

PUBLIC SECTOR GOVERNANCE AND ACCOUNTABILITY SERIES

LOCAL GOVERNANCE IN INDUSTRIAL COUNTRIES

Edited by ANWAR SHAH I



Contents

Foreword xv

Preface xvii

Acknowledgments xix

Contributors xxi

Abbreviations and Acronyms xxv



A Comparative Institutional Framework for Responsive, Responsible, and Accountable Local Governance 1

by Anwar Shah

Introduction: Local Government and

Local Governance 1

The Theory: Conceptual Perspectives on Local Governance and Central-Local Relations 3

The Practice: Alternative Models of Local Governance

and Central-Local Relations 21

A Comparative Overview of Local Government

Organization and Finance in Industrial

Countries 27

Concluding Remarks 36

Acknowledgments 36

References 38

| Local Government Organization | n and Finan |
|-----------------------------------|-----------------|
| Canada 41 | |
| by Melville L. McMillan | |
| Municipal Government Responsibili | ties Associated |
| with Expenditures 45 | |
| Municipal Government Revenues | 49 |
| Municipal Government Borrowing | 60 |

Recent Developments 62

An Overall Assessment of Municipal Government Finances 70 Lessons for Developing and Other Countries 75

Notes 78 References 80

Local Government Organization and Finance: France 83

by Remy Prud'homme
Jurisdictions 83
Economic Weight 85
Governance 87

Local Government Expenditure Responsibilities 89
Local Government Own-Source Taxes and Charges 93
Central Local Fiscal Transfers 100

Central-Local Fiscal Transfers 100
Local Government Borrowing 106
Local Government Administration 110

Conclusion 111 Notes 114 References 115

Local Government Organization and Finance: Germany 117

by Jan Werner

Historical Development 119

Financial Situation of the Local Administrative Bodies: Problems and Reform Proposals Presented So Far 122

| Local Financial Equalization between the Federal States and |
|---|
| Municipalities 135 |
| Illustration: The Equalization System in Hesse 135 |
| Local Government Borrowing 138 |
| Local Government Administration 141 |
| Local Tax Administration 141 |
| Conclusion and Policy Implications 142 |
| Notes 144 |
| References 146 |
| Local Government Organization and Finance: |
| Japan 149 |
| by Nobuki Mochida |
| An Overview of Japan's Local Government 150 |
| Expenditure Responsibilities 152 |
| Tax Assignment between Central and Local Governments 155 |
| Specific-Purpose Grants 165 |
| Fiscal Equalization System 169 |
| Local Bond and Borrowing 179 |
| References 187 |
| |
| Local Government Organization and Finance: |
| New Zealand 189 |
| by Brian Dollery |
| Overview of the Current Local Government System 189 |
| Local Government Expenditure Responsibilities 194 |
| Local Government Own-Source Taxes and Charges 196 |
| Shared Taxes 198 |
| Intergovernmental Fiscal Transfers 199 |
| Local Government Borrowing 200 |
| Local Government Administration 201 |
| Overall Assessment of Local Government Finances 202 |
| Lessons for Developing Countries 209 |
| Notes 221 |
| References 221 |

B Local Government Organization and Finance: Nordic Countries 223

by Jorgen Lotz

Legal and Organizational Frameworks: The Development

of Nordic Decentralization 226

Size and Structure of Local Governments: Amalgamations and the

Alternatives 230

Decentralizing Expenditure 234

Decentralizing Revenues 235

Borrowing 243

The Role of General, Specific, and Discretionary Grants 245

Horizontal Imbalances and Equalization 249

The Calculation of Expenditure Needs 252

Summary and Conclusions 255

Notes 259

References 261

B

Local Government Organization and Finance: United Kingdom 265

by David King

The Component Countries of the United Kingdom 265

A Comment on Recent Reforms 266

An Overview of the Current Local Government System 267

Local Government Expenditure Responsibilities 281

Local Government Own-Source Taxes and Charges 285

Intergovernmental Fiscal Transfers 291

Local Government Borrowing and Other Capital Revenues 303

Local Government Administration 306

An Overall Assessment 306

Lessons for Developing Countries 309

Notes 311

References 311

B

Local Government Organization and Finance: United States 313

by Larry Schroeder

Organization of Subnational Governments

| Services and Expenditures of Subnational Governments | 322 |
|--|-----|
| Own-Source Revenues of Subnational Governments | 330 |

Shared Taxes 342

Intergovernmental Transfers 344

Borrowing by Subnational Governments 348

Administration of Subnational Governments 350

Accountability of Local Governments 351

Lessons for Developing Countries 354

Notes 355

References 357

Index 359