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## WORKING PAPER SERIES

### LOCAL FORMS OF GOVERNANCE IN DENMARK

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WORKING PAPER 2007:5

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## **1. Introduction**

The key ambition of this paper is to challenge the steadfast conclusion of the Danish Study of Power and Democracy (1998-2004) that holds that societal, political and democratic developments in the past 30-40 years *have not* resulted in a systematic weakening of the parliamentary chain of governance (Christiansen and Togeby, 2006). The paper argues that a plethora of local forms of governance has proliferated and claims that this proliferation problematizes the idea that power and democracy are firmly anchored in the sovereign people who elects the parliament that in turn controls the government, which governs the public administration through a regulative and normative system of bureaucratic rule. The production of policy outputs and policy outcomes in the decentralized Danish welfare state is to a wide extent a result of institutionalized forms of pluri-centric interaction between fragmented public authorities and a variety of private actors. In the emerging system of interactive and negotiated governance, the elected politicians often play a marginal role and the public administrators are at best *primus inter pares*. The mechanisms of accountability are weak and transparency is partial. Hence, the ability of the territorially defined citizenry to control policy outputs and policy outcomes through their elected representatives and their executive leadership of the public administrators is limited.

My argument against the overly optimistic conclusion of the Danish Study of Power and Democracy hinges on an empirical mapping of the local forms of governance in Denmark. However, the absence of commonly accepted typologies of the different institutional forms of local governance and the lack of comprehensive empirical studies and centrally available data

sources means that the empirical mapping will be explorative and somewhat sketchy. Nevertheless, the paper aims to characterize and assess the Danish mix of local forms of governance vis-à-vis the governance mix found in the other Nordic countries and to explain the Danish local governance profile by reference to historical, institutional and political factors.

The paper is prompted by research conducted within the Nordic Network of Democratic Network Governance that is coordinated by the Centre for Democratic Network Governance at Roskilde University. A high degree of social equality, a high level of education, the development of a well-organized civil society, political commitment to an inclusive society and strong democratic traditions tend to make the Nordic countries an interesting laboratory for studying the development and implications of different forms of collaborative governance. The Nordic countries have large public sectors and the delivery of public welfare service is decentralized to the local municipalities that have considerable power and political autonomy. The high degree of decentralization explains why the present study focuses on the local forms of governance.

Governance is a notoriously slippery term that has different meanings in different contexts. However, at the most general level, it refers to the production of public value in the broad sense of visions and values, common definitions of problems, information gathering, planning, coordination, decision making and concrete regulations. Hence, in contrast to the notion of 'government' that refers to a set of formal institutions, the notion of 'governance' refers to the formal and informal processes through which public value is produced. The present paper focuses on 'local forms of governance' that are defined as the relatively institutionalized processes of negotiated interaction that bring together public and private actors with the purpose of formulating, implementing or evaluating public policy at the local level. From this definition it follows that New Public Management inspired attempts to enhance competition rather than negotiation by means of privatization, contracting out and commercialization of the public sector are excluded from this study of local forms of governance. For studies of the path dependent impact of the New Public Management discourse on the public sector in Denmark I shall refer to studies by Rod Rhodes (1999) and Karin Bryntse and Carsten Greve (2002). Inter-municipal cooperation clearly falls within the definition of local forms of governance, but a

further study will have to wait as it will take some time before the Danish municipalities have reconsidered their need for inter-municipal cooperation in the light of the Local Government Reform that from 2007 reduces the number of Danish municipalities from 275 to 98 and the number of Danish counties from 14 to 5.

The paper proceeds as follows,. Section 2 summarizes and critically reviews the conclusion of the Danish Study of Power and Democracy in order to show that the proliferation of local forms of governance cannot be reduced to a small and insignificant amendment to Johan P. Olsen's parliamentary chain of governance. Section 3 aims to define what I mean by governance and local forms of governance. Section 4 presents an empirical mapping of the local forms of governance in Denmark. Section 5 aims to characterize the local forms of governance and invokes historical, institutional and political factors in order to explain their proliferation. In section 6, the paper is concluded with a summary of the key findings and a brief discussion of the need to assess the contribution of the local forms of governance to effective and democratic governance.

## **2. Government and governance: the revenge of the supplement**

The Nordic countries have strong social-democratic legacies and place a high value on social equality and democracy. During the Cold War, the Scandinavian core of the Nordic countries, which consists of Denmark Norway and Sweden, defined their national identity in terms of being better than Europe (Wæver, 1992). Not only were the Scandinavian countries opposed to the militaristic rivalry between East and West, they also claimed to have invented a Third Way between the socialist planned economy and the capitalist market economy and to have crafted a model society based on a combination of individual freedom and an egalitarian and inclusive democracy. With democracy as a constitutive part of their national identity it is quite understandable why the Scandinavian states have initiated and funded a number of research-based studies of power and democracy. Such studies were carried out in Norway in 1972-81 and again in 1997-2003; in Sweden in 1985-1990 and again in 1997-2000; and in Denmark in 1997-2003.

At the outset, the Danish Study of Power and Democracy applied a relatively broad conception of power and democracy and welcomed empirical analyses of concrete policy processes (Danish Study of Power and Democracy, 1998; Sørensen and Torfing, 2001). The final report from the research leadership of the Danish power studies power and democracy is still conceived in broad terms, but the conclusion is primarily concerned with the 'democratic robustness of the political institutions' vis-à-vis new developments (Togeby et al., 2003: 402-405). The executive summary of the Danish Study of Power and Democracy that was recently published by Lise Togeby and Peter Munk Christiansen (2006) focuses exclusively on the challenges to parliamentary democracy. The clear-cut conclusion advanced by Christiansen and Togeby is both reassuring and surprising: 'Looking back over the past 30-40 years, we cannot find evidence to conclude that the parliamentary chain of governance has suffered severe damage' (Christiansen and Togeby, 2006: 22). Despite several waves of globalization, decentralization and privatization, the parliamentary chain of governance has not been subjected to any systematic weakening. There is no reason to worry as the chain of governance, which ideally links the sovereign people to elected members of parliament, a responsible government and the responsive public administration, is still intact. The burgeoning governance literature that claims that representative democracy and the traditional forms of party government is threatened by a simultaneous displacement of political power and control upwards to international and supranational organizations, outwards to multi-level governance networks, and downwards to decentralized forms of collaborative governance is proved wrong, at least in the case of Denmark.

Christiansen and Togeby take the notion of the 'parliamentary chain of governance' from the Norwegian political scientist Johan P. Olsen (1978). The parliamentary chain of governance provides a normative standard for assessing the current state of democracy in Denmark. It prescribes that power is anchored in the sovereign people whose principal function is to elect the parliament ('folketinget') through free and fair elections in which political parties compete for office. Parliament defines the laws and controls the government that must be in harmony with the parliamentary majority. The government is responsible for executing and implementing the legislation produced by the parliament through the legal-administrative system of bureaucratic rule. The public administration is supposed to be neutral and unpolitical,

and policy implementation is supervised and controlled by the government and the individual ministers. The parliamentary principle grants decisive power to the parliament as the government can only remain in power so long as there is not a parliamentary majority against it. In such a parliamentary system, judicial power is only supposed to play a marginal role as. It is must not reduce the power of the parliament.

According to Christiansen and Togeby (2002: 5), the threat to the parliamentary chain of governance can come either from a weakening of the different links in the chain or from political actors who are not part of the chain of governance, but hold significant political power and are capable of influencing public policy making. However, despite a number of 'significant challenges' and 'negative elements' revealed by the Danish Study of Power and Democracy, the overall conclusion is that the parliamentary chain of governance is as strong as ever.

According to Christiansen and Togeby, there is little evidence that the individual links in the chain of governance have been weakened. Membership of political parties, which used to link voters and politicians, has declined, but voter turnout is still high, the individual capacities of the voters are strengthened, and the mass media have taken over the task of connecting the people with the elected politicians (2002: 5-7). It is increasingly difficult for the Danish parliament to exercise effective control over the government's role and strategies within the EU, but at a more general level the prevalence of minority governments after the earthquake election in 1973, which doubled the number of parties in the Danish parliament, has strengthened parliament's control over the government and the replacement of the former *ad hoc* based parliamentary committees with new standing committees in early 1970s has reinforced the parliament's role in the preparation of new legislation (2002: 7-9). Finally, although the absence of politically appointed civil servants makes the politicians dependent on political advice from career civil servants, the increasing use of time limited employment contracts for top-level bureaucrats, and the strict budgetary control that has been exercised by the Ministry of Finance since the early 1980s tend to ensure the political-administrative leadership of the government and the responsiveness of the public administration (2002: 9-10).

Christiansen and Togeby (2002: 10-18) admit that other political actors have gained increasing importance and, potentially, might undermine the primacy of the parliamentary chain of governance. First of all, the judicial power has gain prominence and there is as an increasing judicialization of Danish society and the Danish courts have increasingly assumed a legislative role. Second, the mass media have gained a more independent role and tend to affect the political agenda and shape the political attitudes of the people by the way they select stories, sources and frames. Last but not least, political globalization in terms of Europeanization and the growing importance of international organizations has both a direct and an indirect affect on Danish legislation. However, Christiansen and Togeby do not find these tendencies particularly alarming. The judicialization of Danish society strengthens the respect for the individual and tightens the control with the administration's exercise of power. The politicians gradually learn how to use the mass media to get their message across, and there is still considerable national latitude vis-à-vis the influence from the EU. In addition, the influence of large interest organizations is weakened as the number of corporatist commissions and councils engaged in the preparation of national legislation is in sharp decline. Individual business firms are active lobbyists, but the impact of 'big business' on actual legislation is limited. As such, the parliamentary chain of governance has not lost power to political actors outside the chain.

All in all, the argument put forth by Christiansen and Togeby is clear and sound. They might be criticized for ignoring the contributions of those researchers from the Danish power studies who are sceptical about the continued primacy of the parliamentary chain of governance (Bang, Dyrberg and Hoff, 2005; Bogason and Gjelstrup, 2004; and Torfing, 2004). They might also be criticized for presenting a far too unambiguous conclusion that is not warranted by their own argument that actually lists a large number of negative aspects. However, the problem I want to raise is a different one. It relates to the linkage between the public administration and the citizens, which is dealt with in an inadequate way that hides the real challenge to the parliamentary chain of governance: the surge of a plurality of local forms of governance that undermines the voters' ability to control the outputs and outcomes through their voting behaviour.



Towards the end of their executive summary, Christiansen and Togeby (2002: 18) return to discuss the link between the public administration and the citizens, which for some reason is only briefly mentioned in conjunction with the other links. They admit that the citizens are not passive objects of administrative decisions and provisions such as the original model of the parliamentary chain of governance assumes. The citizens are actively involved in the implementation of public policy. Since the direct involvement of the citizens in decisions that have a bearing on their lives is in strict accordance with democratic appraisal of the sovereign people, Christiansen and Togeby amend the original model by adding an extra arrow pointing from the citizens to the public administration. The supplement indicates that the citizens are in fact capable of participating in and affecting the implementation of public policy (2002: 4-5, 18). As such, it helps to safeguard the parliamentary chain of governance by making a minor concession to the fact that there is something that escapes the original formulation of the parliamentary chain of governance. The parliamentary chain of governance is by no means challenged by this seemingly innocent addition of the possibility for citizens to have a direct influence on the outputs and outcomes. On the contrary, the parliamentary chain of governance is claimed to be strengthened by the 'observable increase in participation in connection with the implementation of political decisions' (2002: 20).

The problem is just that the supplement, which completes and safeguards the parliamentary chain of governance, is by no means an innocent addition that leaves the parliamentary chain of governance intact. By contrast, I shall claim, first, that the supplement introduces a different logic of governance that questions the primacy of the parliamentary chain of governance. Echoing the French philosopher Jacques Derrida (1974: 141-64), I shall claim that the supplement introduced by Christiansen and Togeby is indeed a 'dangerous supplement' that takes its revenge by destabilizing the traditional hierarchy between the privileged forms of government and the inferior forms of local governance.

The active participation of empowered citizens in activities on the output side of the political system cannot, as Christiansen and Togeby (2002: 19) seem to suggest, be reduced to a new form of 'individualized participation' that can be studied through quantitative surveys that measure the extent to which different groups of citizens participate in different kinds of

activities in order to influence the provision of public services such as schools, childcare and healthcare. In Denmark the active and competent involvement of individual and organized citizens is channelled through local forms of governance that introduce a governmental logic that is different from the logics of parliamentary government and representative democracy. Hence, whereas the traditional forms of parliamentary government are based on sovereignty, hierarchy and control, the local forms of governance are based on plurality, interdependency and coordination. Whereas representative democracy is based on universal citizenship, competition and representation, democratic forms of governance are based on affectedness, deliberation and participation. To put it graphically: whereas the parliamentary chain of governance is basically a linear model, the local forms of governance introduces a much more complex model with crisscrossing relations and interactions among a plurality of processes, institutions and actors – not unlike what Gilles Deleuze and Felix Guattari (1987) describe as a rhizome.

Although the local forms of governance create a governmental space that in several ways is incompatible with the logic implicit to the parliamentary chain of governance, it is not completely divorced from the traditional institutions of government. Public authorities at different levels play an important role in relation to the local forms of governance, both as a central and resourceful participant in the negotiated interactions that formulate and implement local policies and as a metagovernor that aims to design, monitor and influence the interactive processes of local policy making. Hence, the local forms of governance are by no means a ‘government free zone’, but rather an arena where traditional forms of government are caught in an interactive game characterized by a high degree of self-regulation that takes place in the shadow of hierarchical metagovernance (Sørensen 2007).

The local forms of governance introduce a governmental logic that is foreign to the parliamentary chain of governance, but they also undermine its primacy. Even the most well-functioning governance chain linking the sovereign people to parliament, government and public bureaucracy will fail to control and master the local forms of governance. The attempt to ensure government control by means of metagoverning the local forms of governance is constrained by the fact that local politicians often play a marginal role in the negotiated

interactions through which local policies are formulated and implemented. Local public authorities are represented by public administrators that often have a very long leash in the negotiations with the private stakeholders. To make things even worse, both the politicians and the voters are left in the dark as to what goes on in the local forms of governance since transparency and publicity is limited. One might object that there is no problem as long as the citizens have a direct influence on outputs and outcomes through their participation in the local forms of governance. However, we must not confuse the individual citizens and organized stakeholders that are participating in the local forms of governance with the sovereign people in which the parliamentary chain of governance is supposedly anchored. The private participants in the local forms of governance do not constitute a unified and homogenous 'people' and they do not express the general will of the people. Rather, they constitute a fragmented 'patchwork' of empowered individuals, business firms and civil society organizations that hold conflicting visions of the common good and who gain access to the local policy arenas because they claim to be intensely affected by the outputs and outcomes.

The local forms of governance reduce the sovereign people's ability to control political outputs and outcomes through the parliamentary chain of command. One might even argue that the parliamentary chain of governance is transformed by the proliferation of local forms of governance. Hence, although the total amount of legislation is increasing, the form and content of the laws is changing as 'formal laws' that provide detailed descriptions of how to deal with different cases are increasingly replaced by 'material laws' that merely define the overall means and ends and 'reflexive laws' that specify the procedures for how public authorities and private stakeholders interact in the production and implementation of public regulation (Dalberg-Larsen, 1999).

### **3. The meaning of governance**

The ubiquity of the notion of 'governance' has not been matched with conceptual precision in defining the concept, and the notion of 'local forms of governance' is often used imprecisely to colloquial references to different forms of sub-national policy making. Therefore, before proceeding with an empirical mapping of the local forms of governance, a further clarification of the notion of governance and a tentative definition of local forms of governance is required.

Today, everybody talks about governance. Governance has become a highly fashionable umbrella concept encompassing a wide range of social phenomena and academic references. The French used the notion of 'gouvernance' back in the 17<sup>th</sup> Century, but the recent governance revolution began in Germany in the late 1970s and early 1980s where the Bielefeld project started to problematize the traditional forms of governance in terms of hierarchy and markets and to search for alternative modes of governance based on institutionalized collaboration among a plurality of public and private actors. This line of inquiry was later taken up by Dutch colleagues such as Jan Kooiman and Walter Kickert who raised debates about the forms and content of 'modern governance'. This development was paralleled by the research on network types of governance that was conducted by Anglo-American researchers such as Hugh Hecl, Brinton Milward, Keith Provan, Dave Marsh and Rod Rhodes, who approached the notion of governance from the perspective of neo-corporatism and corporate pluralism. The new emphasis on 'governance' rather 'government' gradually found its way into the discourse of prominent international and supranational organizations like the World Bank, the OECD and the EU that were looking for a response to the mounting problems of government overload, ungovernability and the lack of democratic legitimacy (Peters and Pierre, 2004).

Despite the many political and scholarly debates on governance the notion of 'governance' remains a notoriously slippery term. In its most fundamental conceptual sense it refers to the collective steering of the economy and society through the production of public value in the broad sense of visions and values, common problem definitions, information gathering, planning, coordination, decision making and concrete regulations. The congruence of the formal political institutions, the structures of economic and social life, and the normative commitments of civil society has since the 17<sup>th</sup> century provided the historical conditions for territorially-defined governments to become the central locus of governance. However, the deterritorialization of political, economic and social life and the increasing diversification of civil society have problematized the national governments' capacity for hierarchical steering and spurred the search for alternative steering mechanisms. Whereas the New Public Management movement recommends an increasing use of market forces and management techniques from private enterprises, the new governance literature emphasizes: the need for

negotiated interaction among a plurality of public and private actors; the institutionalization of arenas and mechanisms facilitating interaction based on interdependency and trust; and the introduction of softer governance mechanisms emphasizing the role of common standards, mutual learning and interorganizational cooperation. As a result, the contemporary conception of governance tends to refer to non-hierarchical attempts to steer the economy and society through institutionalized negotiations that aim at transforming and coordinating public and private interests, actions and resources.

Nevertheless, the governance literature continues to offer competing definitions of governance that are emphasizing different aspects. Holger Bähr, Gerda Falkner and Oliver Treib (2005) have identified three different definitions of governance in the current literature. In some parts of the literature governance refers to the formal and informal interaction whereby social and political actors translate diverging preferences into more or less effective policy choices. Governance is here defined in terms of a new type of *politics*. In other parts of the literature, governance is defined as a system of rules and norms that shape the pattern of interaction among the social and political actors. In such definitions governance is defined as a new form of *polity* that sustains pluri-centric and voluntary policy coordination. Finally, there are attempts to define governance as a new way of solving policy problems or reaching particular goals by means of non-binding norms, voluntary agreements and horizontal coordination. Governance is here used to describe a new kind of *policy*. The competing definitions of governance in terms of a new politics, polity or policy are sometimes combined, or merged, in broad definitions of governance as *the totality of interactions in which public and private actors aim to solve public problems or create opportunities while attending to a set of institutional rules and establishing a normative foundation for joint action* (Kooiman, 1993). This definition highlights four important aspects of contemporary governance: 1) governance is a result of interaction that is prompted either by resource dependence or the wish to influence policy decisions; 2) governance blurs the distinction between the public and the private as it brings to individual or collective actors from state, market and civil society; 3) governance is based on negotiations, conflicts and non-majoritarian decisions that are regulated by an emerging institutionalization of the rules of the game; 4) governance aims to establish a normative foundation for the formulation and implementation of policy.

On the basis of this definition of governance, we might refer to 'local forms of governance' as the relatively institutionalized processes of negotiated interaction that bring together public and private actors with the purpose of formulating, implementing or evaluating public policy at the local level. I shall talk about local forms of governance in the plural in order to emphasize the many different institutional arrangements that facilitate the production of public value through public-private interaction.

The mapping of the multiplicity of local forms of governance that are typically found in Danish municipalities is an inductive enterprise. It is based on a tentative typology that is informed by theoretical and empirical pre-understandings arising from the literature on local governance. The typology merely serves the heuristic purpose of distinguishing among different institutional arrangements according to their shifting balance between the formal and informal rules, norms and procedures that facilitate and regulate the negotiated interaction of public and private stakeholders. The provisional typology that will structure the mapping of the local forms of governance in Denmark contains the following categories that are ordered according to the increasing importance of informal rules, norms and procedures and the increasing participation of civil society actors rather than market actors:

**a. Municipal companies**

The municipalities can contribute to the financing and participate in the leadership of public-private companies that are engaged in the production and sale of products and services based on know-how developed in the public sector. Such companies are not a part of the bureaucratic chain of command in the municipality as executive decisions are taken by the corporate board in which both the public and private owners are represented.

**b. Public foundations and funds**

Public foundations are formal institutions based on a written constitution that describes a general purpose. They are self-owned companies and enjoy complete autonomy as they are governed by an independent board that often consists of both public and private actors. Public foundations are independent legal entities that can sign contracts

with the municipality about the delivery of particular public services. Some foundations, like the European Social Fund and several national funds, are not engaged in public regulation or service production, but merely have a funding function. However, these funds will often be funding local projects based on public-private cooperation.

#### **c. Public-private partnerships (PPPs)**

PPPs are relatively formal systems in which public service or private business venture are funded and operated through a long-term partnership between a government agency and one or more private sector companies. The public and private partners retain their independency, but engage in continuous cooperation.

#### **d. Public consultations**

Public consultations are often founded on legally prescribed procedures for consultation of citizens and stakeholders in relation to new plans or developments. However, recently, a new and much more informal and interactive consultation process has emerged.

#### **e. Collaborative boards**

Collaborative boards are institutionalized mechanisms for sector-specific cooperation between public and private actors. They are governed by formal and informal rules and often have limited formal competence. They give advice to the City Council or public managers, but they might have the own financial means, which they can use to finance they own projects. There are three different kinds of collaborative boards: cooperative committees, user or stakeholder boards, and board-like governance networks.

#### **f. Supra-local network forums**

Supra-local network forums are mandatory, but loosely-coupled, governance networks that bring together regional authorities, local mayors and private actors such as local business firms in governance networks that are responsible for developing plans and policy that can enhance growth and employment at the regional and local levels.

#### **g. Sub-local committees, councils and networks**

The citizens may be appointed to local committees, elected to local councils, or participate in local governance networks that aim to bring together the local citizens and give them some influence on local issues. The different institutional arrangements are operating at the sub-local level and their goal is to enhance the local sustainability.

#### **h. Project-related governance networks**

Project-related governance networks are informal governance networks that are formed on an *ad hoc* basis and in relation to new public development projects. They are often initiated by public administrators who aim to enhance input and output legitimacy, but they might also be self-grown in the sense of emerging out of the regular contacts between public and private actors.

### **4. Mapping local forms of governance in Denmark**

There are no data bases that systematically register local forms of governance in terms of types, numbers, scope and functioning. Neither are there any comprehensive empirical studies of local forms of governance in Denmark. Rather, what we have is a number of singular studies of particular forms of local governance. The closest we get to a comprehensive analysis is Peter Bogason's study of democracy and network governance in the decentralized Danish municipalities published in 2001. In this mapping exercise I shall draw extensively on Bogason's analysis, which will be combined with insights from my own research and information from public reports and websites and from personal interviews with executive managers from Danish municipalities. The lack of systematic data collection means that my analysis will be somewhat impressionistic, but until Danish public administration researchers begin to look more closely at the multiple forms of local governance and find ways of recording and registering institutional forms of local governance in a systematic way, we will have to be content with this kind of impressionistic explorations.



#### **4.1 Municipal companies**

The most common form of municipal companies are the local delivery companies in the field of water and energy supply and renovation that are 100% owned by the municipality and are based on the 'break-even principle', according to which the costs must be completely covered by the consumers. These companies do not give rise to public-private collaboration. However, Law # 384 from 1992 provides the opportunity for Danish municipalities to participate financially and in the leadership of public-private companies if these are engaged in activities that aim to develop municipal know-how or to sell products and services based on publicly developed know-how to others than municipalities. The new 2006 Law # 548 abandons the previous restrictions on the financial contribution of the municipalities, but requires that the private partner must contribute at least 25% of the joint capital in the company and that no municipality must command the majority in the corporate board. In 2006, there were registered 252 companies involved in municipal participation. This is slightly less than in 2005 when there were 39 companies more. Most of the municipal companies are organized as joint-stock companies, but there are also a considerable number of limited companies. The majority of the municipal companies are involved in activities in the areas of energy, renovation and traffic. However, there are also many examples of municipal companies engaged in local business development projects. The municipalities' financial contribution to the companies varies a lot. All the municipalities participate in the corporate board in which the executive decisions are made.

*Sources:*

- Christensen, Christiansen and Ibsen (2006), Ch. 8.
- Danish Commerce and Companies Agency:  
<http://www.eogs.dk/graphics/publikationer/Selskaber%20og%20Fonde/komred06.pdf>

#### **4.2 Public foundations and funds**

Municipalities can participate in the construction of a public foundation by drafting a written constitution, putting in public money and appointing an independent board. When the foundation is established, the municipality cannot take any money out of the foundation and it

has no control over its dispositions. The foundation is a self-owned company run by the board that must act to fulfil the objective stated in the written constitution. However, the foundation is an autonomous legal entity that can enter a contract with the municipality about delivery of public service the production of which is paid for by the municipality. In Danish legislation there is a distinction between business foundations and non-business foundations. Whereas the former are engaged in the production and sale of products and services or the administration of buildings, the latter aim to fulfil some kind of public purpose. The construction of foundations is regulated by Law # 652. There is no systematic knowledge about the municipalities' participation in the construction of public foundations or the number contracts they have signed with different kinds of foundations. However, public foundations are frequently found in the area of business development and social services.

The 1980s saw the emergence of a series of large government sponsored funds that were set up by different ministries and aimed at funding local projects and experiments, particularly in the field of social policy. One of the first was the social development fund (the SUM programme) that was established in 1988 and funded more than 1,500 local projects. The SUM programme aimed to stimulate the development of new methods in social work, initiatives targeting particular social groups, and the involvement of new actors. The programme was administered by a board consisting of nine experts, stakeholders and representatives from the Ministry of Social Affairs. Most of the projects that were funded were anchored in local organizations. 43% were run by public organizations, 37% by private organizations, and 17% were co-governed by public and private actors. 75% of the local projects had established an Advisory Board with both public and private participants. Another important public fund was the Neighbourhood Renewal Fund that was established in 1997. It funded seven large scale neighbourhood renewal projects that were organized as partnerships, networks and alliances. In 2002 a new neighbourhood renewal program was established by the Ministry of Integration that shifted the focus to integration and employment issues. It has funded five new neighbourhood renewal projects in socially deprived areas.

The national programmes have been supplemented by the European Social Fund that has supported a large number of smaller projects in the field of regional development, social policy

and employment policy. Although many of these are anchored in public organizations, there are a lot of private participants. The formation of local partnerships is also a common practice.

*Sources:*

- Peter Bogason (2001), Ch. 6
- Lars Engberg et al. (2000)
- Civil Affairs Agency:  
<http://www.erstatningsnaevnet.dk/fondskontor/fonde.aspx>
- Telephone interview with legal manager from the Civil Affairs Agency

#### **4.3 Public-Private Partnerships**

The classical form of ‘contracting out’, whereby local governments define a particular public service in a contract and pay a private company that is selected in open competition with other firms to produce and deliver it, is the most typical way of organising public private interaction in the Danish municipality. However, in this kind of public-private interaction there is no cooperative negotiation as conflicts are solved through arbitration. The goal of contracting out is to enhance of competition and this explains why contracting out is not included in the definition of local forms of governance. By contrast, Public-Private Partnerships (PPPs) are mechanisms for public-private cooperation where the local government and private firms share both the responsibility and the financing of a particular public service or business venture. The public and private partners remain independent actors, but engage in continuous cooperation and resolve conflicts through negotiation. PPPs have been introduced in order to encourage private investment in public infrastructure projects. Hence, a typical PPP example would be a hospital building financed and constructed by private developers and then leased to the hospital authority that runs the medical service. Another example would be where a local government sells an asset, a school building, for example, and then leases it back from the financial partner with which the government is cooperating.

Despite the Danish government’s encouragement of the public authorities’ use of PPPs in relation to infrastructure projects, there is only one example of a public service facility that is

built by a private consortium and then leased and operated by the public authority, namely Vildbjerg School in the municipality of Herning. However, this type of PPP is expected to multiply in the future, and in several other municipalities, there are preparations of PPPs in relation to large infrastructure projects. The other type of sale-and-lease-back PPP is more popular. In the late 1990s around 20 Danish municipalities had entered into sale-and-lease-back arrangements. However, a major scandal in the municipality of Farum, where the mayor has been accused of malpractice in relation to his highly creative use of sale-and-lease-back arrangements might deter other municipalities from going down that road. The scandal has prompted a series of law revisions that also less sale-and-lease-back arrangements less attractive for the municipalities.

*Sources:*

- Carsten Greve (2003).
- Danish Enterprise and Construction Authority: <http://www.ebst.dk/ops>
- Interview with senior manager from KL (Local Government Denmark)

#### **4.4 Public consultations**

Since 1975 Danish legislation has prescribed a detailed procedure for consultation of local citizens and stakeholders in relation to municipal plans and local plans. The municipal plan is a comprehensive plan that sets the course for the development of the municipality as a whole. The elaboration of municipal plans is mandatory and follows a four years cycle. Local plans are physical plans that define how a particular geographical area is going to be used and developed. Local plans must be revised whenever new activities give rise to major changes in the existing regulations and rules. The City Council have an unlimited right to create and revise local plans for specific areas of varying size and there are made more 1000 new local plans in Denmark every year. The planning law requires that the local citizens are informed and involved as much as possible in the municipal and local planning processes. The plans are made public in local newspapers, the City Hall, public libraries, etc. and the citizens can send mails and letters with comments, questions and objections. In case of large and significant changes a public meeting must be held at which the local politicians will meet and discuss issues with citizens and

stakeholder organizations. Still, it is entirely up to the politicians in City Council to decide how to react to the suggestions and objections from the citizens and the stakeholders. Although the consultation processes tend to lead to many big and small changes, participation is limited and the citizens are only consulted in the final stage of the planning process where it is difficult to make changes. Moreover, except for the public meetings, there is not much interaction in relation to the municipal and local planning process. The same goes for the public consultations in relation to the issuing of environmental permissions to business firms or farmers who want to make large changes in their production facilities.

However, new and much more interactive forms of public consultation are under way. One example is the local Agenda 21 groups who are involved in negotiations with the local authorities over environmental initiatives. Another interesting example is the recent formation of Local Action Groups (LAGs) that are established in the rural areas and consist of local citizens, civil society organizations, private firms and local politicians. The LAGs aim to enhance the quality of life in the countryside by creating new forms of business and employment in old farm houses, expanding public service facilities in rural areas and contributing to the local planning process through the elaboration of a strategic development plan. According to the Ministry of Food, Agriculture and Fisheries, there will be formed more than 50 LAGs in 2007.

*Sources:*

- *The Ministry of Food, Agriculture and Fisheries:* <http://www.dffe.dk/>
- *Law # 316*

#### **4.5 Collaborative boards**

Collaborative boards are sector-specific forums for public-private interaction that refer to the City Council or the management of local public institutions. Three different types of collaborative boards can be distinguished:

- i. Cooperative committees** are established under the City Council in order to include relevant private actors in public governance. The City Council constitutes a number of standing committees where the council members work together on case processing assisted by public administrators. Although it has been possible to invite representatives from organizations to the committee meetings, the local politicians have generally been quite sceptical about this kind of local corporatism. However, the new 2006 Law # 1060 concerning Municipal Governance opens up the possibility for the constitution of *ad hoc* committees with a mixed representation of politicians, administrators and civil society organizations. However, it is too early to say how much this new opening will be used. However, there is one area where the participation of civil society organizations is mandatory and that is in the area of Public Enlightenment, which covers support and development of the activities of private associations in culture, sports, etc. Here civil society organizations participate in the allocation of local funding and the crafting of local development plans.
- ii. User or stakeholder boards** are elected or appointed bodies that enable either the actual users of public services, or some relevant stakeholders, to influence the service delivery of decentralized public institutions. User boards are established in relation to a public service institution and the user representatives are elected by the users of the particular institution. There is a long tradition for user boards in relation to public schools and local churches. However, in the late 1980s, the Danish parliament decided that there should be user boards in all educational institutions and day care facilities. There are also a lot of non-mandatory user boards, for example, in relation to public libraries, elderly people's homes, sports facilities and local business development. In the Danish gymnasiums and the technical schools, the user boards have been transformed into stakeholder boards to which a number of actors with special interests and competences in youth education are appointed. Participation in the local elections of the user representatives is very low, but in the public schools that often reflects that the number of candidates matches the number of seats and that the users do not conceive of the user boards in terms of a

representative democracy. Anyway, a head count reveals that the active involvement in the user boards is quite high. In the related 1990s it was estimated that about 20,000 parents were actively engaged in the user boards in the public schools.

**iii. Board-like governance networks** are relatively formalized, and often mandatory, governance networks that bring together the key stakeholders within a particular policy area. At the municipal level there are a large number of board-like governance networks. The Local Employment Committees are mandatory neo-corporatist networks that monitor the local Job Centres, advice to the City Council in questions about local employment policy and contribute to the elaboration of the local Employment Plan. They also have their own funding, which they can use to fund their own projects for the weak unemployed. Integration Councils are non-mandatory governance networks that bring together Immigrant and Refugee organizations and other civil society organizations that can help the City Council to produce an effective and comprehensive integration policy. The Disability Councils represent all the different groups of disabled people and advise the City Council about new political and administrative initiatives for disabled people. They became mandatory in 2006. The Youth Education Counselling Centres were established in 2004. They are the nodal point in mandatory governance networks that comprise all the relevant stakeholders in the field of youth education. Finally, a recent police reform requires the police to establish a Local Police Council in each municipality in order to involve local stakeholders in crime prevention and the development of plans for the efforts of the local police.

*Sources:*

- *Andersen and Torfing, 2004*
- *Bogason (2001), Ch. 3.*
- *Law # 1060, Law # 522, Law # 1382, Law # 474, Law # 298, Law # 538*
- *Telephone interview with the chief executive manger in the municipality of Holbæk*

#### **4.6 Supra-local networks**

The local governance reform of 2006 resulted in the creation of five new regions instead of the previously 14 counties. The new Danish regions have lost almost all the former counties' service delivery functions to the new and larger municipalities. In fact, there are only delivering public service in the area of health care, where they are responsible for running the hospitals, while the municipalities are responsible for preventive health care and the provision of rehabilitation facilities. However, the regions are in charge for the elaboration of regional development plans. In order to create a broad political ownership to the regional development plans the Regional Councils must cooperate with the municipalities, business organizations, educational institutions, and other regional actors in complex regional network structures. In relation to the elaboration of the plans for regional business development, there have created mandatory supra-local networks called Growth Forums in which the municipalities, the local business organizations and some local trade unions are represented. There is a major research project that is studying the formation of governance networks in the new Danish regions, but the first results will not be available before the end of 2008.

*Sources:*

- *Danske Regioner: <http://www.regioner.dk/>*

#### **4.7 Sub-local committees, councils and networks**

Compared to the other Nordic countries, Denmark was quite late to embark on the formation of sub-local committees, councils and networks. However, the municipal amalgamation reforms in 1970 and 2006 increased the distance between the citizens and elected politicians and this has spurred the development of sub-local bodies that permits the local citizens within a particular geographical area to participate in the governance of local policy issues. The 1977 White Paper on Local Democracy distinguished between local committees where the members were appointed by the City Council and local councils where the members were elected among the local citizens. However, the While Paper concluded that it was not necessary to make any legal changes in order to facilitate the formation of alternatives to the local representative democracy. In the beginning, the development of sub-local forms of democracy was rather slow, but in the



1980s a series of municipal experiments paved the way for some interesting new experiences with sub-local democracy in the municipality of Herlev. These experiences resulted in changes in the Law of Local Governance in order to facilitate devolution of particular policy competences to local committees and local councils. The legal changes triggered a proliferation of local committees and councils with varying degrees of success. The most ambitious experiment was the establishment of local neighbourhood councils in Copenhagen that ended in bureaucratization and fierce political conflicts.

The recent amalgamation is likely to spur a new wave of experiments with sub-local democracy. In the Municipality of Holbæk, 18 sub-local governance networks have been created, which in contrast to the local committees and councils are based on the free and open participation of citizens, civil society organizations, business firms and public institution managers rather than the election or appointment of a small group of representatives that are supposed to act on behalf of the local citizens. Everybody can show up to the meetings, raise an issue and try to get other people to join a working group that aims to deal with it. What is interesting about the Local Forums in Holbæk is that there is a strong connection to the City Council which has formed a number of Dialogue Committees that are in regular contact with the Local Forums and give them feedback on the issues they are raising and want to work upon. The idea behind the establishment of the Local Forums is to mobilize the local resources, competences and energies and to facilitate sub-local self-regulation. However, the Local Forums are not only mechanisms for sub-local self-regulation and the generated of bottom-up inputs to the City Council. They are also considered as natural consultation partners for the City Council, which will also try to recruit the Local Forums as vehicles for the development of new public initiatives, for example, in the struggle against child obesity.

*Sources:*

- *Bogason (2001), Ch. 2.*
- *Holbæk Municipality:*  
*<http://www.holbaeknettet.dk/go.asp?RoomID=351andLangRef=176>*
- *Telephone interview with the chief executive manger in the municipality of Holbæk*

#### **4.8 Project-related governance networks**

The most common use of local governance networks is also the most informal. The formation of local governance networks that round up ‘the usual suspects’ in terms of relevant and affected citizens and associations is quite frequent when politicians or public administrators want to develop a new project. However, the project-related governance networks can also be created from below by a range of civil society organizations that cooperate to solve a particular problem and decide to involve the public authorities. There are very few empirical studies of the use and functioning of *ad hoc*-based, project-related governance networks in the Danish municipalities. However, a recent study of the Municipality of Skanderborg provides an illustrative example of the decisive political influence that such networks may have. The Municipality of Skanderborg wanted to develop its cultural life and facilities and arranged a couple of citizen meetings that resulted in the formation of a dense network of public and private actors. The network was very active and formed a strong alliance that propelled the political decisions to build an expensive cultural centre with room for cinemas, exhibitions, rock concerts and ballet. Another and less successful network was formed in relation to the development of local sports facilities.

*Sources:*

- *Sørensen and Torfing (2000).*

#### **5. Explaining local forms of governance**

In the academic literature, there are competing explanations of the recent surge of collaborative forms of governance (see Sørensen and Torfing, 2007). Governability theories advanced by Jan Kooiman (1993) and Renate Mayntz (1993b) tend to see collaborative governance as a functional response to the need for horizontal coordination in our increasingly complex, differentiated and dynamic societies. Interdependency theories advanced by Rod Rhodes (1997) and Walter Kickert, Erik-Hans Klijn and Joop Koppenjan (1997) tend to view collaborative governance as a strategic response of rational, self-interested policy actors to the need for

exchange of material and immaterial resources within a public sector that has been fragmented by New Public Management reforms. Finally, integrative organization theorists like James G. March and Johan P. Olsen (1995) and Paul DiMaggio and Walter Powell (1991) tend to perceive collaborative governance as a normative response to the over-socialization of the individuals by the state and the under-socialization of the individuals by the market. Network types of governance make room for relative autonomous action within a framework of shared norms and values.

The functionalist, rationalist and normative biases of these theories are overcome by the poststructuralist governmentality theory advanced by Michel Foucault (1991) and Nikolas Rose (1999) who claimed that the new forms of pluri-centric governance are advanced as a part of an advanced liberal governmentality that urges the state to 'govern at a distance' by means of mobilizing a plurality of self-regulating actors and networks within an institutional framework that ensures conformity. Despite the structuralist undertones of this explanation, it aims to bring politics to the fore as the new governmentality is seen as an outcome of hegemonic struggles aiming to respond to the dislocation of both the statist and neoliberal conceptions of the art of government. Hence, the surge of governance networks is not perceived to be an outcome of structural imperatives, strategic actions of self-interested policy actors, or normative ambitions of advancing the Good Society. Rather, it is a political response to the persistent problematization of both statism and neoliberalism for being unable to fulfil the liberal promise of governing 'each and everybody' through the deployment of a minimal amount of force and resources.

However, the hegemony of the advanced liberal governmentality is a general condition for the surge of collaborative forms of governance in all countries in the new enlarged Europe. It does not help to explain the differences among different countries such as the Nordic ones. As for the Danish case, the preliminary mapping of local forms of governance has revealed two things that need to be explained. First, although there is an uneven pattern, most of the local forms of governance are *well-developed* and tend to engage a lot of citizens, civil society organizations and business firms in the formulation and implementation of policy solutions. Second, the more formal types of collaborative governance in terms of municipal companies, public foundations

and public-private partnerships that aim to mobilize the resources of private companies in order to enhance output legitimacy seem to be *less developed* than the more informal types of collaboration in terms of collaborative boards and supra-local, sub-local networks and project related networks and that aim to increase the democratic participation of individual citizens and civil society organizations in informal coordination and dialogue in order to enhance input legitimacy.

The first point about the predominance of local forms of governance in Denmark can be explained by reference to Danish history that saw the development of a unique combination of a strong and modern *Rechtsstaat* and a well-organized civil society (Knudsen, 1991; Rhodes, 1999). The absolutist state formed in 1660 shifted the tax burden from property to income and the ensuing tax revenue helped to finance the development of a modern bureaucratic state that was taken over by the new parliamentary democracy in the peaceful bourgeois revolution in 1848. At the same time, the political and cultural self-organization of the farmers in the 19<sup>th</sup> century and the rise of the workers movement in the 20<sup>th</sup> century created a well-organized civil society and nurtured the idea that ordinary citizens should be able to organize and make a difference through political participation. The gulf between the strong state and the strong civil society was bridged by different kinds of public-private cooperation. The institutionalized cooperation between state and civil society has been named 'corporatism', 'the Danish model' and 'the negotiated economy', and the local forms of governance that have been mapped above are merely the current expression of a long tradition for public-private collaboration.

The second point about the predominance of local forms of governance based on the participation of civil society actors rather than market actors can be explained by a combination of a relatively sound public economy in Denmark after 1982 and the successive governments' so-called 'modernization plans' that after an initial oscillation between exit and voice ended in a compromise between free choice of public service and voice-based user influence through participation in collaborative boards and networks.

The small and open Danish economy was severely hit by the first oil crisis in 1973-74 that dramatically increased the oil prices and led to a period of stagnation and mass unemployment.

Successive social democratic minority governments tried all the standard Keynesian cures, but they failed to produce an economic recovery and left the state budget with a gaping hole, which in 1982 forced the social democrats to surrender government power to a conservative coalition government. However, when in the mid 1980s the OECD and the Thatcherist revolution in Britain triggered the international wave of privatization, contracting out, and commercialization of the remaining public sector, the public budget in Denmark had already improved and that meant that the neoliberal marketization strategy appeared just as irrelevant as it was politically unfeasible. The budget improvement was a result of the introduction of what was called 'total budget framework' that meant that an increase in public expenditure in one area should be matched by an equivalent budget cut in another area. This fostered a new kind of budget discipline that soon helped to reduce the deficit and eventually produced a surplus.

The total budget frames were introduced by the conservative coalition government in 1982-83. In the same year, the government published the first of a series of annual modernization plans that were meant to propel public sector reform (The Ministry of Finance, 1983). In the last decades there has been a constant battle between recommendations aiming to strengthen the exit possibilities of the citizens by turning them into consumers of public and private services and recommendations aiming to enhance the voice options of the citizens through their participation in user boards and local networks and partnerships. In the beginning, the market orientation was quite strong, and after a period with a more balanced emphasis on both exit and voice in 1988-89 (The Ministry of Finance, 188, 1989), the marketization strategy came to the fore again in the modernization plan from 1992 (the Ministry of Finance, 1992). However, after the return of the social democrats to the government office in 1993, the participatory strategy was revived (The Ministry of Finance, 1993), and gradually a compromise was formed between a soft marketization strategy emphasizing the users' rights to free choice of public and private service and a participatory strategy emphasizing the users' active participation in boards and networks (The Ministry of Finance, 1999).

The combination of sound public budgets and the formulation of a political compromise privileging both the exit and voice options of the users of public service help to explain the predominance of local forms of governance based on the participation of civil society actors

rather than market actors. However, there is an important additional factor that helps to account for the fact that the participatory forms of governance, which are particularly well developed at the local level in Denmark, are not so much involved in the delivery of public service as in the production of informal coordination. This can be explained by the recent turn to soft modes of guidance. Public authorities increasingly aim to regulate the behaviour of citizens, organizations and private companies by means of shaping their identities, their cognitive and normative framework, and their incentives and modes of calculation. In many policy areas soft guidance is much more effective than traditional forms of hard law in bringing about the desired outcomes. At least, soft guidance is often a necessary complement to law-like prohibitions and restrictions. Hence, fighting child obesity by means of formal laws and regulations might not take you very far, if not the prohibitive measures are combined with a transformation of the norms and practices that guides children in their daily lives. Employment policy and integration policy are also good examples of policy areas where it is necessary to use soft guidance in order to transform attitudes and practices. Campaigns that aim to promote Corporate Social Responsibility are a case in point.

## **6. Concluding remarks**

The mapping of local forms of governance has not only showed that there are many institutionalized arenas for public-private interaction and negotiation at the local level, but also revealed that the local forms of governance that aim to involve citizens and civil society organizations in the formulation and implementation of local policy are more prevalent than those forms of local governance that aims to mobilize resources of private business firms. Nevertheless, all the local forms of governance tend to reduce the sovereign people's ability to control political outputs and outcomes through the parliamentary chain of command, and since most of these local forms of governance have emerged the last 20-30 years, it is simply not correct when Christiansen and Togeby claim that the parliamentary chain of governance has not suffered any severe damage. The new local forms of governance have created, and continue to create, a new political reality where, on the one hand, politicians, public administrations and professionals and, on the other hand, citizens, civil society organizations and private firms are engaged in continuous interactions through which resources are exchanged and a myriad of big and small policy decisions are made. Exactly, how much these interactive forms of governance

undermine the ability of the parliamentary chain of governance to control policy outputs and policy outcomes is difficult to measure. The high degree of decentralization in the Danish welfare state might give the local forms of governance a significant role in shaping and reshaping policy. On the other hand, recent studies show that some public managers are deeply involved in the metagovernance of local governance networks (Andersen and Torfing, 2004) and that the local governments tend to bypass the local boards and networks in cases concerning controversial and political sensitive issues (Bogason and Gjelstrup, 2004). Exactly how these and other contravening factors add up is too early to say and will require a more systematic research of local policy processes. However, if we continue to reduce the local forms of governance to an insignificant supplement to the parliamentary chain of governance we will not be able to envision the role and significance of the local forms of governance.

The local forms of governance constitute a new political reality vis-à-vis the parliamentary chain of governance. Consequently, we should study the interaction between government and governance and how they simultaneously strengthen and weaken each other. We also have to assess the contribution of the local forms of governance to an effective and democratic governing of our complex, fragmented and multi-layered societies. In order to be able to assess the performance of collaborative forms of governance we must develop a clear understanding of what 'democratic' and 'effective' means in relation to interactive forms of governance. Such a clarification has only just begun. Sørensen and Torfing (2005) suggest that we measure the democratic anchorage of network-types of governance. Governance networks are democratically anchored in so far as they are controlled by democratically elected politicians; represent the membership basis of the participating groups and organizations; are accountable to the territorially defined citizenry; and enact the democratic rules specified by a particular democratic grammar of conduct. Other studies suggest that we assess the effectiveness of local forms of governance through surveys of the ex post satisfaction of different groups of actors at different levels (Hasnain-Wynia et. al, 2003, Teisman, 1992; and Agranoff and McGuire, 2003). However, as there can be a thousand reasons for being satisfied or dissatisfied with a networked policy solution we need to establish a clear set of criteria for evaluating the effectiveness of collaborative forms of governance. As such, we shall suggest that the effectiveness of network-types of governance is a function of their ability to:

1. To produce a clear and well-informed understanding of policy problems and policy opportunities
2. To generate innovative, proactive, and yet feasible, policy options by means of bringing together different actors with different ideas and experiences
3. To reach joint policy decisions that go beyond the least common denominator while avoiding severe cost shifting
4. To ensure a smooth policy implementation based on a high degree of legitimacy and program responsibility among all the relevant actors, including client advocacy groups, stakeholder organizations, public administrators and politicians
5. To solve key policy problems and exploit new opportunities through a flexible adjustment of the strategic actions of the governance network and the participating actors
6. To create favourable conditions for future cooperation through cognitive, strategic and institutional learning that construct common frameworks, create interdependency and build trust

Of course, we cannot expect local governance networks to deliver on all counts. They may not go all the way and local government might short cut the interactive policy process either by choosing among policy options produced by the network or by implementing and adjust the networked policy solution. Still the criteria listed above might help us to assess the effectiveness of collaborative governance. Further research on these matters is necessary in order to assess the political and normative impact of the surge of local forms of governance.





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