Globalization and Evolving Local Governance in Norway

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ABSTRACT: Has local governance in Norway escaped the forces of globalization? In grappling with this question, and using the case of Trondheim Municipality, I argue that local government reform in Norway is predicated on the dominant paradigm of public sector reform in the age of globalization, namely, the New Public Management (NPM). This has had corrosive effects on the capacity of the local states in Norway to provide basic services to their citizens. Consequently, Norwegian welfare regime is being undermined by the new reform agenda. However, while local governance in Norway is predicated within the dominant global paradigm, its deviates from the global trend as there is increasing centralization as opposed to decentralization as the national government uses various mechanisms to regulate and control municipalities.

1. Introduction

There has been a remarkable development unfolding across the globe that affects all facets of human development, from the cultural to the political, from technology to the economy. The last three decades have seen a remarkable rise and dominance of information technology, multinational cooperations (MNCs), and the speed and movements of goods and services, in real time, across the globe. At one level, global culture and local culture are simultaneously emerging in the world today. In the same vein, the world is increasingly being united and fragmented at the same time. These mutually contradictory and reinforcing processes and developments are being unleashed by what is now generally referred to as globalisation. We are therefore in a world with multiple contradictions, but which are at times complementary to one another. It is in such mutually contradictory and complementary modes that we need to look at and understand local governance in the age of globalization. The present world order can be said to be a celebration of market fundamentalism and liberal democracy, both in academic and policy discourse, which scholars such as Fukuyama (1992) have erroneously proclaimed as the end of history. As part of this discourse and changing policy landscape, citizenship is being replaced by other epithets such as customers, users, clients. Accompanying this shift in discourse is the privileging of market efficiency over citizens’ welfare. Paradoxically, at a time when citizens are loosing more democratic control over policies that affect their
lives to capital and technocratic elites, international development agencies and scholars are stressing the centrality of citizen’s local participation in development policies. All of these have implications for local governance and development, the subject of this paper.

Specifically, this article discusses how globalisation is shaping local governance in Norway and its impact on development, cum citizen welfare, at the local level. The Norwegian case is germane given Norway’s welfare system and the role of the state in fostering the system for decades. This article is divided into four sections. The first section focuses on the dominant policy direction and its implications for local governance. It also provides a definition of key concepts used in the article. Section two provides a background of Norwegian local governance. Section three deals with how globalisation is shaping local governance in Norway. The last section provides some concluding remarks.

The article draws on secondary sources and interviews with experts and councilors in the Trondheim Municipal Council – the third largest municipality in Norway. The Trondheim municipality case study is representative of experiences of Norwegian municipalities for a number of reasons, and hence could constitute basis of generalization for other municipalities in Norway. First, the municipality like other municipalities perform similar functions, most of which are defined by the central government. Second, the standards of services by the Trondheim municipal council, like other councils in the country are set by the central government. Like others, it is sanctioned by the central government if it failed to meet the national standard of performance. Third, the Trondheim municipality derived its revenue from similar sources as other municipalities in the country. Lastly, like other councils, the council spend most of its budget on basic services, namely, education, healthcare and welfare services. Because of these factors, together with the fact that municipalities in Norway face similar forces of globalization, developments in Trondheim provide important glimpse to situations in other municipalities.

2. Globalization and Local Governance: The new policy direction

In the last three decades, market fundamentalism has underpinned local government reforms - under the rubric of decentralization - in both developing and developed countries so that local government as we know it up till now is coming to an end. As Baldersheim (2002: 2) puts it, “The democratically run, public service-based and community oriented institutions known as municipality is being replaced by series of service-peddling firms of doubtful accountability”. In the same vein, Akin Mabogunje
(1999) argued that the role of local governments today is being limited to ensuring efficiency in service delivery, in the sense of cost-effectiveness arising from economies of scale. As Cerny (1996) reminds us, the key public and constitutional functions of the state is being subordinated to the imperatives of global marketplace – or even vestigial, as it is increasingly drawn into commodification and marketisation of its activities and structures. This is true of the local state as it is for the nation state.

This policy thrust is being inspired by the discourse of New Managerialism or New Public Management (NPM) which is being justified on the ground of “providing more choices for users of public services and exposing service providers to competition through user choices in order to stimulate efficiency in service provision” (Baldersheim, 2002: 2). NPM generally refers to a practice whereby the public sector is shaped by private sector ethos and is run along corporate sector techniques. In this paradigm cost effectiveness and efficiency become the dominant considerations for how the state is run. Some of the key elements of the NPM include management decentralization within the public service, downsizing the size and role of the state, outsourcing of government services, performance based contract for civil servants, granting of greater autonomy to state managers, especially those that run SOEs, and establishment of autonomous agencies within the state – some of which were made to compete among themselves. NPM also entails devolution of budgets and financial control and the rise in the use of market competition in the provision of public services as well as increasing focus on efficiency, outputs and customer orientation (Larbi, 1999). One significant effect of the NPM is that access to public goods became largely dependent on ability to pay with the introduction of user fees. This is what is referred to as commodification.

In plain language, New Managerialism that is underpinning local government reforms, indeed the public sector reforms, across the globe, is changing the way citizens and the local state and its democratic role are conceived. As can be seen from the quote above, citizens are now conceived as users and consumers. And by that conception, the democratic responsibility of the local state is also being changed from improving citizens’ lives to that of providing efficient services to “consumers” and “users”, and where access to basic services is dependent on one’s ability to pay. Associated with this new discourse and policy thrust is a redefinition of the role of the local state as a provider of public goods as well as the concept of public goods. Public goods are no longer confined to the provision of goods such as health, education and welfare services that improves citizens’
welfare but goods which will meet the needs of the private sector by giving greater attention to its regulatory role – that of being a night watchman - and the provision of economic infrastructure to enhance the competitiveness of the local economy.

Hence, “user fees” has entered the lexicon of the local state relationship with citizens. Concomitantly, local political elites are losing power and control over the policy process and policy outcome to local bureaucratic elites. The latter seems to be gaining much more influence over the policy direction, from agenda setting to implementation. Paradoxically, this shift in the power balance runs against the grain of democratic governance, democratic accountability and transparency, as more and more policies are undertaken by civil servants without democratic control, and in secrecy. In effect, there seems to be conflicting imperatives for democratic practices versus managerial efficiency, and the desire for an effective social welfare safety net versus the need for budgetary responsibility (Kronnenfield and Vike, 2002). This new policy shift is likely to increase poverty as people, especially the lower class, who are unable to pay market-based prices would have their access to basic social services cut off. As noted above, the activities of the local state have become *marketized* and *commodified* as part of the new policy thrust. The marketisation of local government functions and the consequent commodification of basic services are likely to have adverse effects on citizens, especially the poor.

At the same time however, development agencies continue to romanticize the virtue of citizens’ involvement or participation in local governance and development. The main argument is that there is a need to give citizens at the local level greater influence over decisions that affect them. The point being that it will help to bring people’s knowledge of distinctive local conditions to bear on the implementation of projects. Their participation, it is believed, will make development more sustainable because people will feel more inclined to maintain and possibly contribute funds, time and labor to projects over which they have had some say (Manor, 2002). Also, the participation of citizens will lend greater credibility to development policies and policy outcomes. Indeed, local ownership of development is used as a justification for this emphasis on local participation. This zeal for people’s participation has seen the rise of “users’ committees” as policy-networks for interaction between the local state and “users”. Recall, that the concept is that of users and not citizenship. The main distinction being that the latter confer some rights accompanied by civic obligation. In contrast, users do not confer such rights. It is constructed around
economic transaction with monetary value mediating the relationship between the service provider, that is, the local state, and users/clients.

Is the evolving local governance in Norway bulking the global trend? An examination of this is the subject of section three. Before proceeding to the next section however, a clarification of some of the main concepts used in this article is in order, namely local governance, decentralization, and privatization – all of which are components of NPM.

Decentralization and local governance, especially democratic local governance, has become the new mantra in social science and policy discourse. There is no doubt that since the 1980s, greater emphasis if being placed on decentralization and local governance. One consequences of this development is that a number of research policy and policy think-tanks institutions are being established on daily basis to study and promote decentralization and local governance. At the same time, international development agencies including the United Development Agency (UNDP) and the World Bank have been at the forefront of promoting local governance and decentralization. Countries across the globe are being urged to decentralized and restructure their administrative structures in order to enhance local governance.

In the discussion that follows, it would be clear that like all social sciences concepts, there is no one single definition of decentralization or its impetus. It is important to however point out at this stage that local governance has a normative connotation. It entails fundamental transformation of behaviour of individuals, citizens, politicians, local officials, civil society organizations, as well as the transformation of both local administrative and organisational structures. It also entails changes in organizational culture. In addition, local governance means transformation of relationship between range of actions in local communities, between local governments, local communities, NGOs, and citizens, as well as the relationship between local governments and national and provincial governments. It is in this respect that Stoker (2001) identified three key characteristics of effective local governance, namely, openness, deliberation and capacity to act, all of which help to give legitimacy to representative democracy especially at a time of increasing citizens political apathy and dissatisfaction with formal democracy.

With very few exceptions, most scholars across the ideological spectrum tend to celebrate the virtues of decentralization. Scholars such as Richard Stren defined decentralization as “the granting of substantial political autonomy to regional centers of power” (Stren, 2003:
This is what Alfonso refers to as territorial decentralization. This conception of decentralization is limited to the devolution of power, authority and resources from the national to sub-national levels of government, namely provincial and local governments. This type of definition would tend to limit the democratization and governance effects of decentralization. But decentralization also takes other forms, such as administrative decentralization. According to Alfonso, this is much more limiting than functional decentralization. It means “transfer of functions from central agencies to other intermediate or basic levels in specific sector of public administration” (p171). In his view, it is more possible to “accomplish more important aims in democratization and finding solutions to basic needs. Functional decentralization has more limited objectives and is usually linked to administrative or the distribution of states resources.” (171). Unlike territorial decentralization, he points out, the transfer of responsibility and control, that is, political power, is much more constrained under functional decentralization. One shortcomings of both territorial and functional decentralizations are that they are state centric and are considerably depoliticized as more and more emphasis is placed on management efficiency and cost efficiency.

This discussion is useful as it enables us to understand the various forms and components of decentralization. And more generally, it seems that current discourse on decentralization encompasses both it territorial and functional forms.

The definition by the UNDP and ECA is a classic case in this regard. In their view, decentralization is a process and vehicle “to enhance the opportunities for participation by placing more power and resources at a closer, more familiar, and more easily influenced level of government… decentralization is perceived to be an important first step in creating regular, predictable opportunities for citizen-state interactions”. (UNDP and ECA, 2002: 10). However, their definition went beyond the functionalism and state centrecism by identifying a second aspect of decentralization, namely that local governance is a process that recognizes civil society/grassroots institutions as important loci of power and authority at the local level, and that these interests are incorporated in a mutually interactive way in local policy process. It is conceived to create space, conditions for and empowers local communities and civil society across the spectrum, namely, social movements, Non-Governmental Organisations (NGOs), Community Based Organizations (CBOs), Cooperatives and Professional Groups, to flourish, operate and participate in public and community affairs. Social capital, in Mabogunje (1999) is crucial...
to any to effective local governance. Drawing on the works of Robert Putnam, he defined social capital as “features of social organization such as networks of civil engagement, norms and trust, that facilitate coordination and cooperation for mutual benefits… social capital is productive, making possible the achievements of certain ends that would not be attainable in its absence (Mabogunje, 1999: 32). Social capital has positive social, economic and political impacts for development. Putnam (1993) has aptly demonstrated this in his work on local governance in Italy.

In this regard, local government must play a catalytic role, of nurturing local social capital. In addition, it must build a cooperative relationship with the latter based on solidarity, loyalty, trust and reciprocity. Justifying the needs for such cooperative relations between local government and civil society, Gerry Stoker, notes that:

Governance in the twenty-first century needs to recognize the limits to state action and the power and vibrancy that rest in wider civil society. Effective service provision and the tackling of major critical issues such as economic development or environmental protection demand the engagement and active involvement of civic society. The institutions of local government will need to have the capacity to create, enable and encourage (Stoker, 2001: 32).

These are important components of local governance and are necessary conditions for local development and democracy. The UNDP and the United Nations Economic Commission for Africa (ECA) have consequently observed that decentralization to local authorities goes “hand in hand with deliberate effort to mobilize and strength civil society structure, processes and institutions at lower levels in a manner that would allow their relationship with sub-national authorities more interactive and mutually reinforcing” (p11). Decentralization and local governance goes hand in hand, with the former enhancing the latter. To draw on Ofei-Aboagye, local governance means “active involvement of local population in his territorial boundaries of local government in ensuring improvement in the quality service and leadership in local (government) level. It includes greater participation by civil society in decision making processes and involves consensus building and civic awareness” (Ofei-Aboagye, 2000:2).
development. In other words, it must be empowering at all three levels, political, economic and social. And there is a growing body of literature that posit that democracy must be anchored on functioning local democracy, participatory self-governance institutions (See Wunsch, 1998). Seen this way, local governance encompasses three broad areas, namely, deconcentration (of resources and personnel), devolution and development of a viable political process (Wunsch, 1998). Even among left academics, there is a general acceptance that decentralization strengthens local powers. According to Borja, decentralization “bring administrative functions closer to the citizenship, allow a greater knowledge of citizens’ needs and attitudes, improve the efficiency of information and personal services and implementation of citizen participation in local management” (cited in Alfonso, 1997: 174). This discourse is framed on the perspective that decentralization is synonymous with debureaucratisation and local governance having an educative function.

Another concept that gained currency since the 1980s, and an integral part of NPM, is privatization. Simply put, it is a practice whereby government/state-owned enterprises (SOEs) are converted into private entities. It has been justified on the grounds of ensuring efficiency, competitiveness, higher productivity, and the need to provide better and quality services to ‘customers’ and reduce wastage of public resources which the SOEs are said to have engendered. In general however, privatization has been part of the neo-liberal efforts to reduce the role of the state. As can be seen from the discussion above, there are some common principles that underlined the concepts of local governance, decentralization and privatization. Among others, these include efficiency and the need to provide quality and better service to the people as well as the debureaucratization. But as I have noted above, they are all part of attempts to hallow out the nation-state.

This conceptualization provides important background to the next section that focuses on the context of local governance in Norway.

3. Norwegian Local Governance in Context

Norway provides an appropriate case to study local governance in the context of globalization. This is because local governments in Norway have historically performed crucial development functions. An understanding of local governance in Norway has to be viewed in the context of the national welfare state. Norway is a unitary state with a
parliamentary system based on proportional representation at all levels of government. There are three tiers of government, the central, counties and municipalities. There are presently 19 counties and 435 municipalities in the country. Some have described “local governments as the implementing agencies of the welfare state” (Blom-Hansen, 1999: 243) or administrative bodies charged with the implementation of various public policies, many of which are decided at the national level (Petterson and Rose, 1996). Others described municipalities as “agents for the welfare state policies” (Larsen and Offerdal, 2000: 188).

Although Norwegian local governments have a certain degree of autonomy, such autonomy has to be exercised within the context of the central government’s defined goals and policy guidelines (Blom-Hansen, 1999:249). In some instances, the quality of services is even defined by the central government, which as will be shown later, in the absence of the required funds, hampers the ability of local governments to manoeuvre. Since the 1970s, the budget is increasingly being used by the central government in regulating the activities of local governments so that they do not deviate from central government goals of ensuring macroeconomic stability.

Municipal governments occupy an important place in the Norwegian governance and development spheres. This is partly because municipalities employ 25% of the working population and accounted for 80 percent of all public sector employees, which according to the OECD (2002) saw local government grow annually by 2.1 per cent between 1988 and 1998. Also, local governments are responsible for the lion’s share of public expenditure in Norway. Also 60% of all public consumption occurs at the municipal level (Pettersen and Rose, 1996).

Norway’s local governments primarily undertake welfare functions such as provision of health care, social welfare and education. These include primary and lower secondary schools, early childhood educational and care facilities, child welfare, child welfare, primary health, care for the elderly and disabled, water supply, municipal roads, sewage, garbage collection and disposal, and the organization of land within the municipality (OECD, 2002). As a result, most local governments spend a large proportion of their revenue on these issues. Thus for example, Trondheim’s local government allocates about 80% of its budget on education, social care and health. Its budget in 2003 was about

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1 Trondheim is the third largest city in Norway. It is therefore one of the largest municipality in the country.
$153,846 million which means that $123,077 million is allocated to these welfare related issues (Hunstad, 2003).

4. **Norway’s Local Governance in the Context of Globalisation**

Norwegian history is characterised by citizens’ participation in the process of governance and development. At the national level, like in other Nordic countries, organized business and organized labour determine the main socio-economic policies through corporatist arrangements. At the heart of Norway’s development success, is the active role of the state\(^2\), which has been acclaimed in both academic and policy discourses. Moses (2000) classifies Norway as a Small OPEN State. He drew our attention to the fact that Norway has always been an open economy and has always “adjusted to world conditions” (Moses, 2000: 194) using different policy instruments. But Norway, like most countries in the world, has not escaped the effects of globalisation. According to Moses (2000), Norway like other Small OPEN States, is being threatened by the current phase of globalisation and its “policy baskets being emptied” (Moses, 2000: 194). It is also eroding the social consensus that has marked much of Norway’s economic history. The point here is not an apocalyptic view, that is proclaiming the demise of the welfare state, but to argue that globalisation is having corrosive effects on the welfare state by undermining the capacity of both the central and local states to provide basic services to the people of Norway, and consequently, undermining the universal social welfare regime that has been the hallmark of post-world war II Norwegian social policy. As Kronenfeld and Vika (2002: 1) rightly observed “Norway is partaking of the same general problems with the social safety nets as the larger advanced democracies and is moving in similar direction”.

One of the major implications of the conventional policy regime in the era of globalization is the false dichotomy created between social development – social policy – and economic development – economic policy. This approach to development tends to ignore the synergies and complementarities between social development (and hence social welfare) and economic development. And as Mkandawire (2004) correctly argues it tend to undermine the intrinsic value of social policy and development – that questions of equity and improved livelihoods are important development goals on their own rights. In addition, he notes that “Social policy and economic growth are complementary and synergistic, and the potential of both for overall development needs to be harnessed rather

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\(^2\) See Jonathon Moses (2005) for excellent account of Norway’s economic history and the rise of the welfare state.
than undermined or curtailed. In addition, they need to be simultaneously promoted”. Generally, the dominant development paradigmatic regime tends to reduce social policy into poverty reduction – the palliatives to reduce the adverse effects of economic stabilization. This tends to ignore two other critical functions of social welfare regime in the Nordic countries as elsewhere, namely production and reproduction. Therefore, it can be argued that not only is the welfare regime under threat but that the role of welfare in the conventional paradigm of globalization is highly limited.

It is also being argued that globalization has resulted in the reconfiguration of the link between social welfare and economic development. In the golden age of the Nordic welfare regime, it is argued, macro-economic policy was meant to serve social goal, primarily full employment (See Moses et al 2000 and Mkandawire, 2004). Today, the argument goes, there is a reversal in the relationship between macro-economic policy and social policy as the former has become an end in itself, with the latter geared towards the realization of the former. Given the centrality of the local state in the Nordic countries including Norway, local government reforms are primarily intended to achieve the goal of narrow economic development, with likely adverse effects on the welfare regime.

Not only is the welfare state under threat but so too is citizens’ participation. Like in most parts of the world, citizen participation in public policy-making in Norway is becoming more in form than substance. Commenting on the impacts of globalisation on local governance in the Nordic countries including Norway, Amna and Montin (2000: 207) note:

One of the problems facing local government in the Nordic countries these days may be that the ‘sphere’ one would call genuinely ‘political’ is being encroached on from two sides. On the one side, there is the expanding administrative body, given increased authority through delegation and new managerial techniques. On the other, ideas and practices relating to enhanced consumer orientation and ‘user democracy’ threaten to turn citizens into mere consumers, and reduce local government’s role to that of an instrument for providing services (Amna and Montin, 2000: 207).

Writing on the role of local state on environmental policies in Norway, Hovik and Reitan (2003), point to a trend of reduced environmental administrative capacity by most municipalities. They conclude that “planning capacity of municipalities has been reduced during the latest [sic] years” (17). They attributed the hollowing out of the local state’s capacity to a national directive that requires municipalities to hire local environmental
consultants. The effect is that with time, local states would lose their in-house capacity to formulate environmental policies as they have to rely on private-sector consultants. There is a parallel between the experience of Norway and developments in other parts of the world. As more and more local government functions are being outsourced to private providers/consultants, there is a trend toward the introduction of private-sector planning and management models into the public sector, with the consequent reduction of the local state capacity. This is indicative in the Norwegian case. According to Hovik and Reitan, more and more building and development projects, especially in urban areas, are made on the basis of private sector planning proposals. In this context, efficiency and cost effectiveness have become some of the guiding principles of local governance in Norway. These are accompanied by greater autonomy being granted to the bureaucratic elites. One of the implications of this development is that it is eroding the capacity of the local political elite to hold the technocratic accountable. In fact, there is a concern by local politicians that local government reforms, especially the adoption of private sector organizational models are reducing their influence on municipal administration policies (See Larsen and Offerdal, 2000). In fact, in Norway, like elsewhere, the local bureaucratic elite have gained much more autonomy. As a consequence, there is declining political control over municipal affairs. It therefore undermines the principle of democratic governance that requires officials to be accountable to citizens. But the scope of elected officials to intervene in public policy has considerably been reduced by the introduction of management by objectives as a broad framework for the governance of municipalities. This new approach is codified in the Norwegian Local Government Act of 1992. Like elsewhere, a technocratic approach to policy-making in Norway tends to be oblivious to political and social imperatives. The argument of Friedman et al. (2005) in the context of developing countries is germane in the Norwegian context. They argued that:

suboptimal technical responses may be most likely to be effective if they are politically appropriate because they encourage cooperation between economic and social actors. The political is thus in this view not only a factor that policy-makers must acknowledge when they seek to implement policy, but when they design it too. If politics is a crucial underpinning for technical policy-making, then policy design needs to adapt itself to the political as to the technical challenges posed by a particular context (Friedman et al, 2005: 52).
Hence the participation of Norway’s local political elites and citizens is essential for
democratic development, although as will be shown shortly the quest for efficient and
managerial autonomy as part of the NPM has contradictory implications for local
democratic development in Norway. Opoku’s (1999) account of local governance of
waste management in Trondheim municipality is also informative. According to her,
partnership between the state and civil society, where popular participation was
encouraged, resulted in the establishment of Forum for Environment, which had the
consequence of making redundant some official duties of the local state.

The study by Opoku highlights the contradictory dynamics of globalization, governance
and development. She observed that participatory governance could in other instances be
developmentally and environmentally enhancing. Opoku points to a case where the local
state was confronted with whether or not to allow the expansion of a car-sales company in
a working class neighborhood which will result in the demolition of the “old group of
houses”. However, following an intense engagement by a coalition of neighborhood
organizations with the local state, the municipal council voted against the demolition and
thus the expansion of the car retailer. This singular development meant that the
expansionary plan of the company to the working class neighborhood was thwarted and
the community’s need for an environmentally-friendly neighborhood prevailed over the
needs of capital.

However, local governments in Norway tend to follow global trends in other areas. As I
have highlighted above, not only is new managerialism driving the local government
reforms process and agenda with business principles becoming a dominant theme, but that
the beggar-thy-neighbor approach by which local government competes against one
another for the location of industries is a recent trend in Norwegian local government.
This point is illustrative in the case of E. C. Dahls brewery, which is part of Ringnes, a
Norwegian brewery. At the turn of the new millennium, the Danish owned brewery, the
Carlsberg’s Group, bought part of Ringnes. The company, Ringnes, has five breweries in
Norway. Claiming overproduction and overcapacity, the company wanted to close one of
its five breweries in the country. The factories in Stavanger or Trondheim were earmarked
for closure. Fearing that 180 manufacturing jobs in the factory in Trondheim will be lost,
at a time when manufacturing jobs in the Trondheim area are few, the trade unions in the
factory negotiated with the municipal council to ensure that the factory was not closed
down. To achieve its aim, the council provided an attractive incentive scheme to E. C.
Dahls in order not to close its brewery in Trondheim which is located in the Nyhavna suburb.

Following negotiations between the municipal government, the directors of the company and the trade union, the Trondheim Municipal Government offered to lower the water rate paid by the company. According to a Labour Party councilor, Anne Sophia Hunstad, this amounted to three million Kroner a year (Hunstad 2003). In addition, the council which is responsible for suburban zoning promised the company that the Nyhavna area will remain an industrial zone for at least ten years (about 2010). What is interesting here is that the service sector, unlike manufacturing, is becoming a growing sector in Trondheim, similar to the trend in major cities in the developed world. As a result, office complexes are generating more income than industrial complexes. According to Knut Fagerbakke, a Socialist Left councilor, some of the factories in the Nyhavna industrial zones have been pressuring the council to turn the area into a housing area (Fagerbakke, 2003). But as shown above, because the municipal government wanted to keep E. C. Dahls in Trondheim, it thus committed itself not to re-zone the area, as wished by the company. Given these incentives, E. C. Dahls decided to retain the Trondheim factory and instead closed its factory in Stavanger.

This situation is illustrative of two global trends. First, through participation, stakeholders could reach an agreement that is beneficial to all, although the interest of the private sector seems to be driving the agenda. Second, like local governments in most parts of the world, Norwegian local governments are involved in beggar-thy-neighbour approach, that is in an intense competition to attract private investments. Suffice it to say though that the public sector remains the biggest sector in Norway. However, from the 1980s, and with growing intensity, there is move towards privatization and outsourcing of government services, even at the local government level.

The argument for privatization of local services is the same in Norway as elsewhere: ensuring efficiency, providing consumers with more choice and the need for competitiveness (Baldersheim, 2002) are all the reasons for the trend towards privatization. Even those local public utilities that are not privatized are being structured along the lines of the corporate sector. The Organisation for Economic Co-operation and Development (OECD) assessment of Norway is illustrative. It observed that:
With a view of improving public spending outcomes, the authorities have gradually increased flexibility in budgeting and management and have heightened the emphasis on user-orientation for some public agencies. Since the mid-1980s, more than 50 public bodies have been given broader managerial autonomy. The “letter of allocation” introduced in 1996 – as part of a formalized dialogue between agencies and the relevant ministry – define their performance targets, the maximum budget appropriation at their disposal, and reporting requirements of actual performance. Giving the managers of these public bodies greater autonomy and flexibility in their day-to-day operations – in particular in choosing the most efficient mix of inputs to produce predetermined outputs – offers scope of efficiency gains (OECD, 2002: 63).

These developments have a number of implications for local governance. In particular, citizens and elected local officials in Norway have limited control over the corporatised entities, which as I have noted is an essential component of democratic local governance.

This argument about privatization is even made where existing local municipal council owned parastatals are being run efficiently. These have major implications for the local state and its capacity to provide services to citizens. One of the consequences of this is that it has placed increasing financial burdens on the local state. This is because as prices of services and goods provided by privatized public entities increase, the local state has to subsidized poor households that are unable to pay the new prices. Interesting, this is in a context where the scope of the Norwegian local state is considerably limited – the local state resources are therefore considerably limited. Again, the case of Trondheim municipality is instructive. The privatization of efficiently run municipal parastatals raises the questions about the motive of the privatization agenda. It seems that the real motive is not to ensure efficiency per say but as a part of an agenda to erode the role of the state in development and ensure marketisation of the Norwegian economy. In general, this has been one of the instruments to curb the expansive Norwegian welfare state.

Like the rest of Norway, electricity supply has been deregulated since the early 1990s to accord with development in the rest of Europe, where marketisation has become a growing trend. (By the early 1990s, the central government owned utility and municipal governments companies accounted for 85% of generating capacity (IEA, n.d). However, other factors such as environmental concerns have also contributed to deregulation in Trondheim. As much energy is generated by hydroelectric means, the growing consumption of electricity was affecting the water level in Norway. As a result, a decision had to be made between encouraging such unwanton consumption or try to protect the

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3 The privatization, cum deregulation of the electricity sector in Norway began in 1991.
environment by deregulating the electricity supply and increase electricity rates as a way of lowering consumption. In Trondheim therefore, the electricity supply was deregulated from 1992. Prior to this period, the municipal council fixed the electricity rate. But this was changed in 1992 when electricity rate became market driven.

Prior to 2001, the Trondheim Municipality owned and managed an electricity company, Trondheim Energi Verk that provided electricity to its local citizens (although from the mid 1990s, citizens could subscribe to any company for their electricity supply). In 2001, in the guise of ensuring efficiency, the company was sold to the central government owned Norwegian Electricity Company called Statkraft for $769,231 million. At face value, this shouldn’t be a problem and some would argued that this is not privatization as the local state owned company was sold to a central government owned parastatal, what might even be referred to as publicization. In actual fact however, this was a move towards privatization. The company is already being restructured as part of the process towards the privatization of Statkraft. As part of the process, the market, rather than social welfare concerns, now determine the electricity rate paid by the citizens of Trondheim. As a result, the electricity rate has more than doubled since 2001. While the Trondheim local state has been stripped of an important source revenue that the local electricity utility represented, it has to provide subsidies to poor people who are unable to pay their electricity bills. This subsidy is granted to low income households. To qualify as a recipient, a household of a single person has to earn less than $23,000.00 per annual. In 2002, a number of households that applied to the municipal government for subsidies more than doubled. Consequently, that year alone, the municipality paid $769,231.00 in electricity subsidies on behalf of poor households. As one commentator points out, this was only part of the problems faced by local citizens. A number of households that did not qualify for the subsidy and could not afford it, had to sell their homes, especially during the winter of 2002 when electricity rates went up by more than one hundred percent (Anonymous, 2003)

I have noted earlier that in some instances, participatory governance has not been able to incorporate the needs of citizens, especially the poor, into the development agenda. There are however, other occasions when the local government reform process was able to take the needs of citizens on board. As an example, participatory democracy at the local level in Trondheim was instrumental in providing a cushion against the adverse effects of deregulation and commodification of basic services. In the case of the electricity subsidy
to poor households, the Old Age Forum that comprised of local parliamentarians and organizations representing old people was instrumental in influencing the municipal government to adopt the policy of providing electricity subsidies to poor households (Hunstad, 2003)

Another consequence of the privatization of local services in Norway is that the local state subsidizes businesses. Trondheim municipality also provides a useful example. Hospices in Norway fall within the responsibilities of local municipalities. In the early 2000s, the municipal government privatized two of its Hospices, namely, Moholt Sykehjem and Sannan Sykehjem, the latter in Ranheim suburb, in spite of oppositions from local citizens and some left political parties. These were sold to a Swedish company. Patients who attended these clinics received the same amount of subsidy from the local government as they would have received had they attended a county-owned hospice. Each patient pays two-third of the fees charged by the hospices from their pension. The remaining one-third is paid by the municipal government. One implication of this is that resources are being taken from the local state and channeled to the private sector. But there are other implications of privatization of hospices. It is introducing a two-tier system into the care-sector labour market. This is because income of workers in the privately-owned hospices is about twenty percent less than their counterparts in the public sector (Hunstad, 2003).

In addition, the local government reforms are putting pressures on municipalities to the extent that it is leading to a cut-back and a reduction of the quality of service provision. Child care is an apt example. Like the rest of the Nordic countries, as part of the reform process, in 1987, the central government in Norway committed itself to the provision of childcare to all needing parents. This policy was expected to be effective in 2000. In Norway, most child care facilities are owned and managed by municipalities. But these are regulated by laws enacted by the central government. Also, as I have noted above, the central government used its macroeconomic policy framework, especially the budget to control local governments. These include limiting the local government tax base (as I indicated earlier, local governments in Norway derive most of their revenue from the central government and in the limited areas where they can collect taxes, there is a ceiling to how much taxes they can impose). Through these instruments, the reform process is impacting on the capacity of local governments to provide child care support to all families in the face of budgetary constraints - and consequently is having an adverse effects on the universalisation of the welfare regime. To fulfill this commitment required
the expansion of public expenditure. Blom-Hansen (1999) has captured how the national
government attempted to overcome this, but in a way that limits the coverage of the
scheme. According to Blom-Hansen,

… in 1987 the central government declared that child care opportunities should be
provided to all parents who requested it. Meeting the declaration, which
encompass all pre-school children, was assumed to require capacity for 90% of all
pre-school children in child care institutions…this child care guarantee was to
become effective in the year 2000. That is municipalities had more than ten years
to meet the obligation. As in Sweden, it was evident from the outset that the
guarantee required a considerable expansion of public expenditure. To make the
expansion realistic, the central government made change (sic) in large-scale
reform of local government finance, which was formulated during the same years.
The existing earmarked grant for child care activities was not included in the
transformation of specific grants into a general block grant after all. On the
contrary, it was increased,…. it soon grew into one of the largest earmarked
intergovernmental grants in the country. It had the form of an amount paid to local
governments for each child enrolled in municipal day care institutions. In the
course of the definition of child care guarantee was tightened. It is now supposed
to apply only to 1-5 year olds, and capacity for providing day care for 70 – 75 per
cent of these children is now assumed to be enough to meet the obligation (Blom-
Hansen, 1999: 258).

Thus rather than expand the financial allocation to municipalities to meet its
responsibilities of providing child care facilities to citizens, the central government
decided to reduce the scope of the coverage. This has major implications for local
governments: municipalities that wanted to extend the coverage of child care to all
needing parents were required by the central government to use their own resources. But
as I have indicated earlier, municipalities derived most of their revenue from the central
government. As shown in Table 1, of the eleven selected OECD countries, Norway scored
the least in terms of discretion that local governments have to set taxes independently.

### Table 1: Local governments taxing powers in selected OECD Countries

<table>
<thead>
<tr>
<th>Local Govt Taxes relative to Total Tax</th>
<th>Local Govt Taxes relative to GDP</th>
<th>Discretion to set taxes(^5)</th>
<th>Summary indicator of taxing power(^6)</th>
</tr>
</thead>
</table>

\(^4\) The countries are ranked in the descending order according to the value of the summary indicator of taxing powers.

\(^5\) The figures show the percentage of their total taxes for which local governments hold full discretion over the tax rate or both the tax rate and the tax base. A value of 100 designate full discretion.

\(^6\) The summary indicator is the product of the ratio of local government taxes to GDP and the degree of discretion to set taxes independently. Thus, it measures local government taxes with full discretion as a percentage of GDP.
The other alternative left for local governments is to promote private sector involvements in the provision of childcare. By 2000, Norwegian municipalities could not meet their child care obligations to citizens. In that year, public kindergartens accounted for only 59.5% of the share of total children enrolled in day care institutions. This was 15% lower than the government commitment. Hunstad (2003) observed that whenever the Trondheim municipal government requested more child care funding from the central government, the response of the latter was that if the municipal government did not have the resources, it should privatized such services. This is part of the general context in Norway “where the central government sets the broad goals and structural frameworks, while local authorities find the means to achieve the goals” (Larsen and Offerdal, 2000: 193). An interesting but troubling development is that the government provides the same level of subsidies to both public and private kindergartens, but privately-managed kindergartens charge higher fees than publicly managed ones. As an illustration, in 2000, family in Oslo with a gross income of $15,348.62 paid $6,461.54 in the private kindergartens, compared to $1,353.85 in public kindergartens. And in Bergen, families with the same income group pay $6,213.23 and $1,167.69 respectively for private and public kindergartens. In Trondheim, there is not much significant different between public and private kindergartens for the households of gross annual income of $15,348.62. Public and private kindergartens respectively charged fees charged $5, 296.92 and $5, 855.85. (OECD, 2002: 84). One likely implication of privatization of child care and

<table>
<thead>
<tr>
<th>Country</th>
<th>Public</th>
<th>Private</th>
<th>Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>32.6</td>
<td>15.5</td>
<td>100.0</td>
<td>15.5</td>
</tr>
<tr>
<td>Denmark</td>
<td>31.1</td>
<td>15.5</td>
<td>95.1</td>
<td>14.7</td>
</tr>
<tr>
<td>Finland</td>
<td>21.9</td>
<td>9.8</td>
<td>89.0</td>
<td>8.7</td>
</tr>
<tr>
<td>Belgium</td>
<td>27.8</td>
<td>12.4</td>
<td>57.9</td>
<td>7.2</td>
</tr>
<tr>
<td>Spain</td>
<td>13.3</td>
<td>4.4</td>
<td>66.6</td>
<td>2.9</td>
</tr>
<tr>
<td>Germany</td>
<td>29.3</td>
<td>11.1</td>
<td>12.8</td>
<td>1.4</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3.9</td>
<td>1.4</td>
<td>100.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.7</td>
<td>1.1</td>
<td>100.0</td>
<td>1.1</td>
</tr>
<tr>
<td>Austria</td>
<td>20.9</td>
<td>8.7</td>
<td>10.0</td>
<td>0.9</td>
</tr>
<tr>
<td>Portugal</td>
<td>5.6</td>
<td>1.8</td>
<td>31.3</td>
<td>0.6</td>
</tr>
<tr>
<td>Norway</td>
<td>19.7</td>
<td>8.2</td>
<td>3.3</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Source: OECD, 2002
education, according to one commentator, is that it is likely to undermine the egalitarian nature of the Norwegian society, as upper class and middle class parents will withdraw their children from the municipal day care to private day care institutions (Anonymous, 2003). In other words, social stratification is likely to be introduced to the Norwegian society and thus erodes the very foundation of welfarism. This is not surprising given that the dominant paradigm of globalization gives scant attention to the issue of equity, which in general it regards as a drag on economic development.

The case of Trondheim illustrates the fact that poor households paid relatively larger part of their income on public and private kindergartens then middle class householders. Poor households with annual income of $15,348.62 spend 34% of their income on public kindergartens compared to middle class households with income of $76,923.08 spent 0.07% on kindergartens.

The financial squeeze is also having an adverse impact at the primary school level, which is another example of local government reforms that is not backed by the required financial resources. For example, because of a lack of funding, the Trondheim municipal council is unlikely to meet the national guidelines of a 28:1 pupil to teacher ratio in primary schools. According to Hunstad, the financial squeeze being experienced by the council, if not revised, will in the future result in an increased pupil to teacher ratio. This implies that the capacity of local government in Norway, like elsewhere, to meet its commitments to citizens is being undermined by a reform agenda that is predicated on “macroeconomic stability”. By international standard, the public sector in Norway is the main provider of primary education, with about 98% of primary pupils enrolled in municipal primary schools, and only 2% in private primary schools (OECD, 2002). But the reform process has put a serious strain on the capacity of the local state to meet its obligations. It seems that the local state in Norway is being pulled in different direction with respect to the provision of primary school education. On the one hand, the central government sets the standards of education services provided by the local state. On the other hand, there are limited resources for it to meet these standards. These are coupled with the fact that the local state is largely dependent on the central government for its revenue. The point therefore is that in spite of the quality of service provided by local governments is set by the central government in Norway, the former have limited resource basis to meet such requirements. According to Fevolden and Sorensen (1987: 38)
…the mandatory educational services provided at the municipal and county levels are regulated in a very precise manner. The laws impose detailed standards of service provision, such as building requirements, the relative importance of various subjects at the different class levels, the training of teachers and so on…a number of health services are similarly regulated in substantial detail. Fifty or so laws and 150 other regulations restrict the local discretion in this field. (Fevolden and Sorensen, 1987: 38)

The conflicting imperatives discussed above are also evidenced in the area of care for the elderly. In Norway, the new reform agenda is constraining the ability and capacity of local governments to meet its obligations to provide Old Age Homes to seniors. As an example, by 2003, Trondheim municipal government fell short by 1% of ensuring that it provides homes to at least 25% of seniors above 80 years old. In the same year, 5,513 out of Trondheim total population of 150,166 were 80 years old and above. Of this number, the municipal government provided homes to 24%, due in part to the national government regulation that requires that the old age homes should offer single rooms. This requirement forced the council to renovate existing homes. In the process, the number of available rooms in old age homes has declined, according to Ms Hunstad (2003). In years to come, the situation is likely to be more acute given that the aging population in Trondheim is on the increase. At the turn of the 21st century, a quarter of its population (25,995) was over 60 years, a situation that is of concern given the reduced finances by the local council to meet its obligations to seniors.

Since the late-1970s, and in addition to above requirements, the central government has imposed the policy of balanced budgets on municipalities. This is in addition to the restriction of the use of credit to finance local government activities. These regulations and the policy of balanced budgets have not changed in the first decade of the 21st century. Some scholars have rightly concluded that not only are municipal revenues constrained by the central government in Norway but the latter also control the service level of the former (Fevolden and Sorensen, 1987). This stands in contrast to the World Bank’s (2000) World Development Report assertion that in the era of globalization, the role of the national government is being reduced with regional bodies and local governments as the new sites of economic management. As we have seen in the Norwegian case, the local state is not displacing the nation state – national government. Indeed, the policy instruments adopted by the central government have reinforced its capacity in steering the economy to be globally competitive, while constraining the capacity of municipalities to meet their obligations to citizens.
In fact, local government reforms in Norway have resulted in the increased “use of fiscal norms and the spending ceilings in the preparation of the budget and the broadened degree of managerial flexibility in the keeping of the budget from year to year” (Blom-Hansen, 1999: 248). This not only limits the resource base of municipalities but also undermines their capacity to extend services to citizens. However, Norway seems to bulk the global trend: rather than decentralization, the country seems to be moving towards greater (or at least reinforcement of) centralization with the central government using various mechanisms, including financial grants and the setting of common norms to ensure centralization. In fact, globalization has not undermined the centralising tendency that characterised the Norway governance system. But centralization could also have the effects of hollowing out local democracy as such practices by the central government limit the capacity of citizens and elected local officials to influence the pace and form of local development. In so doing, the Norwegian central government is using the language of efficiency and common norms to disempowered citizens. Thus, even where there is citizens’ participation, their outcomes have to compile with national policies. Importantly, the autonomy of the local state has been remarkably reduced rather than enhanced in Norway, especially following the enactment of New Norwegian Local Government Act of 1992.

5. Conclusion

In this article, I have argued that that the imperatives for global competitiveness and provision of services to enhance citizen welfare have engendered often contradictory impulses on local governance in Norway. The analysis thus far suggests that participatory governance is not necessarily development-enhancing. At times, citizen participation could lead to positive development outcomes for local communities. But at other times, it could legitimize policies that may not necessarily enhance citizen welfare. It is also evidenced from the analysis that to a large degree Norway is part of a global trend toward the adoption of NPM as a guiding framework for local government reforms. The result is that local democracy is being hollowed through among other things the adoption of management by objectives that has given greater autonomy to the local bureaucratic elite. One other effect of the reform process is that citizen democracy is being displaced by consumer democracy as the local state becomes a mere implementer of policies and guidelines set by the central government and not an arena for local citizens to define and respond to issues affecting local communities. Importantly, the globalisation process is
undermining the Norwegian welfare state. In particular, private provision of local basic services is eroding the egalitarianism that has underpinned the Norway welfare system. However, the article also shows that unlike the dominant global trend, there is increasing centralization as opposed to decentralization as the national government use various mechanisms, including setting standards/guidelines and financial grants to regulate and control municipalities. While these controls are leading to convergence of the quality of service provision, they undermine the capacity of municipalities to extend services to all those in need. Thus contrary to Moses et al (2000), globalization is having an adverse implications for the universalisation of welfare regime in Norway. In conclusion, the key challenge for local governments in Norway in their attempt to become competitive and remain integrated into the global is how to meet the conflicting imperatives of providing an effective social welfare safety net versus the need for fiscal restraints.

References


