)	1.9	-	-	-	-
Political	20	55	49	6	10
Vertical	3	30	43	-13	22
Financial	40	48	47	1	11
- thereof qualitative	15	44	47	-3	16
- thereof quantitative	25	51	46	5	9
Decentralisation Index	<u>∑</u> 100	49	45	4	9

With a score of 49, rank 9 the UK is positioned slightly above the European average in the Decentralisation Index. Due to the lack of comparability with the Inner-English regions, the UK countries Scotland, Wales and Northern Ireland which probably have the highest degree of autonomy have not been included in the calculations: The Decentralisation Index has been constructed here by means of the non-metropolitan counties. The results would probably be higher if the rest of the regional tier would have been integrated. The so defined United Kingdom achieves the same rank in Administrative (score 57, rank 10) and Functional Decentralisation (score 43, rank 10). Within Functional Decentralisation decision making is at a relatively high

level. The regional tier has e.g. the sole decision making power in the policy fields main and local roads. In the



policy fields environment and energy, community policy and public order and safety the decision making power is divided between the national, regional and subregional tier. In addition to this high functional autonomy the regions of the United Kingdom are financially well funded: In Financial Decentralisation the regions achieve a score of 48 (rank 11).

9 Annex

Sources and content of the quantitative database 9.1

Table A 1: Sources and content of the quantitative database

Quantitative Variables	Sources*		
Employees			
Number of employees in the public sector	ILO, Public Sector Employment, 2002-2005		
Remuneration of employees in the public sector	ees		
Revenue			
Tax revenue	IMF Yearbook 2006		
Social contribution revenue	IMF Yearbook 2006, a)		
Grants (funds granted from other public bodies)	IMF Yearbook 2006, a)		
Amount of fees (for sold goods and services)	OECD, non-tax revenues and grants, 2002-2005		
Other revenue (residual)	IMF Yearbook 2006, a)		
Expenditure for			
General public services	IMF Yearbook 2006, a), b)		
Defense	IMF Yearbook 2006, a), b)		
Public order and safety	IMF Yearbook 2006, a), b)		
Economic affairs	IMF Yearbook 2006, a), b)		
Environmental protection	IMF Yearbook 2006, a), b)		
Housing and community	IMF Yearbook 2006, a), b)		
Health	IMF Yearbook 2006, a), b)		
Recreation, culture, religion	IMF Yearbook 2006, a), b)		
Education	IMF Yearbook 2006, a), b)		
Social protection	IMF Yearbook 2006, a), b)		
Total expenditure	IMF Yearbook 2006		
Public consumption			
Public consumption	Eurostat, Annual Government Finance Statistics 2005		
Public investment	2004-2005		
Financial Balance			
Financial assets	IMF Yearbook 2006; Eurostat, Financial Ac- counts, 2004-2006 IMF Yearbook 2006; Eurostat, Financial Ac- counts, 2003-2006		
Financial debts			
Financial Perequation Transfers between national, regional and sub- regional tiers	- Eurostat, Annual Government Finance Statistics, 2005		

^{*}missing data on the regional tier compledet by national statistics and/or estimated by BAK a) U.S. Census Bureau, State & Local Government Finances 2004-2006 b) Eurostat, Annual Government Finance Statistics 2003-2004

Table A 2: Conglomerates

No	conglomerate	content	abbreviation
1	Schweiz/Suisse/Svizzera	26 Kantone/cantons/cantoni	СН
2	Deutschland	16 Bundesländer	D
3	Belgique (Bruxelles Capitale)	3 regio's/régions (Bruxelles capitale, Het Vlaamse Gewest, La Région Wallonne)	B-BC
4	Belgique (Deutschsprachige Gemeinschaft)	3 gemeeenschappen/communautés (Deutschsprachige Gemeinschaft, vlaamse gemeenschap, communauté francaise)	B-DG
5	España	17 comunidades autónomas	E
6	Österreich	9 Bundesländer	А
7	Italia (Friuli Venezia Giulia)	5 regioni statuto speciale (Valle d'Aosta, Friuli-Venezia Giulia, Sardegna, Sicilia, Trentino-Alto Adige)	I-F
8	Italia (Lombardia)	15 regioni	I-L
9	Nederland	12 provincies	NL
10	Česká republika	14 kraj	CZ
11	United Kingdom	75 English regions (counties, unitary authorities)	UK
12	Polska	16 województwo	PL
13	Sverige (Västra Götaland)	2 län (Västra Götaland, Skane)	S-VG
14	Sverige (Västernorrland)	19 län	S-VN
15	Suomi	20 maakunta	FIN
16	Magyarország	20 megyék	н
17	Románia	42 judete	RO
18	Portugal	Regiões autónomas (Azores, Madeira)	Р
19	France	26 régions	F
20	Danmark	5 regioner	DK
21	Ireland	26 counties	IRL
22	Norge	19 fylker	NO
23	Hrvatska	21 zupanija	HR
24	Slovenská Republika	8 kraje	SK
25	Lietuva	10 apskritys	LT
26	Latvija	26 rajoni	LV
27	Ellás	54 nomos	GR
28	Eesti	15 maakond	EST
29	Bălgarija	28 oblasti	BG

9.2 Survey: Decentralisation Indicators

Note that all questions in the chapters A to E refer to today's (2007) situation.

Italicised term appearing the first time, are explained in the glossary.

Content overview

I YOUR COUNTRY

- A. General information about your country
 - A.1 General information about the political structure of your country
- B. Political interrelation
 - B.1 Role of regional tier in national tier
 - B.2 Role of national tier in regional tier
 - B.3 Role of the sub-regional tier(s) in regional tier
 - B.4 Role of regional tier in sub-regional tier(s)
 - B.5 Role of sub-regional tier(s) in national tier
 - B.6 Role of national in sub-regional tier (s)
- C. Financial flows between jurisdictions (perequation system)

II YOUR REGION

- D. Functional power distribution
- E. General information about your region
 - E.1 General information about the sub-regional tier(s) in your region
 - E.2 Territorial autonomy
- F. Fiscal autonomy
- G. Evolution
 - G.1 Evolution of regional autonomy over the last 10 years
 - G.2 Evolution of regional autonomy over the next (say 10) years
- H. Regional Identity
- I. Diverse

I YOUR COUNTRY

•		
Δ	λ.	General information about your country
1	•	Name
2		Capital
A	. 1	General information about the political structure of your country
3	5.	Number of <i>tiers</i> in your country
		Name of tiers and number of horizontal elements per tier:
		Regional tier (e.g. Kantone)
		How many (e.g. Kantone) elements?
		Sub-regional tiers:
		Sub-regional tier-1 (e.g. Kreise)
		How many elements?
		Sub-regional tier-2 (e.g. municipalities)
		How many elements?
		Sub-regional tier-3 (if any)
		How many elements?
4	-	Is there a consistent vertical hierarchy concerning power distribution between the regional and the sub-regional tier(s)? $yes = 1$, no = 0

Power distribution

5.	Does the national constitution or a national law grant residual autonomy to sub-
	national tiers for policy fields that are not explicitly assigned to the national gov-
	ernment?

- a. yes, to regional tier =1
- b. yes, to sub-regional tier(s) =2
- c. no, residual power is with the national government = 0

National Parliament

- 6. Does the parliament consist of one or two chambers (i.e. lower and upper house)?
 - a. one = 0
 - b. two = 1
- 7. Is the distribution of seats in the first chamber proportional to the population in the regions?
 - a. no = 0
 - b. fully = 1
 - c. partly; if partly, how many out of total seats: _____of____= share
- 8. Is the distribution of seats in the second chamber (if it exists) proportional to the population in the regions?
 - a. no =0
 - b. fully =1
 - c. partly; if partly, how many out of total seats: _____of___ = share
- 9. What are the competences of the second chamber of parliament (if it exists)?
 - a. same rights as first chamber
 - b. veto against financial legislation of first chamber
 - c. veto against non-financial legislation of first chamber
 - d. veto by supermajority (e.g. 2/3 of all members)
 - e. veto by majority (49% / 51% of all members)
 - f. others, please specify:_____
- 10. Can second chamber influence first chamber legislation
 - a. in all policy fields = 2
 - b. in some policy fields or = 1
 - c. not? = 0

Elections of the national government

- 11. Who elects the *legislature*?
- a. is the first chamber elected by people's direct vote? yes/no,
 if "no", please specify: ________
 b. is the second chamber (if any) elected by people's direct vote? yes/no,
 if "no", please specify: _______

- 12. Who elects the executive?
 - a. people (direct vote)
 - b. parliament
 - c. head of state appoints prime minister
 - d. others, please specify_____

13. Who elects/appoints the *judiciary* (Supreme Court)?

- a. people (direct vote)
- b. parliament
- c. others, please specify_____
- 14. If there is a second chamber, is it (at least partly) elected or chosen in the subnational tiers?
 - a. No = 0
 - b. Fully = 1
 - c. partly; if partly, how many out of total seats: _____of___ = share
- 15. Do the first and the second chamber have the same election period?

Yes = 0, no = 1

B. Political interrelation

The subject of this chapter is the distribution of autonomy in your country.

- 16. Does the constitution/law or practice require the national, regional and sub-regional governments to cooperate to carry out joint tasks?
 - a. constitution/law
 - b. practice
 - c. no
- 17. Do the elections for the national and the regional tier take place on the same day?
 - a. Yes = 0
 - b. No = 2
 - c. Sometimes = 1
- 18. Do the elections for the regional tier and the sub-regional tier(s) take place on the same day?
 - a. yes
 - b. no
 - c. sometimes

B.1 Role of regional tier in national tier

- 19. Can the regional tier block national legislation/decision making? Yes = 1, no = 0
- 20. Can the regional government intervene in any way if the national government is not acting in accordance to the constitution/law? yes = 1; no = 0

B.2 Role of national tier in regional tier

- Has the national government the power to overrule regional decisions?
 -> Question 21 und 22 were combined
- 22. If such a power exists, is it
 - a. universally valid, = 0
 - b. valid under special circumstances (e.g. emergency situations) or = 2
 - c. valid for selected policy fields? = 1
 - d. No = 3
- Has the national government the power to suspend regional officials?
 -> Question 23 und 24 were combined

24. If such a power exists, is it

- a. universally valid, = 0
- b. valid under special circumstances (e.g. emergency situations) or = 2
- valid for some officials (e.g. for officials in the legislature or the executive)?
 = 1
- d. no = 3
- 25. Has the national government the power to **appoint** regional officials?

-> Question 25 und 26 were combined

- 26. If such a power exists, is it
 - a. universally valid, = 0
 - b. valid under special circumstances (e.g. emergency situations) or = 2
 - c. valid for some officials (e.g. for officials in the legislature or the executive)? = 1
 - d. no = 3
- 27. Can the national government intervene in any way if the regional government is not acting in accordance to the constitution/law? yes = 0, no = 1
- 28. Is there one (or more) unit of the national tier located in your region which has more or less the same executive tasks as the regional level? yes = 0, no = 1

B.3 Role of the sub-regional tier(s) in regional tier

- Can the sub-regional tier(s) block regional legislation/decision making? yes/no
- 30. Can the sub-regional government intervene in any way if the regional government is not acting in accordance to the constitution/law? yes/no

B.4 Role of regional tier in sub-regional tier(s)

- 31. Has the regional government the power to **overrule** sub-regional decisions? yes/no
- 32. If such a power exists, is it
 - a. universally valid
 - b. valid only under special circumstances (e.g. emergency situations) or
 - c. valid only for selected policy fields?
- 33. Has the regional government the power to suspend sub-regional officials? yes/no
- 34. If there exists such a power, is it
 - a. universally valid
 - b. valid only under special circumstances (e.g. emergency situations) or
 - c. valid only for some officials (e.g. for officials in the legislature or the executive)?
- 35. Has the regional government the power to **appoint** sub-regional officials?

yes/no

- 36. If there exists such a power, is it
 - a. universally valid
 - b. valid only under special circumstances (e.g. emergency situations) or
 - c. valid only for some officials (e.g. for officials in the legislature or the executive)?
- 37. Can the regional government intervene in any way if the sub-regional governments are not acting in accordance to the constitution/law?

yes/no

38. Is there one (or more) unit of the regional tier located in your region which has more or less the same executive tasks as the sub-regional level? yes/no

B.5 Role of sub-regional tier(s) in national tier

- 39. Can sub-regional tier(s) **block** national legislation/decision making? Yes = 1, no = 0
- 40. Can the sub-regional governments intervene in any way if the national government is not acting in accordance to the constitution/law? Yes = 1, no = 0

B.6 Role of national tier in sub-regional tier(s)

- 41. Has the national government the power to **overrule** sub-regional decisions?
 -> Question 41 und 42 were combined
- 42. If such a power exists, is it
 - a. universally valid, = 0
 - b. valid only under special circumstances (e.g. emergency situations) or = 2
 - c. valid only for selected policy fields? = 1
 - d. No = 3
- 43. Has national government the power to **suspend** sub-regional officials?
 - -> Question 43 und 44 were combined
- 44. If such a power exists, is it
 - a. universally valid = 0
 - b. valid only under special circumstances (e.g. emergency situations) or = 2
 - c. valid only for some officials (e.g. for officials in the legislature or the executive)? = 1 $% \left(\frac{1}{2} \right) = 1$
 - d. no = 3
- 45. Has the national government the power to **appoint** sub-regional officials?

-> Question 45 und 46 were combined

- 46. If there exists such a power, is it universally valid or only under special circumstances or for certain members?
 - a. universally valid, = 0
 - b. valid only under special circumstances (e.g. emergency situations) or = 2
 - c. valid only for some officials (e.g. for officials in the legislature or the executive)? = 1
 - d. no = 3
- 47. Can the national government intervene in any way if the sub-national governments are not acting in accordance to the constitution/law? Yes = 0, no = 1
- 48. Is there one (or more) unit of the national tier located in your region which has more or less the same executive tasks as the sub-regional level? Yes = 0, no = 1

C. Financial flows between jurisdictions (perequation system)

49. Is there a *perequation system* between the *tiers*?

yes = 1, no = 0

in case of NO, proceed directly to chapter D, the rest of chapter C refers to the case YES, there is a *perequation system*.

50. Between or within which tiers is the perequation system active (cross if true) yes = 1, no = 0

		Fund to the		
		national tier	regional tier	sub-regional tier(s)
Funds	national tier			
from	regional tier			
the	sub-regional tier(s)			

- 51. What is the purpose of the perequation system?
 - a. sub-national tiers get funds to fulfil (to cover the costs of) their tasks
 - rich(er) regions fund poor(er) regions, thereby offsetting regional discrepancies;
 try to measure this "equalisation factor" by a value between 1% and 100% (fully): _____%
- 52. Does the perequation system contain the following elements or aspects?
 - a. reduction of the sub-national inequality of funds available per capita
 - -> no = 1, yes = 0
 - b. additional funding for sub-national tiers with disadvantageous sociodemographics

-> no = 1, yes = 0

c. additional funding for sub-national tiers with disadvantageous geography or topography

-> no = 1, yes = 0

d. creating incentives (e.g. subsidies) for sub-national tiers to spend money in certain fields which are prioritized by national tier (steering of the sub-national tiers by the national tiers)

-> no = 1, yes = 0

- 53. Do financial decisions on the sub-national tiers affect (net) financial flows?
 - a. with national tier = 0
 - b. with other regions/sub-regions = 0
 - c. no = 1
- 54. What is the incidence of sub-national changes (estimated)?

Please, fill in an estimated value in all 9 boxes (with a number between 0% and 100%) to answer the following questions. By how many % are changes in subnational tax revenues /other revenues /expenditures offset by changes in (net) flows between the respective tiers?

	(Net) flows from the national to the regional tier	(Net) flows from the national to the sub-regional tier	(Net) flows from the regional to the sub-regional tier				
Tax revenue							
Other revenue							
expenditure							

55. Is the perequation system designed to be neutral to decision making?

- a. Yes = 1
- b. No = 0

56. How many % of financial inflows are ear-marked?

- a. Flows from national to regional tier____
- b. Flows from national to sub-regional tier____
- c. Flows from regional to sub-regional tier____

II YOUR REGION

D. Functional power distribution

The subject of this chapter is the distribution of power between different tiers in several distinct policy fields.

Please fill in

- "d" if the **d**ecision making power is with a certain tier (decision by executive or parliament. This can, but does not necessarily, imply the power to make laws.) or
- "i" if the implementing power is with a certain tier (implementation means the provision of the respective service.)

d: nat tier = 1, reg tier = 2, sub-reg = 3, empty = 0	national	your	sub-
i: nat = 1, reg = 2, sub-reg = 3, empty = 0	tier	region	regional
		Ū	tier(s)
D.1 Economic policy			
57. agriculture (with forestry, hunting)			
58. fishing, fish farming			
59. business development			
60. innovation system			
61. labour market			
62. relation with foreign regions			
63. external trade policy			
D.2 Social policy			
64. sickness and disability			
65. pension systems for elderly people			
66. family policy			
D.3 Healthcare (policy)			
67. basic healthcare			
68. non-university hospitals			
69. university hospitals			
D.4 Education and research (policy)			
70. kindergarten			
71. primary schools			
72. secondary schools			
73. professional schools (secondary level)			
74. universities			
75. other tertiary education			
76. basic research			
77. applied research			
	national	your	sub-

Please fill in several boxes per line if necessary!

	tier	region	regional tier(s)		
D.5 Infrastructure policy					
78. highways					
79. main roads					
80. local roads					
81. harbours					
82. local transport systems (e.g. tramways)					
83. airports					
D.6 Public order and safety					
84. police services					
85. fire-protection services					
86. prisons					
D.7 Environment and energy					
87. spatial/area planning					
88. pollution abatement					
89. protection of biodiversity and landscape					
D.8 Recreation & culture and housing & community policy					
90. recreational and sporting services					
91. promotion of art and culture					
92. public TV and radio					
93. religious and other community services					
94. social housing					
95. minorities (incl. languages)					
D.9 Migration and integration policy					
96. migration					
97. integration					
D.10 EU policy					
98. Use of EU structural funds					

E. General information about your region

- 99.a Name _____
- 99.b Capital _____
- 100. Is there a constitution in your region? yes = 1, no = 0
- 101. Does your region have an agency in Brussels (EU)? yes = 1, no = 0
- 102. Is your region responsible for the transposition of EU legislation? yes = 1, no = 0

Elections of the regional government

- 103. Is there a parliament in your region?
 - a. yes, elected by people's direct vote = 3
 - b. yes, elected/appointed by others within the regional tier = 2
 - c. yes, elected/appointed by the national tier = 1
 - d. no = 0
- 104. Can the regional parliament make laws? Yes = 1, no = 0
- 105. Is there an *executive* in your region?
 - a. yes, elected by people's direct vote = 3
 - b. yes, elected/appointed by others within the regional tier = 2
 - c. yes, elected/appointed by the national tier = 1
 - d. no = 0
- 106. Is there a *judiciary* in regional tier?
 - a. yes, elected by people's direct vote = 3
 - b. yes, elected/appointed by others within the regional tier = 2
 - c. yes, elected/appointed by the national tier = 1
 - d. no = 0

E.1 General information about the sub-regional tier(s) in your region

107. Is there a constitution in the sub-regional tier(s)?

yes/no

Elections of the sub-regional government

- 108. Is there a parliament on the sub-regional tier(s)?
 - a. yes, elected by people's direct vote
 - b. yes, elected/appointed by others within the sub-regional tier(s)
 - c. yes, elected/appointed by the regional or national tier
 - d. no
- 109. Is there an executive on the sub-regional tier(s)?
 - a. yes, elected by people's direct vote
 - b. yes, elected/appointed by others within the sub-regional tier(s)
 - c. yes, elected/appointed by the regional or national tier
 - d. no
- 110. Is there a judiciary on the sub-regional tier(s)?
 - a. yes, elected by people's direct vote
 - b. yes, elected/appointed by others within the sub-regional tier(s)
 - c. yes, elected/appointed by the regional or national tier
 - d. no

E.2 Territorial autonomy

111. Can your region change its border (e.g. merge with another region) without the national government giving its consent?

Yes = 1, no = 0

112. Can your region change its border without the sub-regional governments involved giving their consent?

yes/no

113. Can the sub-regions in your region change their borders without the national government giving its consent?

Yes = 1, no = 0

114. Can the sub-regions in your region change their borders without the regional government giving its consent? yes/no

F. Fiscal autonomy

The subject of this chapter is the vertical distribution of financial competences

115. What are the competences of your region regarding taxes? Cross all boxes that apply for your region.

Yes = 1, no = 0

	Region can	Region can	Region can	Region gets a
	determine the	determine the	keep the tax	fixed share of
	tax base	tax rate	revenues	national taxes
Taxes on personal income				
Taxes on personal				
(net) wealth				
Taxes on corporate				
income or profit				
Taxes on corporate				
capital or wealth				
(additional) taxes on				
immovable property				
(real estate)				
Inheritance and/or				
gift taxes				
Turnover and/or				
value added taxes				

^{121.} Is your region allowed to access the financial markets in at least some areas? Yes = 1, no = 0

122. If your region incurs debt, does it have to pay off the debt itself (i.e. the national government does not assume responsibility for all or some of the debt)? yes = 1, no = 0

G. Evolution

The subject of this chapter is the shifting of the distribution of power in the past and in the future.

G.1 Evolution of regional autonomy over the last 10 years

123. Which relevant (for your region) shifts have taken place in the distribution of powers between the governmental tiers in the last ten years? Which was their direction?

areas	less central	more central
Fiscal autonomy		
Economic policy		
Social policy		
Healthcare (Policy)		
Education and research (Policy)		
Infrastructure policy		
Public order and safety		
Environment and energy		
Recreation & culture and housing & community policy		
Migration and integration policy		
G.2 Evolution of regional autonomy over the next 10 years

124. Which relevant shifts in the distribution of powers between the governmental tiers are expected in the next ten years? Will they be organized more or less central and are they only planned or already decided? Please, mark with p (planned) and d (decided).

areas	less central	more central
Fiscal autonomy		
Economic policy		
Social policy		
Healthcare (policy)		
Education and research (policy)		
Infrastructure policy		
Public order and safety		
Environment and energy		
Recreation & culture and hous-		
ing & community policy		
Migration and integration policy		

H. Regional Identity

This section includes questions by which we try to gauge regional awareness (which we believe to be very important) of the degree of decentralisation. However, due to the topic of these questions, the answers cannot be based on «hard» facts, they require personal judgement and opinion. We are fully aware therefore that – unlike in sections A-F – the answers in this section are, to a certain degree, subjective. This will of course be taken into account in our evaluation of the answers.

- 125. As what do the people in your country identify/feel themselves? Give a ranking from1 (highest identification) to 6 (lowest identification).
 - a. as a European citizen____
 - b. as citizen of your nation____
 - c. as citizen of your region____
 - d. as citizen of a sub-region (e.g. a city/municipality) in your region_____
- 126. Is the regional origin an important criterion in the election/selection process for the ministers in your country? _____(fill in mark from 1=very important to 6=not important)
- 127. Are there regional differences in election or voting results (e.g. left-middle-right)?
 - a. yes, strong = 2
 - b. medium = 1
 - c. no significant differences = 0
- 128. Are there big (b), medium (m) or little (I) differences between the regions in

big	= 2, medium = 1, little = 0		
a.	housing styles		b / m / l
b.	food		b / m / l
c.	landscape		b / m / I
d.	mentality		b / m / I
e.	wealth		b / m / l
f.	economic structure		b / m / I
g.	others:	_?	b / m / l

129. Try to estimate the distribution of total political power and attribute the relative power to the respective tier

national		regional	sub-regional (1)	sub-regional (2)
	%	%	%	%

(relevant is today's situation as for your region and power refers rather to rule setting or decision making than to execution or implementation. The sum of the figures should add to 100%.)

I. Diverse

- 130. Do all regions in your country have the same rights?
 - a. Yes = 0
 - no, some regions are more autonomous (i.e. have more rights) than others, please list the names of these regions: = 1
- 131. Are there differences in the election participation in the different tiers (people's direct votes only)?
 - a. participation rate in election of national government____%
 - b. participation rate in election of regional government____%
 - c. participation rate in election of sub-regional government____%

Thank you very much for your cooperation!

Your name:______ and email:______

9.3 Aggregation methods

To construct the composite indices of Decentralisation (overall index and its subcategories) the individual indicators are aggregated as a weighted average. Principally there are two alternative methodological approaches of weighting. On the one hand the literature offers a quite rich menu of alternative statistical weighting methods. Statistical models such as factor analysis could be used to group individual indicators according to their degree of correlation. Alternatively, participatory methods that incorporate the subjective valuation of experts can be used to assign weights.

The expert-based aggregation is often chosen when there is a high preference that the resulting composite index should reflect policy priorities or theoretical factors, whilst factor analysis is often chosen because of its independence from subjective valuation. As the aggregation procedure of the factor analysis is purely data-based, the resulting composite index is independent of prior views on the importance of the indicators. In addition, the composite index accounts for a large part of the cross-sectional variance of the detailed indicators.

Within this study, the method of expert-valuation was used for two reasons. First, the decentralisation index should reflect theoretical issues as well as expert knowhow and politicians' priorities. Second, statistical test procedures indicate that factor analysis is probably not the appropriate method. As factor analysis groups individual indicators according to their degree of correlation, this method is only applicable as long as there is a significant correlation between the individual indicators. To some degree, this problem occurs in our case, too. Despite that finding we conducted a factor analysis as well as an expert-based approach for the purpose of sensitivity analysis.

9.4 Factor analysis

9.4.1 Model

The idea of the factor analysis is to explain a number of observable variables largely or entirely in terms of a much smaller number of variables called factors.

The factor model assumes the following relationship for each variable:

 $y_{i} = F_{1} \cdot l_{i1} + ... + F_{p} \cdot l_{ip} + \mathcal{E}_{i}$, j=1,..., n with p<n

 y_j denotes the observable individual variable, represented as a linear combination

of common factors F_1 to F_p , each weighted with the corresponding factor loadings (I), and a residual term ϵ_j , also called unique factor. n is the number of variables, p the number of factors.

By imposing some restrictions⁶ on moments and correlations the variance of the observable variables Y can be decomposed in

 $VAR(Y) = L\Phi L + \Psi$,

where L is a p x n matrix of factor loadings, Φ is the variance-covariance matrix of the common factors, and Ψ is the variance of the unique factor.

The variances of the individual variables may accordingly be decomposed into:

$$VAR(y_{j}) = l_{j1}^{2} + \dots + l_{jp}^{2} + VAR(\varepsilon_{j}) = \sum_{k=1}^{p} l_{jk}^{2} + \Psi_{j} = h_{j}^{2} + \Psi_{j}$$

for each j, where the h_j^2 are taken from the diagonal elements of $L\Phi L'$, and ψ_j is the corresponding diagonal element of Ψ . h_j^2 represents the common portion of the variance of the jth variable, termed the *communality*, while ψ_j is the unique portion of the variance, also referred to as the *uniqueness*.

9.4.2 Approach

The construction of summary indicators of decentralisation involved the following steps:

Step 1: Statistical tests of the sample adequacy

Tests on the significance of correlations, the Kaiser-Meyer and Olkin test and the Bartlett's test of sphericity.

Step 2: Factor extraction

Identification of the numbers of factors necessary to represent the variance in the individual indicators adequately. Estimation of the factor loadings.

Step 3: Rotation

The rotation of the factors attempts to minimise the number of basic indicators that have a high loading (so-called salient loadings) on the same factor.

⁶ E(F)=0, VAR(F)=1, COV(F_i; ϵ)=0; COV(F_i;F_j)=0; COV(ϵ_i, ϵ_j)=0; E(Y_i)=0

Step 4: Construction of weights

Each detailed indicator is weighted according to the proportion of its variance that is explained by the factor it is associated to (i.e. the normalised squared loading), while each factor was weighted according to its contribution to the portion of the explained variance in the dataset (i.e. the normalised sum of squared loadings).

Step 5: Sensitivity analysis

Alternative approaches with resolved restrictions on the composition of the subindices.

Level of aggregation

The factor analysis was conducted on the level of sub-indices, i.e. the composition of the sub-indices was predetermined through theoretical considerations, and the weighting of the individual variables within the sub-indices was determined according to the factor loadings.

9.4.3 Statistical test procedures

The balanced sample consists of 21 individual indicators. Hence, we can compute 210 pair wise correlation coefficients (see table below).

	DECISION_MAKING_POWER	DEPTS	ELEMENTS_PER_TIER	EMPLOYEES	EU	EXPENDITURES	HIERARCHICAL_STRUCTUR	IMPLEMENTATION_POWER	INCENTIVES	NAT_PARLIAMENT	NUMBER_OF_TIERS	PEREQUATION_SYSTEM	POL_INTERRELATION	POL_POWER_DISTR	PUBLIC_CONS_INVEST	REG_CONSTITUTION	REG_GOVERNMENT	RESIDUAL_AUTONOMY	REVENUE	TAXES	TERRITORIAL
DECISION_MAKING_POWER	1.00	0.44	-0.21		0.41	0.60	0.11	0.26	0.07	0.67	0.27	0.16	0.59	0.14	0.55	0.49	0.59	-0.24	0.48	0.51	0.38
DEPTS	0.44	1.00	0.07		0.45	0.39	0.20	0.00	-0.03		-0.13	0.39	0.59	0.30	0.36	0.31	0.70	0.00	0.39	0.17	0.36
ELEMENTS_PER_TIER	-0.21	0.07	1.00	-0.09	-0.42		-0.04	-0.09			-0.56	-0.32			-0.19	-0.11	-0.29	0.02	-0.18	0.14	-0.15
EMPLOYEES			-0.09	1.00	0.29	0.83	-0.20	-0.06	-0.22	0.29	-0.17	0.21	0.43	0.32	0.74	0.21	0.27	0.13	0.78	0.15	0.23
EU	0.41	0.45	-0.42	0.29	1.00	0.29	0.23	0.00	0.00	0.66	0.16	0.34	0.34	0.27	0.39	0.46	0.49	-0.06	0.42	-0.03	0.14
EXPENDITURES	0.60	0.39	0.00	0.83	0.29	1.00	-0.03	0.00	-0.21	0.48	-0.12	0.30	0.56	0.21	0.88	0.42	0.48	-0.09	0.86	0.49	0.37
HIERARCHICAL_STRUCTURE	0.11	0.20	-0.04	-0.20	0.23	-0.03	1.00	0.08	0.22	0.30	0.00	0.24	0.04	0.10	-0.04	0.37	0.39	0.17	0.05	0.20	0.19
IMPLEMENTATION_POWER	0.26	0.00	-0.09	-0.06	0.00	0.00	0.08	1.00	0.47	0.10	0.07	-0.03	-0.02	-0.22	0.07	0.00	0.30	0.06	-0.02	0.05	0.06
INCENTIVES	0.07	-0.03	-0.08	-0.22	0.00	-0.21	0.22	0.47	1.00	0.10	0.08	-0.22	-0.01	-0.11	-0.11	-0.25	0.08	-0.13	-0.23	-0.18	-0.12
NAT_PARLIAMENT	0.67	0.37	-0.33	0.29	0.66	0.48	0.30	0.10	0.10	1.00	0.17	0.34	0.42	0.07	0.42	0.51	0.61	-0.17	0.42	0.37	0.31
NUMBER_OF_TIERS	0.27	-0.13	-0.56	-0.17	0.16	-0.12	0.00	0.07	0.08	0.17	1.00	0.10	0.34	0.21	-0.07	0.13	0.19	-0.34	-0.08	0.18	0.34
PEREQUATION_SYSTEM	0.16	0.39	-0.32	0.21	0.34	0.30	0.24	-0.03	-0.22	0.34	0.10	1.00	0.40	-0.15	0.35	0.20	0.52	-0.03	0.37	0.17	0.17
POL_INTERRELATION	0.59	0.59	-0.08	0.43	0.34	0.56	0.04	-0.02	-0.01	0.42	0.34	0.40	1.00	0.48	0.59	0.29	0.61	-0.20	0.53	0.50	0.41
POL_POWER_DISTR	0.14	0.30	0.16	0.32	0.27	0.21	0.10	-0.22	-0.11	0.07	0.21	-0.15	0.48	1.00	0.14	0.17	0.06	-0.04	0.21	0.36	0.32
PUBLIC_CONS_INVEST	0.55	0.36	-0.19	0.74	0.39	0.88	-0.04	0.07	-0.11	0.42	-0.07	0.35	0.59	0.14	1.00	0.29	0.46	-0.05	0.83	0.35	0.26
REG_CONSTITUTION	0.49	0.31	-0.11	0.21	0.46	0.42	0.37	0.00	-0.25	0.51	0.13	0.20	0.29	0.17	0.29	1.00	0.58	-0.05	0.46	0.34	0.57
REG_GOVERNMENT	0.59	0.70	-0.29	0.27	0.49	0.48	0.39	0.30	0.08	0.61	0.19	0.52	0.61	0.06	0.46	0.58	1.00	-0.12	0.53	0.35	0.45
RESIDUAL_AUTONOMY	-0.24	0.00	0.02	0.13	-0.06	-0.09	0.17	0.06	-0.13	-0.17	-0.34	-0.03	-0.20	-0.04	-0.05	-0.05	-0.12	1.00	-0.04	-0.24	-0.13
REVENUE	0.48	0.39	-0.18	0.78	0.42	0.86	0.05	-0.02	-0.23	0.42	-0.08	0.37	0.53	0.21	0.83	0.46	0.53	-0.04	1.00	0.21	0.32
TAXES	0.51	0.17	0.14	0.15	-0.03	0.49	0.20	0.05	-0.18	0.37	0.18	0.17	0.50	0.36	0.35	0.34	0.35	-0.24	0.21	1.00	0.36
TERRITORIAL	0.38	0.36	-0.15	0.23	0.14	0.37	0.19	0.06	-0.12	0.31	0.34	0.17	0.41	0.32	0.26	0.57	0.45	-0.13	0.32	0.36	1.00

The table shows that the majority of correlation coefficients is quite low (coeffi-

cients between -0.5 and +0.5 are written in grey). Only 27 out of 210 correlation coefficients are higher than 0.5 in absolute terms, and significance tests show that only 21 of the 210 correlation coefficients are significantly different from zero (α =5%).

The large number of low correlations between the individual indicators reflects that the phenomenon «decentralisation» shows a large diversity. It is also a first indication that factor analysis is probably not the adequate method of aggregation. Factor analysis is only appropriate as long as there is a significant correlation between the individual indicators.

Two other test procedures confirm this impression, namely the Kaiser-Meyer-Olkin criterion and the Bartlett's sphericity test. The Kaiser-Meyer-Olkin measure of sampling adequacy (MSA) tests whether the partial correlations among variables are small. The MSA statistics varies between 0 and 1. Although there is no hypothesis test behind the MSA, a rule of thumb demands an MSA value of minimum 0.5 for a satisfactory factor analysis to proceed. More than half of the variables show a MSA value lower than 0.5, and the MAS value for the entire sample is 0.4, indicating that the sample is not adequate.

Bartlett's sphericity test is a chi-square test of model adequacy. It tests whether the correlation matrix is an identity matrix, which would indicate that the factor model is inappropriate. The null hypothesis assumes that the variables in the correlation matrix are uncorrelated. The result of the Bartlett's test is that we can reject the hypothesis only with a confidence probability of 13 percent.

Therefore, all three tests indicate that a factor analysis is probably not the adequate method to construct a decentralisation index. Despite that finding, we proceeded with the analysis for the purpose of sensitivity analysis to see if there are large differences between the expert-based approach and the factor analysis.

9.4.4 Results

Weightings

Sub-Index Functional Decentralisation

	Factor Analysis	Expert Analysis	
Decision making power	8	33%	67%
Implementation power		6%	25%
Territorial	1	2%	8%

Sub-Index Political Decentralisation

	Factor Analysis	Expert Analysis
National parliament	22%	15%
Political interrelation	20%	55%
Political Power distribution	1%	5%
Regional constitution	19%	5%
Regional government	38%	20%

Sub-Index Political Decentralisation

	Factor Analysis	Expert Analysis
Elements per tier	22%	33%
Hierarchical structure	0%	17%
Number of tiers	70%	33%
Residual autonomy	8%	17%

Sub-Index Administrative Decentralisation No solution (only two variables)

Aggregate Deciding Decentralisation

	Factor Analysis	Expert Analysis
Administrative Decentralisatior	14%	32%
Functional Decentralisation	35%	35%
Political Decentralisation	50%	28%
Vertcal Decentralisation	1%	4%

Aggregate Financial Decentralisation

	Factor Analysis	Expert Analysis
Debts	5%	6%
Expenditures	30%	17%
Incentives	1%	17%
Perequation system	4%	4%
Public Cons./Inv.	27%	11%
Revenue	26%	29%
Taxes	6%	16%

Overall Index

	Factor Analysis	Expert Analysis
Financial Decentralisation	33%	40%
Deciding Decentralisation	67%	60%

9.4.5 Decentralisation Index

Although the weightings between the two approaches differ substantially within some sub-indices, the overall index of the factor analysis is highly correlated with that of the expert analysis. The weights are similar and the correlation coefficient between these two indices is 0.96.

The strong relationship between the two indices can also be seen in the figure below which shows the results of both approaches for the sample of countries analysed. The overall Decentralisation Index (DEX) using the factor analysis is shown on x-axis, the result of the expert analysis on the y-axis.⁷



⁷ In addition to table A2 we use the following names: BEL for Belgium, FI-A for the autonomous region of Aland, FI-EP for mainland Finland, PT-M for the autonomous regions of Portugal, PT-N for mainland Portugal.

9.4.6 Sensitivity analysis

Two alternative procedures were executed to check for the sensitivity of the results by solving the restrictions of predetermined sub-index-compositions. In the first alternative only the separation and composition of the aggregate «Financial Decentralisation» is restricted, whilst the aggregate «Deciding Decentralisation» is analysed without any further restriction. The second alternative leaves aside any restrictions.

As can be seen in the table below, the results for the summary index of decentralisation do not alter substantially when the restrictions on the composition of the sub-indices are solved. The correlation with the index of the expert analysis is 92 percent in both alternative approaches.

Country	Expert Analysis	Factor Analysis	FA Alternative 1	FA Alternative 2
A	53	54	64	68
BEL	63	64	57	57
BG	25	20	27	20
СН	70	80	69	74
CZ	50	48	52	47
D	65	72	67	68
DK	41	52	41	41
E	58	67	60	64
EST	31	32	27	33
F	42	43	39	37
FI-EP	45	46	47	42
FI-A	46	47	48	43
GR	31	24	42	35
HU	43	42	38	39
HR	38	38	45	47
I-F	53	60	66	64
I-L	50	57	59	57
IRL	40	43	45	41
LT	34	27	26	24
LV	32	29	35	40
NO	41	42	40	41
NL	50	50	54	51
PT-M	42	40	42	41
PT-N	10	14	18	15
PL	48	53	50	47
RO	43	39	44	46
S-VN	45	52	50	46
S-VG	46	52	49	44
SK	35	36	43	38
UK	48	53	50	53
Correlation v	with Expert Analysis	96%	92%	92%

The analysis shows that the overall Decentralisation Index using weights from a factor analysis is very similar to the Index using expert weightings.

9.5 Covering letter

Strasbourg, March 2008

Do greater regional competences and powers lead to greater regional prosperity?

Dear colleague and member of the AER, Dear Ms/Mr

AER has commissioned the independent economic research institute BAK Basel Economics (Switzerland), to conduct a research project entitled "**Decentralisation Indicators**". The project aims to establish a link between the competences and powers of European regions and their overall development. In view of our support for the principle of subsidiarity, we would like to know if regions which assume greater competences are able to develop better than regions that do not.

The first step to establish this correlation is to compile and analyse specific data from the regions themselves. For this purpose AER and BAK Basel Economics have developed a very detailed questionnaire, in close collaboration with the member regions Friuli-Venezia-Giulia/Italy, Gothenburg/Sweden, Hordaland/Norway and Istria/Croatia. The link to the online questionnaire is:

<<u>www.konso.ch</u>> goto "Assembly of European Regions Survey: Decentralisation Indicators"

We kindly ask you to complete the questionnaire until **14 April 2008**. Ms/Mr Y has therefore been asked to kindly coordinate the survey. To complete the questionnaire, Ms/Mr Y will need the following regional code. The regional code serves as identification of your region. Please note that there is only one questionnaire to be completed by each region!

Regional Code: ZZZ

The data collected will be analysed using various descriptive and econometric methods. The conclusions will form a crucial basis for our calls to European and national authorities to respect the principle of subsidiarity. Your participation in this most important survey is essential if we are to fully realise the common aim.

Thank you very much for your cooperation!

Minude for

Riccardo Illy President Assembly of European Regions President Regione Friuli Venezia Giulia

9.6 Glossary

(territorial) jurisdiction	territory (e.g. country, region, municipali-
	ties) over which legal or other authority ex-
	tends
tier	vertical level of jurisdiction within a nation
	state (e.g. country, regions, municipalities)
	with at least one representative directly
	elected by the people of the respective ju-
	risdiction
conglomerate	set of similar regions within a country (e.g.
	autonomous regions)
competences	power to decide or implement specific po-
	litical tasks
government	legislative, executive and/or judiciary
	branches of a jurisdiction
	our of compating out actional inviation
decentralisation	tions have (country perspective)
	tions have (country perspective)
autonomy	sum of competences sub-national jurisdic-
	tions have (perspective of sub-national ju-
	risdictions)
national tier	nation state
regional tier	sum of regions within a country (according
	to AER definition of regions)
sub-regional tier(s)	sum of all tiers below the regional tier (e.g.

the local level)

sub-national tier(s)	sum of all tiers below the national tier (e.g. regional tier + sub-regional tier(s))
legislature	branch of government responsible for mak- ing laws or rules (e.g. parliament)
executive	branch of government responsible for im- plementing laws (e.g. cabinet)
judiciary	branch of government responsible for de- ciding legal disputes (e.g. courts)
residual autonomy	all competences not explicitly delegated to a specific tier
subsidiarity principle	responsibility for any task generally lies with the lowest tier (as low as possible, as high as necessary)
perequation (system)	system of financial flows between or within the different tiers, primarily reallocation of tax revenues

From Subsidiarity to Success