

# Could The Little Mermaid survive in Dutch waters?

*A study of the pros and cons of copying the Danish  
administrative reform in the Netherlands*



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## Foreword

I spent the period from 4 to 30 September 2007 in Denmark, and I would first of all like to thank Dr Kristoffer Brix Bertelsen, head of the MPA programme at the Copenhagen Business School, and his team for making it a truly unforgettable experience. Without them I could never have interviewed so many interesting people and would have missed out on the conversations over lunch, which have given me a valuable insight into the Danish way of life, customs and language. Ah, the Danish language! Even though I managed to read it a little, the Danes pronounced it in such a way that the spoken word didn't seem to bear any relation to the written one, leaving me utterly bewildered. Unfortunately, four weeks was far too short a time to make any progress in understanding Danish, so I am thankful that they were all prepared to speak English at lunchtime while I was with them. *Mange tak!*

Professor Joachim Jens Hesse of the International Institute of Comparative Government and European Policy in Berlin helped to create clarity and structure in my Danish research findings. The discussions he led about the research conducted by Wim Bogaerts (Poland), Thijs Cuijpers (Germany), Bert Westland (the Czech Republic) and myself gave depth to all our findings. I found our sessions very inspiring and am grateful that he was able to fit us into his very busy schedule. I look back on our discussions about the differences and similarities between these countries and their political systems with great pleasure.

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# 1 Introduction

## Background

On 30 September 2007, the day I flew from Copenhagen to Berlin, the Danish newspaper *Politiken* ran a huge headline: *'Bendt Bendtsen går i offensive'*. In his speech at the annual conference of his Conservative Party, Bendt Bendtsen, the Minister for Economic Affairs, had once again taken the offensive against the Danish regions, whose main responsibility are the hospitals. *'Skab verdens bedste sundhedssystem, ikke om fem år, men nu (...)'* In other words: 'Create the best health care sector in the world, not in five years, but now!' Then he threatened: *'Ellers nedlæger vi jer og lader staten overtage sygehusene'* ('if not, we will close you (the regions) down and let the state take control of the hospitals').

His attack was part of a war on the regional government that the Conservatives have been waging for decades. They have always regarded the middle tier of government as something inefficient, wasteful and arrogant that had best be abolished. Nobody paid much attention to their views until the summer of 2002, when their criticism was taken up and eventually led to the appointment of the Commission on Administrative Structure. It was significant that Prime Minister Rasmussen began his opening speech for the Danish parliamentary year (on the first Tuesday of October) with the establishment of the Commission. This made it clear to all and sundry that, this time, things were serious and that Denmark was about to embark on an administrative reform programme. The new system came into force some four years later, on 1 January 2007. Under the new structure, the counties have been abolished and replaced by 5 regions; the number of local authorities has been reduced from 271 to 98; tasks have been redistributed; and the funding system has been overhauled completely.

## Formulation of the problem and the research questions

The Dutch have been debating their country's administrative system for decades, and a steady stream of government ministers, local councillors and other representatives of central government, the provinces and the local councils have visited Denmark to be informed about developments there. So many in fact, that the Dutch ambassador to Denmark, Gerard Kramer, has expressed his surprise at this huge interest.<sup>1</sup> In their reports on these visits, the authors are invariably eager to stress that copying the Danish model wholesale is obviously not an option,<sup>2</sup> but that much can be learned from it. The documents I have seen, however, fail to give any arguments or facts to support this view, which has prompted me to study why the Danish system, as it stands, should be unsuitable for the Netherlands, and what the Dutch may in fact learn from the Danes. During my visit to Denmark I have tried to find answers to the following two research questions: (1) How did the Danes succeed in carrying through this radical restructuring of their administrative system? and (2) What do the answers to the first question imply for a possible administrative reform in the Netherlands?

## Research method

So far, remarkably little has been written about the Danish reforms. The process evaluation is not yet complete, and the experts believe that it is too early to draw conclusions about the effects of the new system.<sup>3</sup> What we do have are the commission's documents, such as their official brief and a summary of their findings, in English, as well as some articles. In addition to studying these documents, I have interviewed ten people during my stay in Denmark,

among them some of the key figures in the reform process. The interviewees can be divided into four categories: commission members, politicians, stakeholders and scientists. The people I have interviewed from the first category were the Commission chairman, Johannes Due, in everyday life the CEO of Denmark's biggest private insurance company, and the head of Local Government Denmark, Peter Gorm Hansen, whom many believe to have played an influential role in the Commission. Professor Kjeld Møller Pedersen (Health Economics) of the University of South Denmark in Odense has given me a detailed explanation of the role of the regions in the health care system and of the flaws in the new method of funding. As an expert, he played an important role in formulating the final recommendations to the government. The second category consisted of politicians, such as the spokesman on local government for the Liberal Parliamentary Party, Erling Bonnesen, and the Conservative mayor of Hørsholm, Uffe Thorndal. The third category were stakeholders, the people on the ground directly affected by the reforms. For instance the acting town clerk of Bornholm, Rie Perry. The fourth and final group were the scientists, a political scientist and a programme manager from the University of Copenhagen (CBS). In this category I have also placed the Dutch ambassador to Denmark, Gerard Kramer, who was kind enough to explain the cultural differences between the Netherlands and Denmark to me.

It was remarkable how much time respondents were prepared to give me, two to three hours for an interview was no exception. The interviews have yielded a wealth of information, more than I can use in this report. The interesting material for which I cannot find a place here is to be included in an article about the Danish administrative reform co-authored with K. Peters and to be published in the spring of 2008.<sup>4</sup>

## 2 Context and agents of the Danish administrative reform

In this chapter I describe the political, legal, social and cultural context of the Danish administrative reform and the people that drove it.

### Political context

Denmark is a constitutional monarchy, headed by Queen Margaretha II. The head of state and the Parliament together constitute the legislature. The Danish parliament, the *Folketing*, has one chamber with 179 directly elected members. The country is being ruled by a Liberal-Conservative minority government, with the liberal Anders Fogh Rasmussen as Prime Minister. Until 2007 Denmark had three tiers of government: national, county (*amter*) and local. There were 14 counties, 271 local councils and one strong central government. While central government had been a feature of Danish life since the eighth century (the time of the Vikings), the counties lacked such a strong tradition.

The working of local government had long been a subject of debate within the Danish National Association of Local Councils (KL, *Kommunernes Landsforening*) and among mayors.<sup>5</sup> Many small local councils were unable to provide quality services to their citizens, which is hardly surprising when one considers that there were no fewer than 271 local authorities for a population of 5.5 million. The attacks on the counties had started in the 1980s, and every year during the silly season, the Conservative Party stoked up the fire again.

Four problems created the political will to set the reforms in motion.<sup>6</sup> The first was the unwanted increase in public spending caused by the existence of three tiers of government that all levied taxes. The second problem was lack of clarity about who was ultimately responsible for certain tasks: there were far too many ‘grey areas’. Thirdly, the 14 counties were not big enough to perform their primary task, the provision of high-quality hospital care.<sup>7</sup> The fourth and final problem was also one of size: the local authorities were far too small to carry out their own duties, let alone take over tasks from the counties. But the government wanted to do more than solve these problems; it wanted to create a new Denmark with a strong public sector that looked to the future and functioned as efficiently and as close to the citizen as possible.<sup>8</sup>

In all the interviews I conducted, there was a great deal of speculation about the real reasons for pushing through the reforms. Some believed that the Liberals and Conservatives – never the best of friends - wanted to present a show of unity, but words like ‘open window’, ‘cost control’ and ‘coincidence’ were also frequently mentioned.<sup>9</sup>

### Legal context

The Danish constitution was framed in 1849 and amended in 1953 to allow succession in the female line. Constitutional amendment is a long and difficult process: any constitutional amendment must be ratified by a newly elected parliament and subsequently submitted to the Danish people in a referendum. This is what Article 82 of the constitution has to say about the lower levels of government: ‘Local authorities shall manage their affairs independently, under state supervision.’ The middle tier of government is never even mentioned.

### Social and cultural context

The Danes are a level-headed people who dislike change or wild ideas and have a strong egalitarian tradition.<sup>10</sup> What binds them is pride in their country’s excellent social safety net.

They are law-abiding, and this shows in their decision-making, for once a political decision has been taken both advocates and opponents join in carrying it out.

### **Agents of reform**

A number of people and groups have been at the forefront of the reform, most notably the Prime Minister, Anders Fogh Rasmussen, the strong and charismatic leader of the Liberal Party,<sup>11</sup> and his fellow liberal Lars Løkke Rasmussen, the Health Secretary and Minister of the Interior. Other influential players were two members of the Commission on Administrative Structure, chairman Johannes Due and Peter Gorm Hansen (chairman of the *Kommunernes Landsforening*), and a representative of the Finance Ministry, Agnete Gersing.<sup>12</sup> I would also stress the important role played by the Social Democratic Party. Because the minority government depended (and still depends) on broad political support, the Social Democrats managed to force a compromise that enabled the counties to survive as regions.<sup>13</sup>

### 3 The new system: form and function

In this chapter I briefly sketch the reform process, its results and the resources used.

The reform process consisted of six stages:<sup>14</sup>

- Start of the process (October 2002)
- The Commission at work (October 2002-December 2003)
- Hearings, submission of the Bill and political negotiations (January 2004-June 2004)
- Lawmaking process (autumn of 2004)
- Local and regional elections (November 2005)
- Transitional year (2006)

A short explanation of each phase is given below:

#### *Start of the process (October 2002)*

To my mind, this was the most crucial step of all, because from the start the process was presented as irreversible. In reply to a question from parliament in May 2002, the Health Secretary and Minister of the Interior, Lars Løkke Rasmussen said that there would be no administrative reform and there was nothing in the pipeline. Barely five months later, the Prime Minister started his opening speech for the parliamentary year with the establishment of 'his' Commission and made it abundantly clear that he meant business and would brook no opposition.

#### *The Commission at work (October 2002-December 2003)*

The Commission was composed of twelve members: four civil servants from the national level, four from the county and local levels and four experts.<sup>15</sup> Johannes Due, CEO of a large private insurance firm, was chosen as chairman.<sup>16</sup> The political opposition responded with indignation and attempted to influence the process through its members, but at this point the Prime Minister again used his power and put his foot down. The Commission's brief was to study the pros and cons of alternative models for administering the public sector and to make recommendations for 'future-proof' changes.<sup>17</sup> Mr Due added that the Commission was explicitly briefed to include a two-tier model.<sup>18</sup> After fifteen months of preparation, the Commission published a report containing seven administrative models. During that period, there were informative meetings with ministers and representatives of parliament every two months. Communication at these meetings was mostly one way, with Mr Due keeping MP's up to date about the Commission's progress.<sup>19</sup>

#### *Hearings, submission of the Bill and political deliberations (January-June 2004)*

Because they were against experiments with the health care system, the Social Democrats also opposed the abolition of the counties. This proviso narrowed the options down to two models,<sup>20</sup> which differed in the scope of the responsibilities granted to the middle tier, the minimum population size of a local authority, the number of regions and their powers of taxation. The outcome was the creation of local authorities with a population of at least 20,000 and of five regions that had hospital care as their primary task and no powers of taxation. The regions were to depend on the national and local authorities for their funding (co-funding).<sup>21</sup>



### *Lawmaking process (late 2004- late 2005)*

There was no need for constitutional amendments as the proposed changes were in line with Article 82 of the constitution. Fifty ordinary laws were passed, primarily to regulate the new division of duties between the national, regional and local levels.<sup>22</sup>

### *Local and regional elections (November 2005)*

The local and regional elections were held on the same date. The newly elected councils set up 'integration committees' to prepare the mergers.

### *Transitional year (2006)*

The transitional period of one year was agreed to enable all parties to prepare for the changeover and solve any problems that might arise. Politically, the process went through rapidly, but the administrative changes required a great deal more time. At the end of the transitional year, on 1 January 2007, the new system officially came into force.

The reform process has resulted in:

- a new administrative map of Denmark (with 5 regions and 98 local authorities);
- a new division of duties between the tiers of government;
- a new system of funding.

In the new system, the local authority is the single point of contact for citizens seeking access to the public sector. Other characteristics are that all tasks are performed at only one level and that the entire system is contract managed.<sup>23</sup>

Although the local authorities were expected to cover the cost of the mergers out of their own budgets, they could keep any efficiency benefits they managed to generate. The entire operation involved the transfer of 150,000 public sector workers: 98,000 from the former counties to the five regions, 33,600 from the counties to local authorities and 14,600 from local authorities or counties to central government.<sup>24</sup>

## 4 How did the Danes succeed?

The Danes have managed to push through drastic changes to their administrative system in a fairly short space of time. How did they do it? This chapter is devoted to the factors that were critical to their success.

### *Critical success factor 1: politics*

From the start, Prime Minister Rasmussen has taken ownership of the process and been a strong and very visible force for change. He may be characterized as a ‘design politician’, a strategist working on the long-term future of the country. He spoke of ‘his Commission’, and his decisive action in October 2002 ensured that everyone knew he was in earnest. Mr Due stated that he (Due) had chaired another commission on the redivision of duties a few years earlier, but that its recommendations had never been acted upon. The then Prime Minister was invisible and everyone was free to think ‘that it would all blow over’.<sup>25</sup> The Commission’s composition, notably the fact that it contained no politicians, is also seen as a key success factor<sup>26</sup> as it prevented the process from bogging down, kept the focus firmly on the content and allowed maximum objectiveness in weighing pros and cons. The final political success factor was the creation of wide political support for administrative reform.

### *Critical success factor 2: the law*

Speed was possible because the Danish constitution does not mention the middle tier of government, so no lengthy constitutional amendments were needed.

### *Critical success factor 3: history*

Denmark has known some form of central government since the eighth century, and although the local authorities enjoy a large measure of autonomy, they are directly supervised by the state. The counties lacked such strong historical roots, making it relatively easy to get rid of them<sup>27</sup> - all the more so because even before 2007 their primary task was the provision of healthcare, and they had very few other responsibilities.

### *Critical success factor 4: attitude*

Another reason for the smooth progress of the reforms were the level-headed, law-abiding Danes themselves. Once the decision had been taken, advocates and opponents joined in carrying it out, and nobody wasted any time agonizing over whether it was a good one. As Professor Hesse very aptly put it: ‘They have a two-week fight, and then they have a beer.’<sup>28</sup>

### *Critical success factor 5: pilot project*

The reforms were pioneered by Bornholm, a Danish island off the Swedish coast with 40,000 inhabitants. As early as 2003, the six local authorities and one county on the island merged into the municipality of Bornholm, with a strongly decentralised administration. Prime Minister Rasmussen expressed great enthusiasm for this decentralised model during a visit to the island.<sup>29</sup> Bornholm’s reforms and their outcome were extensively analysed by the University of South Denmark, and the results of this analysis were used by the government, but also by organisations like KL, to estimate merger costs, draw up time lines and so on.<sup>30</sup> Bornholm made an excellent pilot project, because its results could easily be scaled up to Denmark as a whole. In the Prime Minister’s eyes, Bornholm was a success story.<sup>31</sup>

## 5 The applicability of the Danish model to the Dutch situation

The Dutch have shown a keen interest in the recent developments and reforms in Denmark, and understandably so, because the whole process has been very interesting and the model the Danes have opted for is, to my mind, well suited to the Danish situation. Fewer local authorities and a clearer division of responsibilities are an excellent result of what can generally be described as a successful reform process. The question that remains is: what can we learn from it?

To the Dutch, it is very tempting to look at Denmark as a slightly less densely populated version of the Netherlands. Replace the Dutch *sloten* (ditches) with fences and add a few rolling hills, and any Dutch traveller in Denmark might believe themselves to be at home. Both countries have plenty of water, and there are also some obvious similarities at the administrative level, such as a three-tier system of government and a Prime Minister who may (as in Britain) be free to call elections when he sees fit, but who otherwise has basically the same powers and responsibilities as his Dutch counterpart. The Dutch also resemble the Danes in the problems that they face, in their wish to adapt their local and regional governments to meet the needs of today and tomorrow. Nor is the Dutch public sector a stranger to ‘grey areas’ in its division of duties. But the two countries’ problems are not identical: the Danish reports never mention such very Dutch problems as ‘administrative tangle’ and grindingly slow execution, and the critical success factors that helped the Danes carry out their quick, centrally led operation are absent in the Netherlands. That should keep us from making easy assumptions about copying the Danish model. I will go into these differences using the Danish success factors.

### *Critical success factor 1: politics*

In the current political landscape, the chances are slim that Prime Minister Balkenende will take ownership of (and tie his political fate to) any administrative reform process. And although the Dutch have instituting state commissions down to a fine art, these usually have a chair and some members who are either active or former politicians. The existing power relations make it unlikely, in my view, that the government (not parliament) would set up any commission without inviting members from opposition parties.

### *Critical success factor 2: the law*

Provinces are enshrined in the Dutch constitution, and it would require a constitutional amendment to infringe on their (financial) autonomy.<sup>32</sup> Unlike the Danes, the Dutch have a bicameral parliament, with the Upper House elected indirectly by the provincial parliaments (*Provinciale Staten*).<sup>33</sup> This means that the Danish model would require far-reaching constitutional reform in the Netherlands, which would greatly slow down the process and might significantly reduce its chances of success.

### *Critical success factor 3: history*

Unlike the Danish counties, the Dutch provinces have very deep historical roots. They do in fact predate the modern state, which, when it was first formed, was known as ‘The United Provinces’. The position of provincial governor (*Commissaris van de Koningin*) is popular with retired politicians, and there is definitely a provincial lobby in party politics. Another difference with Denmark is that, although the Dutch provinces are not charged with hospital

care (the primary task of the old Danish counties), they do have far greater legal powers and responsibilities.

*Critical success factor 4: attitude*

The Dutch are less united and definitely less law-abiding than the Danes.<sup>34</sup> They are unlikely to accept such a top-down decision as easily as the Danes have done. More important is the Dutch inability to take a decision and stick with it. Decisions are endlessly revisited and reviewed and each decision tends to spark a new debate.

*Critical success factor 5: pilot project*

The Danes were lucky enough to have a manageable pilot project on an island off the Swedish coast, far away from the mainland but still on Danish soil. The politicians of Bornholm had themselves taken the initiative to merge all local authorities on the island into a single one of some size (40,000 people).<sup>35</sup> Although we cannot exclude something like this happening in the Netherlands, the redrawing of municipal boundaries tends to be an uphill battle that often involves some arm-twisting of the local authorities involved.

## **6 Conclusion**

The previous chapter has shown that we should not simply adopt the Danish model, nor allow ourselves to be blinded by the speed and ease with which the Danes have managed their administrative reforms. The Dutch lack the Danish success factors, so it is far from certain that the Danish fairy-tale would have a happy ending in the Netherlands. That is not to say we cannot learn from them if the Dutch system should ever start to evolve. Fewer local authorities and a clear-cut division of duties between the tiers of government are no less interesting solutions to our problems, and we have much to learn from their experiences: the strong leadership shown by the Prime Minister and how they depoliticized the state commission and created broad political support in advance.

## **Interviewees**

Mr Erling Bonnesen  
Spokesman on local government for the Liberal Parliamentary Party

Mr Kristoffer Brix Bertelsen  
Programme manager at the Copenhagen Business School (CBS)  
Former executive of a county (amter)

Mr Johannes Due  
CEO Sygeforsikringen Danmark  
Commission chairman 'Commission on Administrative Structure'

Mr Henning Hansen  
Town clerk, community of Ikast-Brande (40.000 inhabitants)

Mr Peter Gorm Hansen  
CEO KL, Kommunernes Landsforening

Mr Gunnar Dan Jensen  
Local director of education, community of Dragør (13.000 inhabitants)

Mr Gerard JHC Kramer  
The Dutch ambassador to Denmark

Mrs Dorthe Pedersen  
Political scientist, associate professor at the Copenhagen Business School (CBS)

Mr Kjeld Møller Pedersen  
Professor in Health Economics, University of South Denmark, Odense  
Commission chairman 'Commission on Health'

Mrs Rie Perry  
Acting town clerk, community of Bornholm (40.000 inhabitants)

Mr Uffe Thorndal  
Mayor of Hørsholm (40.000 inhabitants)

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## Notes

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<sup>1</sup> Interview with His Excellency GJHC Kramer, the Dutch ambassador to Denmark, conducted on 19 September 2007.

<sup>2</sup> Cf. 'De toekomst van het decentrale bestuur, het decentrale bestuur van de toekomst', an inquiry by the Minister of the Interior and Kingdom Relations, 25 October 2006, 3.

<sup>3</sup> Interview of 25 September 2007. Professor Pedersen stated that the first results would become clear in six months.

<sup>4</sup> Klaartje Peters, a freelance researcher and publicist, is the author of *Het opgeblazen bestuur* (Inflated Government), 2007.

<sup>5</sup> Interview with Peter Gorm Hansen, chairman of KL, 19 September 2007.

<sup>6</sup> Presentation by Johannes Due, 'The Danish Structural Reform', The Hague 12 October 2006.

<sup>7</sup> Professor Pederson confirmed this in our interview of 25 September 2007. 'For specialized service you need a bigger population.'

<sup>8</sup> Lars Løkke Rasmussen, Preamble, *Local Government Reform in Brief*, December 2005.

<sup>9</sup> Cf. the article 'Reform by coincidence? Explaining the policy process of structural reform in Denmark'. U. Bundgaard and K. Vrangbæk, 2007.

<sup>10</sup> Ambassador Kramer, 19 September 2007; Professor Hesse (16 October 2007); DJ Oldenburg, acting *chef de poste* at the Dutch embassy in Germany (9 October 2007).

<sup>11</sup> All interviewees actively mentioned him as the most influential person in the entire process.

<sup>12</sup> Unfortunately, Mrs Gersing did not wish to be interviewed.

<sup>13</sup> Peter Gorm Hansen, 19 September 2007.

<sup>14</sup> Based on the process stages as presented by Johannes Due, The Hague 12 October 2006.

<sup>15</sup> The collaboration with the experts was not an unqualified success. They wanted to conduct further studies and considered the scientific basis of many conclusions to be insufficient. Mr Due advised representatives of the Dutch Interior Ministry on a visit to Denmark (June 2006) against including experts in a commission, as the advice tends to become too theoretical and the report too thick (Dutch Interior Ministry report, June 2006 'Hoog Bestuurlijk Bezoek aan Denemarken').

<sup>16</sup> In the interview of 14 September 2007 Mr Due stated that he had volunteered himself.

<sup>17</sup> *Local Government Reform in Brief*, December 2005, 6.

<sup>18</sup> Interview with Johannes Due, 14 September 2007.

<sup>19</sup> Interview with Johannes Due, 14 September 2007.

<sup>20</sup> Model 1, 'more to the counties' and Model 2, 'less to the counties, direct election'. Presentation 'The Danish Structural Reform', Johannes Due, The Hague 12 October 2006.

<sup>21</sup> Many interviewees indicated that, during the process, far too little attention had been paid to the financial side of the reforms (no more than 1.5 pages in a 1,600 page report). Financial flaws in the model have effectively rendered the regions powerless by creating a middle tier with a strictly limited range of duties and without taxing powers. The regional administrators are bored, and in financial terms there is no balance between income and expenditure nor any incentive to keep costs down. The regions are forced to hold out a begging bowl, a highly undesirable situation. The second flaw is the system of co-funding, with local authorities co-funding the regions. This system has created a huge amount of paperwork as well as confusion among citizens.

<sup>22</sup> *Local Government Reform in Brief*, December 2005, 49.

<sup>23</sup> Interview with Dorthe Pedersen, 19 September 2007.

<sup>24</sup> Requested information received by e-mail from KL.

<sup>25</sup> Interview with Johannes Due, 14 September 2007.

<sup>26</sup> Interview with Johannes Due, 14 September 2007.

<sup>27</sup> Interview with ambassador Kramer, 19 September 2007.

<sup>28</sup> Meeting with Professor Hesse, 16 October 2007.

<sup>29</sup> Interview with Mrs Rie Perry, 26 September 2007, in which she stated that they had already abandoned this model because it proved impractical.

<sup>30</sup> *Local Government Reform in Brief*, December 2005, 10. Interview with Mrs Rie Perry, 26 September 2007.

<sup>31</sup> Interview with Mrs Rie Perry, 26 September 2007.

<sup>32</sup> Dutch constitution, Articles 123-133.

<sup>33</sup> Dutch constitution, Article 55.

<sup>34</sup> Ambassador Kramer, 19 September 2007; Professor Hesse (16 October 2007); DJ Oldenburg, acting *chef de poste* at the Dutch embassy in Germany (9 October 2007).

<sup>35</sup> Interview with Mrs Rie Perry, 26 September 2007.