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*Local and Regional Democracy*

**Report on member states' practices for the funding of new competences for local authorities**



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funding of new competences for local  
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by

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## **REPORT ON MEMBER STATES' PRACTICES FOR THE FUNDING OF NEW COMPETENCES FOR LOCAL AUTHORITIES**

### **1. Background for the study**

The pilot study<sup>1</sup> on the conformity of member states' policy and practice with the Council of Europe acquis found evidence of an increasing use of earmarked grants among member countries. This was found not to be in conformity with Article 9 paragraph 7 of the European Charter of Local Self-Government (hereinafter referred to as: the Charter) according to which *"as far as possible, grants to local authorities shall not be earmarked for the financing of specific projects. The provision of grants shall not remove the basic freedom of local authorities to exercise policy discretion within their own jurisdiction"*.

Some member States explained that the use of earmarked grants was necessary for them in order to compensate local authorities for their costs of complying with legislation on new competences for local authorities. Thus this study was initiated in December 2007 to clarify the importance of this problem.

The present study also illustrates the conformity with par. 9.6 of the Charter that holds that *"local authorities shall be consulted, in an appropriate manner, on the way in which redistributed resources are to be allocated to them"*, as well as article 9.2 that *"local authorities financial resources shall be commensurate with the responsibilities provided for by the constitution and the law."*

### **2. Purpose and scope of the study**

The purpose of the study is to obtain a better understanding of the use of earmarked grants in member States and in particular to see whether the funding of new functions for local authorities in the context of decentralisation requires the use of earmarked grants.

The study also made it possible to report more broadly on member states' practices for the funding of new competences for local authorities in conformity with art 9.2 of the Charter.

It is based on a questionnaire with simple questions requiring member countries to tick the relevant box from amongst three proposed answers to each question. Members have expressed satisfaction with this kind of simple questionnaire and the result was that many - twenty-three - completed it (see appendix I for the full questionnaire and the answers from each member state). Many answers have been supplemented with useful explanatory notes. The answers to the original questionnaire raised new questions and were followed up with a supplementary questionnaire with two simple questions addressed to the 17 member States which had replied that they use earmarked grants for funding local governments. This additional questionnaire was completed by 13 members (see appendix II).

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<sup>1</sup> Pilot study concerning the degree of conformity of member states' policy and practice with Council of Europe standards for local finances, 2009.

The study is about funding of new competences for sub-national governments and this concerns in most cases "local government". In some answers the middle tier were mentioned specifically: *Croatia* includes counties, cities and municipalities, *Denmark* regions and municipalities, *Latvia* city, county and parish local governments, *Poland* gminas and poviats, *Sweden* counties and municipalities, and in *Serbia* the compensations relate to autonomous provinces as well as to local self-government units.

The answers are mostly from unitary countries, but also the three regions of Belgium have reported individually: *Region Brussels* compensates for mandates to "territoires locaux" and in certain cases to "collectivités territoriales régionales", the *Flemish and the Walloon Region* compensate provinces and communities.

As an introductory observation it should be emphasised that the answers are those by the central authorities. Local authorities may have other points of view.

### 3. Do member countries fund new local competences?

Most countries live up to the art. 9.2 of the Charter in the sense that they have a policy of compensation of local authorities for the local costs caused by new legislation on competences for local governments. Fifteen countries nearly always compensate, six do it most often, and only two countries – Poland and Spain - report most often not to compensate (see *table 1*).

<b>Table 1.</b> Does the centre fund local authorities' new competences with increases in grants? (Annex table A2).	Nearly always	Most often	Most often not
Number of countries	15	6	2

#### 3.1 What is "compensation"?

The first issue to discuss is what is meant by "funding" or "compensation"? Compensation, it appears from the survey, may take other forms than just increasing a grant.

The Walloon region of Belgium has in some cases of transferring functions between levels of government compensated with transfers of the staff working on the functions concerned. In another case they have compensated by employing an advisor for local authorities (on environmental questions).

Other countries use “compensation” in the form of permissions for local authorities to raise *new taxes*. But to consider this solution as a form of compensation would appear to merit further discussion. Permission to raise new local taxes to finance centrally mandated new functions places the political responsibility for the financing at local level. This goes against the objective of accountability, and local politicians may not accept this as compensation (unless the new taxes like in Norway are tax sharing revenues and not own taxes). The evaluation may not be much different in respect of proposals to compensate by permissions for local authorities to collect new local *user fees* (Sweden is an example).

### **3.2 What is being compensated for?**

Which new competences are funded by the centre? Some (few) countries exclusively compensate for costs imposed by *transfers of functions* between levels of government. This is the case in the *Brussels region* and *Croatia*.

Most countries compensate more broadly covering also for the costs imposed on local government by the introduction of *new functions* mandated by legislation. This broader coverage is practiced by, among others, the *Flemish region of Belgium*, *Denmark*, *Estonia*, *Finland*, *France*, *Latvia*, *Lithuania* and *Luxembourg*.

## **4. Why do countries compensate local authorities for costs of new mandates?**

### **4.1 Compensation is not a financial necessity**

According to the Charter, local authorities should have part at least of their resources derived from own taxes (art. 9.3)<sup>2</sup>. The fact that most governments have chosen to compensate for new mandates with grants appears to be at odds with this. The ratio of grants to own taxes is bound to increase over time and grants may in the long run, with increasing decentralisation, come to dominate local financing.

In most cases it seems that compensation is not necessary at all for local authorities to implement a new competence. Only 3 countries report that local authorities do not have the financial means to finance new functions without grants (*table 2*)<sup>3</sup>.

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<sup>2</sup> Art. 9.3 states that “part at least of the financial resources of local authorities shall derive from local taxes and charges of which, within the limits of statute, they have the power to determine the rate”.

<sup>3</sup> When reading *table 2* it should be kept in mind that it cannot be precluded that tax sharing receipts in some cases have been regarded as own tax sources.

<b>Table 2.</b> Do local authorities have possibilities to fund new competences through own taxation or other own sources of revenue if funding is not provided by the centre? (Annex table A1).	Yes	No	In some cases
Number of countries	13	4	6

In most cases it seems that local authorities could finance new functions by own means. Properly designed equalisation systems could insure that the burden would be distributed in an even and just way across all local authorities.

The following section seeks to analyse why this policy is rarely followed, and why compensation is the rule.

#### **4.2 Possible arguments in favour of compensation of local costs of new competences**

Why is it preferred, when new competences are created, to use grants from central government instead of relying on local tax increases?

One argument for financing by grants could be the desire for *accountability*. If new functions are designed by the centre and are mandatory for local authorities and if accountability is desired at all levels, it is desirable that the centre is politically responsible for the financing as well. There are even possibilities for better internal central government accountability if the burden of the compensation is borne by the ministry responsible for the new legislation as is the case in *Denmark, France, Latvia, Sweden* and in the *Flemish Region* of Belgium.

Another possible reason for the widespread use of compensation is that it *makes decentralisation of new functions easier*. Without financial compensation local authorities will oppose acceptance of new mandates. Such resistance against more decentralisation might prevent decentralisation of functions even where, according to the principle of subsidiarity, they ought to be administered at the local level.

In conclusion, the desire to foster accountability and to obtain local acceptance of new functions are two possible explanations why member countries prefer grants over local own taxation.

## 5. The type of grants

### 5.1 The choice between general or earmarked grants for compensation

It will be recalled that the reason why the CDLR wanted to look into this question was that some countries feel it necessary to use earmarked grants to compensate for new functions a policy that may not be in conformity with Article 9 paragraph 7 of the Charter. The question to address is why, when using grants, member countries prefer to use earmarked grants for compensation?

In theory, the grant-options available for governments are<sup>4</sup>:

- general grants;
- non-conditional earmarked grants (ring fencing);
- conditional (matching, co-financing) earmarked grants, or
- non-earmarked discretionary grants (often in support of local authorities in financial difficulties);
- earmarked discretionary grants (mostly earmarked for investment purposes).

*General grants* are freely available for local authorities to use the way they prefer. They are most often distributed to local authorities according to objective indicators like size and composition of the population, in many cases supplemented by some socio-economic indicators.

A problem using such grants for compensation for new mandate is that it may be difficult to find objective indicators that result in a distribution of grants exactly corresponding to the distribution of the costs of a new local mandate. Compensation by general grants will often leave some local authorities overcompensated and other without full compensation.

*Earmarking* grants does not help much in this respect. To earmark (ring fence) compensation for a new mandate may still result in imprecise distribution as the same difficulty of finding objective indicators exists. But earmarking may have the attraction for the centre that it is an instrument of control.

However, the *conditional (matching)* type of earmarked grants is better from the distribution point of view. Conditional grants, where the central government fully or in part (co-) finances the local spending, distributes by definition the funds to where the costs are. They may also be seen as an instrument of control and to offer incentives for the local authorities to supply the functions in accordance with the central expectations (when local spending is subject to refund from the centre there is actually a risk of incentives to spend more than needed).

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<sup>4</sup> See OECD Network on Fiscal relations Across Levels of Government: Working Paper No. 2 "Fiscal Autonomy of Sub-Central Governments" COM/CTPA/ECO/GOV/WP(2006)/2.



*Investment* grants – often for infrastructure or other investment purposes – direct the funds to where the costs arise. Often prior approval of projects is required. The Charter accepts that grants for infrastructure projects and other investment may be earmarked.

The conclusion is that the most effective distribution of compensation for new competences may be achieved through matching grants. But such arrangements may involve a risk of distorting local priorities and to encourage excessive local spending.

The following paragraph firstly seeks to ascertain to which extend member countries, as suggested by the pilot study, use earmarked grants for compensation. Secondly, it seeks to answer whether the use of earmarked compensation could be explained by the desire to get an exact distribution of the compensation through matching grants or grants for investment purposes.

## 5.2 Do the member States prefer to use earmarked grants?

The questionnaire attempted to establish to which extent member countries used matching earmarked grants for compensation and to see if some countries had been able to give compensation through general grants.

Only six of the countries covered by the survey (*table 3*) seem to follow a policy of compensation solely using general grants: *Denmark, Finland, France, Luxembourg, Spain* and the *UK* (for England).

<b>Table 3.</b> What kinds of grants are typically used to fund local authorities? (Annex table A6).	General grants	Earmarked grants	Mixture or other means
Number of countries	6	7	10

But most countries use earmarked grants always or in some cases. Some member countries supplied notes that permit some closer understanding of their policy.

**Box 1. The funding of new competences with earmarked and general grants, the case of Sweden.**

*Sweden* uses both general and earmarked grants though usually general grants are used. If a new competence is compulsory the compensation is in general grants. However, if a new competence is voluntary but the government wants to stimulate local government to deliver the new service, matching earmarked grants are used – but not to give 100 percent compensation. Most often such earmarked grants become general after a couple of years.

Example of *earmarked grant*:

- with a view to create clear incentives and to stimulate county councils to offer patients better health care SEK 1 billion per year will be put into a performance-linked health care guarantee, beginning in 2010. In a further proposal SEK 1 billion will be put into extending the 'healthcare billion' initiative to reduce waiting times for medical treatments.

Example of *general grants*:

- the government makes it compulsory to vaccinate children at the age of 3, 5 and 9 (pneumokock vaccination). County councils are compensated for the full costs of the vaccination over the general grants (and the formula for the distribution of the general grants presumably includes the number of children in the relevant age group.)

In some cases the notes stressed the need for control:

*Latvia* argues that the centre carries out some functions that are also local “in order to perform these functions in the best possible way the most suitable form of grants is earmarked grants”. *Portugal* finances local spending for education, health and social assistance by earmarked grants in order to secure a minimum of equal service to all citizens while other “non-social” compensations are general grants.

But in other cases the arguments seem more about ensuring that the desired distribution of compensation matches the distribution of the costs:

In the *UK*, general grants are the method normally used. But in exceptional circumstances, such as funding for pilots, earmarked (ring fenced) grants can be considered. But ring fencing would in any case in the UK be expected to be time-bound with a view to delivering future funding through general grants. In England matching grants are used only for education (“Playing for Success”).

In *Serbia* the earmarked grants are for infrastructure and are, it is argued, in conformity with the Charter.

### 5.3 What kind of earmarked grants are used for compensation?

Earmarked grants may be matching grants, or they may not be matching but rather take a form called ring fencing. Both kinds of earmarking may serve as instruments of central control. But – as noted above – the resulting distribution of the grants may be quite different, and matching grants are superior when it comes to a just distribution of the compensations.

It is, therefore, puzzling that the answers to the questionnaire seem to suggest that in most cases the earmarked grants used for compensation are not of the matching kind (*table 4*).

<b>Table 4.</b> Are earmarked grants used for the funding of new local competences matching (that is conditional earmarked) grants? (Annex table A11).	Nearly always matching	No, or rarely matching	Mixed
Number of countries	4	9	8

Why do some countries prefer to use earmarked grants that are not matching? Is it because a lack of trust in local authorities leads them to feel control through measures like ring fencing is needed? Or is it because the grants are for investment purposes where earmarking takes the form of prior approval of projects?

To clarify this question a supplementary questionnaire was mailed to the 17 countries who had answered that they always or sometimes used non-matching earmarked grants for compensation.

The (13) answers (*table 5*) to this questionnaire suggest that the earmarked grants used for compensation are often matching. But they are also in many cases for investment purposes. Both of these types of grants give a good correspondence between the distribution of grants and costs.

<b>Table 5.</b> What kind of earmarked grants do you use? (Annex table S1) (13 answers)	Matching grants (or grants with co-financing).	Investment grants for infrastructure or the like	Other types of earmarked grants
Total	11	12	4

#### **5.4 How is it possible for some countries to use general grants for compensation?**

The next question is how the six countries identified in table 3 have succeeded in using general grants in spite of the sometimes not very precise distribution of compensation to individual authorities who have to carry the costs.

One possible answer to his question could be that it depends on the design of the criteria for the general grants. It may be that if the compensating general grant is distributed according to objective criteria, some satisfactory approximation to the distribution of costs may be obtained by a careful selection of criteria.

*Finland*, as an example, answers that their criteria for the distribution of general grants are divided up for the separate functions so that compensations always follow the relevant criteria.

Another explanation of why some countries have managed to find acceptance of using general grants for compensation may be an open process of compensation and a dialogue with local authorities. These issues are discussed in chapter 6 of this report.

#### **5.5 Agent functions**

An issue touched upon in discussions in the LR-GR and the CDLR has been that some decentralised functions are "agent functions" i.e. that they leave no freedom for the local authorities in the performance of the functions. In such cases conditional grants seems to be a harmless and relevant form of compensation.

However, the answers (*see questions 9 and 10 in annex I*) suggest that agent functions are not commonly found.

### **6. Openness of the procedures, negotiation of compensations**

#### **6.1 Are there negotiations with local government?**

It is recalled that the Charter in article 9.6 holds that "*local authorities shall be consulted, in an appropriate manner, on the way in which redistributed resources are to be allocated to them*". The answers suggest that a large majority of member countries have consultations with local authorities on compensation for new competences<sup>5</sup>.

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<sup>5</sup> The CEMR recently produced a report on the consultations practices in European countries and found that only very few countries could be said not to enter into consultations with local governments. The report presented a number of proposals for more timely and what it considers more effective consultation procedures. See Council of European Municipalities and Regions (undated): Consultation procedures within European States.

In most countries there are legally binding rules requiring compensations to be paid for new competences (*table 6*). France has a constitutional requirement of compensations. Several other countries refer to commonly accepted procedures.

<b>Table 6.</b> Are there general rules (customs or legal requirements) for funding of new competences? (Annex table A3).	No fixed procedure	Commonly accepted procedure	Legal requirement
Number of countries	5	4	14

The size and the design of the compensation is most often subject to negotiations with local government associations (*table 7*). However, three countries report that normally no such negotiations take place: Brussels Region (Belgium), Serbia and Spain.

<b>Table 7.</b> Is the type and size of the funding discussed with the (associations of) local authorities? (Annex table A4).	Always	Usually	Usually not
Number of countries	13	7	3

Among the 20 countries where negotiations are always or usually the rule, negotiations typically result in some agreement (*table 8*) even if, as in Luxembourg the decisions remain the prerogative of the centre.

<b>Table 8.</b> If yes in question 4, does it result in agreement with (associations of) local authorities? (Annex table A5).	Always	Usually	Usually not
Number of countries	3	17	-

## 6.2 Organisational framework for negotiations – a European model?

There seem to be some common features that may be called a European model for negotiated compensations. In nearly all cases a permanent body is created for discussions between the government and local government associations. Some member countries have supplied notes explaining more details of their systems of negotiations:

In the *Flemish Region* of Belgium (compensating with a mixture of general and earmarked grants) the government is obliged to consult the Flemish Advisory Board (FAB) on all new legislation, also as concerns compensation. The FAB has 14 members that are appointed by the minister, 10 are experts and 4 are representatives from local government.

In *France* (compensating with general grants) compensations are controlled by a consultative commission composed of an equal number of elected members and administrative members, an agreement usually results.

In the *UK* (England) (compensating with general grants) cost estimates are discussed with Local Government Associations but there is no obligation to agree a final assessment with them.

In *Croatia* (compensating with earmarked grants) local government associations are members of a special task force in charge of preparing legislation relevant for local authorities.

*Latvia* (compensating with earmarked grants) reports on an extensive system of negotiations. The results are sent for comments by the relevant ministry to the Ministry of Justice and Ministry of Finance. If their comments so require, the ministry in question is obliged to strike another agreement with local authorities.

In *Finland* (general grants) all legislation that affects local finances is discussed with a co-operative body made up of representatives from ministries and the local government association.

In *Sweden* (mixture of earmarked and general grants) the relevant ministry is free to organise negotiations the way it deems best. There is no obligation to agree on the compensation. Usually there are one or two annual meetings between the government and the Local Government Association where these issues may be brought up.

The *Danish* system (general grants) of negotiations begins with bilateral negotiations between the ministry in question and the local government association. If they fail to agree the Ministry of Finance is called in. If they still fail the compensation will be settled in the annual agreements made each summer on the local economy for the following year. The Danish permanent body is called the Financial Committee and is made up of a group of civil servants chaired by the Ministry of Interior with participation of the Ministry of Finance and the local government association plus, depending on the issue, other ministries.

## Annex I

## The questionnaire and the answers country by country

<b>Question 1. Do local authorities have possibilities to fund new competences through own taxation or other own sources of revenue if funding is not provided by the centre?</b>	<b>Yes</b>	<b>No</b>	<b>In some cases</b>
Belgium, Bruxelles-Capitale Region	x		
Belgium, Flemish Region	x		
Belgium, Walloon Region	x		
Croatia	x		
Denmark	x		
Estonia		x	
Finland	x		
France			x
Greece			x
Hungary	x		
Iceland			x
Latvia			x
Lithuania	x		
Luxembourg	x		
Malta		x	
Netherlands		x	
Poland		x	
Portugal			x
Romania			x
Serbia	x		
Spain	x		
Sweden	x		
UK (England)	x		
<b>Total number</b>	<b>13</b>	<b>4</b>	<b>6</b>

<b>Question 2. Does the centre fund local authorities' new competences with increases in grants?</b>	<b>Nearly always</b>	<b>Most often</b>	<b>Most often not</b>
Belgium, Bruxelles-Capitale Region		x	
Belgium, Flemish Region		x	
Belgium, Walloon Region	x		
Croatia		x	
Denmark	x		
Estonia		x	
Finland	x		
France	x		
Greece	x		
Hungary	x		
Iceland	x		
Latvia		x	
Lithuania	x		
Luxembourg	x		
Malta	x		
Netherlands		x	
Poland			x
Portugal	x		
Romania	x		
Serbia	x		
Spain			(x)
Sweden	x		
UK (England)	x		
<b>Total number</b>	15	6	2



<b>Question 3. Are there general rules (customs or legal requirements) for funding of new competences?</b>	<b>No fixed procedure</b>	<b>Commonly accepted procedure</b>	<b>Legal requirement</b>
Belgium, Bruxelles-Capitale Region			x
Belgium, Flemish Region	x		
Belgium, Walloon Region	x		
Croatia			x
Denmark		x	
Estonia		x	
Finland		x	
France			x
Greece			x
Hungary			x
Iceland	x		
Latvia			x
Lithuania			x
Luxembourg	x		
Malta			x
Netherlands			x
Poland			x
Portugal			x
Romania			x
Serbia			x
Spain			x
Sweden		x	
UK (England)	x		
<b>Total number</b>	<b>5</b>	<b>4</b>	<b>14</b>

<b>Question 4. Is the type and size of the funding discussed with the (associations of) local authorities?</b>	<b>Always</b>	<b>Usually</b>	<b>Usually not</b>
Belgium, Bruxelles-Capitale Region			x
Belgium, Flemish Region	x		
Belgium, Walloon Region	x		
Croatia	x		
Denmark	x		
Estonia	x		
Finland	x		
France	x		
Greece		x	
Hungary	x		
Iceland		x	
Latvia		x	
Lithuania		x	
Luxembourg		x	
Malta		x	
Netherlands	x		
Poland	x		
Portugal	x		
Romania	x		
Serbia			x
Spain			x
Sweden		x	
UK (England)	x		
<b>Total number</b>	<b>13</b>	<b>7</b>	<b>3</b>

<b>Question 5. If yes in question 4, does it result in agreement with (associations of) local authorities?</b>	<b>Always</b>	<b>Usually</b>	<b>Usually not</b>
Belgium, Bruxelles-Capitale Region	-	-	-
Belgium, Flemish Region		x	
Belgium, Walloon Region		x	
Croatia		x	
Denmark	x		
Estonia		x	
Finland	x		
France		x	
Greece		x	
Hungary		x	
Iceland		x	
Latvia		x	
Lithuania		x	
Luxembourg		x	
Malta		x	
Netherlands		(x)	
Poland	x		
Portugal		x	
Romania		x	
Serbia	-	-	-
Spain	-	-	-
Sweden		x	
UK (England)	?	?	?
<b>Total number</b>	<b>3</b>	<b>17</b>	<b>-</b>

<b>Question 6. What kinds of grants are typically used to fund local authorities?</b>	<b>General grants</b>	<b>Earmarked grants</b>	<b>Mixture or other means</b>
Belgium, Bruxelles-Capitale Region			x
Belgium, Flemish Region			x
Belgium, Walloon Region			x
Croatia		x	
Denmark	x		
Estonia			x
Finland	x		
France	x		
Greece			x
Hungary			x
Iceland			x
Latvia		x	
Lithuania		x	
Luxembourg	x		
Malta		x	
Netherlands			x
Poland		x	
Portugal			x
Romania		x	
Serbia		x	
Spain	x	?	
Sweden			x
UK (England)	x		
<b>Total number</b>	<b>6</b>	<b>7</b>	<b>10</b>

<b>Question 7. Does the distribution of funding follow the normal criteria for the distribution of the general grants?</b>	<b>Yes</b>	<b>No</b>	<b>Sometimes</b>
Belgium, Bruxelles-Capitale Region <b>both</b>	x		
Belgium, Flemish Region <b>both</b>	x		
Belgium, Walloon Region <b>both</b>		x	
Croatia <b>earmarked grants</b>	-	-	-
Denmark <b>general grants</b>	x		
Estonia <b>both</b>	x		
Finland <b>general grants</b>	x		
France <b>general grants</b>	x		
Greece <b>both</b>	x		
Hungary <b>both</b>	x		
Iceland <b>both</b>	x		
Latvia <b>earmarked grants</b>	-	-	-
Lithuania <b>earmarked grants</b>	-	-	-
Luxembourg <b>general grants</b>	x		
Malta <b>earmarked grants</b>		x	
Netherlands <b>both</b>		(x)	
Poland <b>earmarked grants</b>	-	-	-
Portugal <b>both</b>	x		
Romania <b>earmarked grants</b>	x		
Serbia <b>earmarked grants</b>	-	-	-
Spain <b>general grants</b>	x		
Sweden <b>both</b>	x		
UK (England) <b>general grants</b>	x		
<b>Total number</b>	15	3	0

<b>Question 8. Is the compensation permanent or limited to a number of years? general grants</b>	<b>Permanent</b>	<b>Limited</b>	<b>Permanent but changes form</b>
Belgium, Bruxelles-Capitale Region <b>both</b>			x
Belgium, Flemish Region <b>both</b>	x		
Belgium, Walloon Region <b>both</b>	x	x	
Croatia <b>earmarked grants</b>	-	-	-
Denmark <b>general grants</b>	x		
Estonia <b>both</b>			x
Finland, <b>general grants</b>	x		
France <b>general grants</b>	x		
Greece <b>both</b>			x
Hungary <b>both</b>	x		
Iceland <b>both</b>			x
Latvia <b>earmarked grants</b>	-	-	-
Lithuania <b>earmarked grants</b>	-	-	-
Luxembourg <b>general grants</b>	x		
Malta <b>earmarked grants</b>	x		
Netherlands <b>both</b>	(x)	(x)	
Poland <b>earmarked grants</b>	-	-	-
Portugal <b>both</b>			x
Romania <b>earmarked grants</b>	x		
Serbia <b>earmarked grants</b>	-	-	-
Spain <b>general grants</b>			x
Sweden <b>both</b>	x		
UK (England) <b>general grants</b>	x		
<b>Total number</b>	12	2	6

<b>Question 9. Consider the (hypothetical) case of a new competence described by the law in all details so that no local discretion is possible: a so-called agent-function. Would the funding also in this case be by general grants?</b>	<b>Yes</b>	<b>No</b>	<b>Do not know</b>
Belgium, Bruxelles-Capitale Region <b>both</b>			(perhaps)
Belgium, Flemish Region <b>both</b>			x
Belgium, Walloon Region <b>both</b>			x
Croatia <b>earmarked grants</b>	-	-	-
Denmark <b>general grants</b>	(x)		
Estonia <b>both</b>			x
Finland, <b>general grants</b>	x		
France <b>general grants</b>			x
Greece <b>both</b>			x
Hungary <b>both</b>		x	
Iceland <b>both</b>			x
Latvia <b>earmarked grants</b>	-	-	-
Lithuania, <b>earmarked grants</b>	-	-	-
Luxembourg <b>general grants</b>	x		
Malta <b>earmarked grants</b>			
Netherlands <b>both</b>		x	
Poland <b>earmarked grants</b>	-	-	-
Portugal <b>both</b>			x
Romania <b>earmarked grants</b>		x	
Serbia <b>earmarked grants</b>	-	-	-
Spain <b>general grants</b>		x	
Sweden <b>both</b>	x		
UK (England) <b>general grants</b>	x		
<b>Total number</b>	5	4	8

<b>Question 10. Do you have local functions of the kind described in question 9?</b>	<b>Yes</b>	<b>No</b>	<b>Do not know</b>
Belgium, Bruxelles-Capitale Region <b>both</b>	x		
Belgium, Flemish Region <b>both</b>	x		
Belgium, Walloon Region <b>both</b>			x
Croatia <b>earmarked grants</b>	-	-	-
Denmark <b>general grants</b>	x		
Estonia <b>both</b>			x
Finland <b>general grants</b>	x		
France <b>general grants</b>		x	
Greece <b>both</b>			x
Hungary <b>both</b>	x		
Iceland <b>both</b>			x
Latvia <b>earmarked grants</b>	-	-	-
Lithuania, <b>earmarked grants</b>	-	-	-
Luxembourg <b>general grants</b>	x		
Malta <b>earmarked grants</b>			x
Netherlands <b>both</b>		x	
Poland <b>earmarked grants</b>	-	-	-
Portugal <b>both</b>		x	
Romania <b>earmarked grants</b>		x	
Serbia <b>earmarked grants</b>	-	-	-
Spain <b>general grants</b>		x	
Sweden <b>both</b>	x		
UK (England) <b>general grants</b>	x		
<b>Total number</b>	8	5	5



<b>Question 11. Are earmarked grants used for the funding of new local competences <i>matching</i> (that is conditional earmarked) grants?</b>	<b>Nearly always</b>	<b>No, or rarely</b>	<b>Mixed</b>
Belgium, Bruxelles-Capitale Region <b>both</b>		X	
Belgium, Flemish Region <b>both</b>			X
Belgium, Walloon Region <b>both</b>	X		
Croatia <b>earmarked grants</b>		X	
Denmark <b>general grants</b>	-	-	-
Estonia <b>both</b>		X	
Finland <b>general grants</b>		X	
France <b>general grants</b>			
Greece <b>both</b>	X		
Hungary <b>both</b>			X
Iceland <b>both</b>			X
Latvia <b>earmarked grants</b>		X	
Lithuania, <b>earmarked grants</b>		X	
Luxembourg <b>general grants</b>		X	
Malta <b>earmarked grants</b>	X		
Netherlands <b>both</b>		X	
Poland <b>earmarked grants</b>	X		
Portugal <b>both</b>			X
Romania <b>earmarked grants</b>	?		
Serbia <b>earmarked grants</b>		X	
Spain <b>general grants</b>			?
Sweden <b>both</b>			X
UK (England) <b>general grants</b>			?
<b>Total number</b>	4	9	8

<b>Question 12. Is the funding with earmarked grants permanent or limited to a number of years?</b>	<b>Permanent</b>	<b>Limited</b>	<b>Permanent but changes form</b>
Belgium, Bruxelles-Capitale Region <b>both</b>			X
Belgium, Flemish Region <b>both</b>	X		
Belgium, Walloon Region <b>both</b>	X	X	
Croatia <b>earmarked grants</b>	X		
Denmark <b>general grants</b>	-	-	-
Estonia <b>both</b>			X
Finland <b>general grants</b>			
France <b>both</b>			
Greece <b>both</b>			X
Hungary <b>both</b>	X		
Iceland <b>both</b>			X
Latvia <b>earmarked grants</b>		X	
Lithuania <b>earmarked grants</b>	X		
Luxembourg <b>general grants</b>			
Malta <b>earmarked grants</b>	X		
Netherlands <b>both</b>	X		
Poland <b>earmarked grants</b>	X		
Portugal <b>both</b>			X
Romania <b>earmarked grants</b>		?	
Serbia <b>earmarked grants</b>		X	
Spain <b>general grants</b>	-	-	-
Sweden <b>both</b>	X		
UK (England) <b>general grants</b>	?		
<b>Total number</b>	9	3	5

**Annex II**  
**The supplementary questionnaire and the answers country by country**

<b>Question S1: What kind of earmarked grants do you use? (11 answers)</b>	<b>Matching grants (or grants with co-financing)</b>	<b>Investment grants for infrastructure or the like</b>	<b>Other types of earmarked grants</b>
Belgium, Wallonn Region	x	x	
Belgium, Brussels	x	x	x
Estonia	x	x	x
Finland	x	x	
Iceland	x	x	
Latvia	x	x	
Lithuania		x	x
Luxembourg	x	x	
Malta	x	x	
Norway	x	x	
Romania	x	x	
Serbia		x	
UK	x		x
Total	11	12	4