

Annex 10 i to SeGI Scientific Report

Case Study Report | Norway (Finnmark)

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1. Introduction

The Kingdom of Norway is the Northernmost state of Europe. Norway is not a member of the EU, but is affiliated through the EEA treaty. This implies that many (most) EU rules and regulations are adapted here, although we don't have the full membership. We could mention that the polls show that between 2/3 and 3/4 of Norwegians are against full EU membership, and there is also an increasing opposition towards the EEA treaty. Norway is a part of Schengen.

1.1. Description of Norway

The structure of government is divided into three tiers; central, regional (county level) and local (municipal) governments. Political representation for all three tiers is elected directly. In total, there are 19 counties and around 430 municipalities in Norway. The number of inhabitants in the municipalities varies from a couple of hundred to 600,000, and the areas vary as well. This makes the municipalities very different, but we still have a principle of "generalist municipalities" (meaning they are all expected to provide "similar" services for their inhabitants, irrespective of their sizes). There is a division of labour among the three tiers of government.

- The local level (municipality level) is responsible for producing local welfare services directed at the population, and for local (land use) planning.
- The intermediate or regional (county) level is responsible for regional development, parts of public transportation, some roads, secondary education and has coordinative responsibilities. This level is *independent* of the local (and central) level of government (in the sense that each county has its own elected "parliament").
- The central level (state level) has, of course, legislative power, and the overall responsibility for national policies influencing all tiers of government (including rules and regulations defining the other two's responsibilities and the contents of the services they are obliged to produce). In addition, the central level is responsible for national welfare services and certain individual services.

The division of labour between the tiers of government is based on some principles – the subsidiarity principle is one of them (the lowest "efficient" tier of government is responsible for the service). This also gives democratic control of the services at the local and regional level, which complements the national rules and regulations associated with producing each service.

Government, and the production of services, is financed mainly through taxes. The tax level in Norway is around the EU 25 and 27 average, but lower than the EU 16 average (if we look at the "implicit tax rate on employed labour"). This means that the tax burden is relatively low, if we for instance compare to Sweden or Finland, and about the same as in Denmark. Looking at the level of public expenditure as a share of GDP, Norway's level is considerably lower than the EU average (45 vs 50 per cent), perhaps mainly due to a high GDP level. Denmark, Sweden and Finland (together with France) are among the four nations with the highest proportion of public spending to GDP in the EU.

On the local and regional level, production of services is financed via local and regional taxes on income (and property), and via transfers from the national government. The national transfers are, again, financed via taxes (national taxes are mostly of an indirect nature, while income taxes on the

national level are moderate). Transfers to local and regional governments can be split into general and earmarked transfers. The earmarked transfers are meant for supporting the production of certain (important) local and regional services. Local and regional taxes, together with the general transfers, constitute the local and regional governments' so called "free income". The free income can be spent on what the local and regional governments like, given that they provide all services they are obliged to by law, and given that each service is provide at a nationally defined minimum quantity and quality (according to national rules and regulations). Local and regional taxes constitute around 45 per cent of the free income, which means that the national government in a sense re-distributes 55 per cent of free income. The higher the share of taxes, the less re-distribution, and the greater difference between the income levels of individual counties and municipalities (thus the greater is the difference between the provision of services). Since the tax rate on the regional and local level is (more or less¹) fixed, there is no "tax competition"² between the different local and regional governments.

Seemingly, this system of financing gives the local and regional governments many degrees of freedom in the sense that they are free to produce the services they want and thus prioritise between different services. However, national standards, rules and regulations impose many restrictions on the production of services. These restrictions imply costs for the local and regional governments. Many of them, therefore, experience financial problems even if they restrict their provision of services to the minimum quantity and quality according to the national regulations (which again might lead to a democratic "deficit" on the local and regional level). Therefore, the system of governance in Norway is probably more centralised in practice than a mere description of the system should suggest. This is, however, a big discussion which we might elaborate on later.

¹ So called "energy municipalities" (the municipalities with hydro power plants) are exceptions from this rule. They use property taxes on these plants to increase their income levels.

² Of course, the tax base (personal incomes) and thus the levels of income for local and regional governments vary, but not the tax rate as such. In addition, not all municipalities have property taxes.

1.2. The case study: Finnmark

Finnmark is the northernmost and easternmost county of Norway. It has borders with Finland and Russia to the east and south, and its closest neighbours in the north are Spitsbergen and the North Pole. Finnmark consists of both inland and coastal communities, with deep fjords and an inland “plateau” (Finnmarksvidda). The map below shows the county of Finnmark and its municipalities.

Case Study Finnmark



Finnmark has an area of 48,617 km² (including freshwater area). This is about 15 per cent of the total area of Norway, and at the same time around 7,000 km² larger than Holland. The Finnmark population is about 1.5 per cent of the Norwegian population. All together, in excess of 72,000 people lives in Finnmark, giving a population density of 1.5 inhabitants per km². By comparison, the population density of Norway is 15, and of Holland 400, inhabitants per km². This implies that Finnmark is sparsely populated, although many of its inhabitants live in small communities and towns. To put it in perspective, the total population of Finnmark would not be large enough to be called a city in many parts of Europe.

Case Study Finnmark

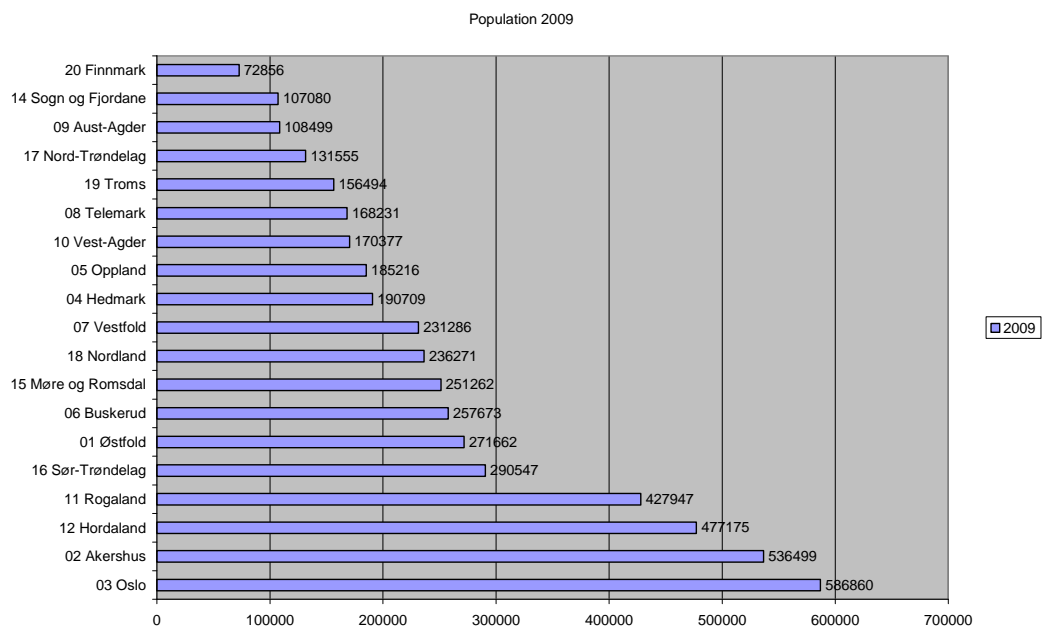
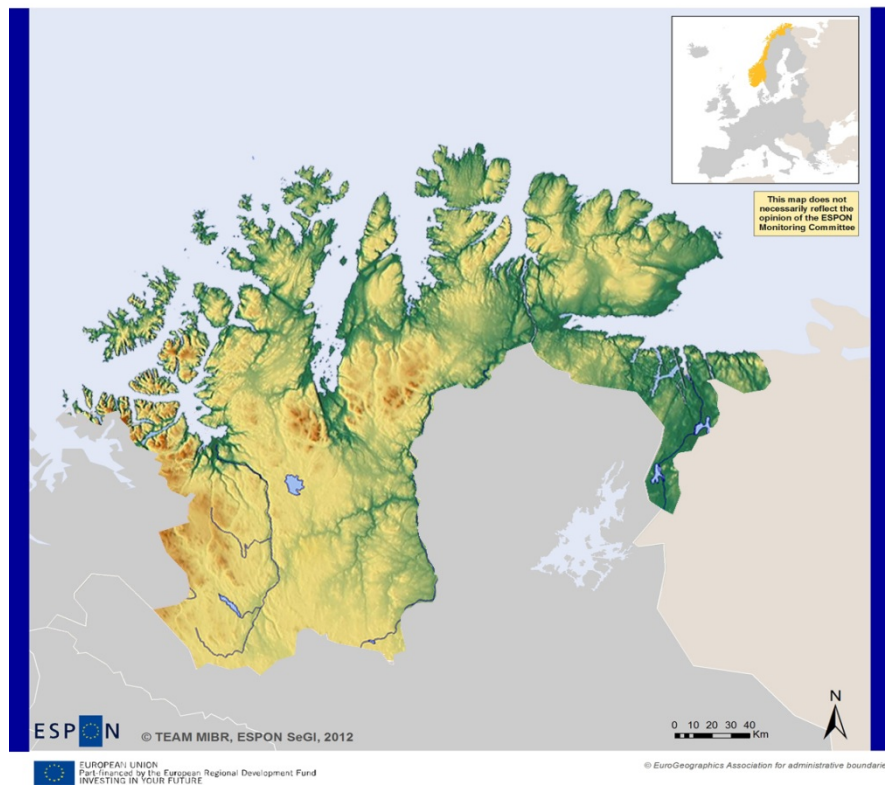


Fig. 1 Population of Norwegian regions in 2009

The figure above illustrates that Finnmark is the smallest of the Norwegian counties.

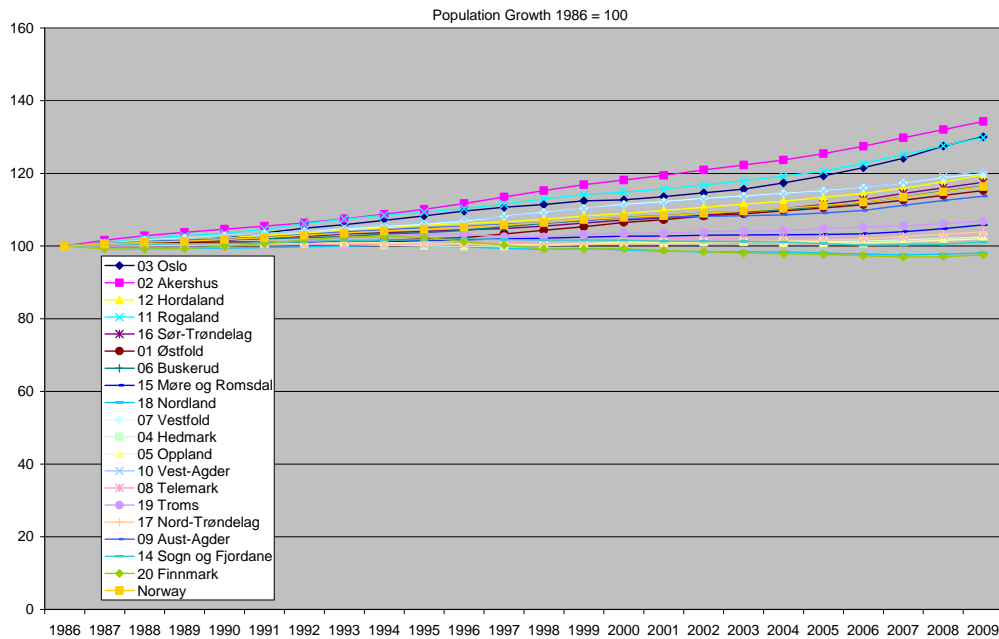


Fig. 2. Population growth in Norway (by regions) 1986-2009.

The figure above illustrates the population growth in Norwegian counties from 1986. We find that there has been a growth in all counties, except Finnmark and Sogn og Fjordane. However, the decline in these counties has been relatively marginal.

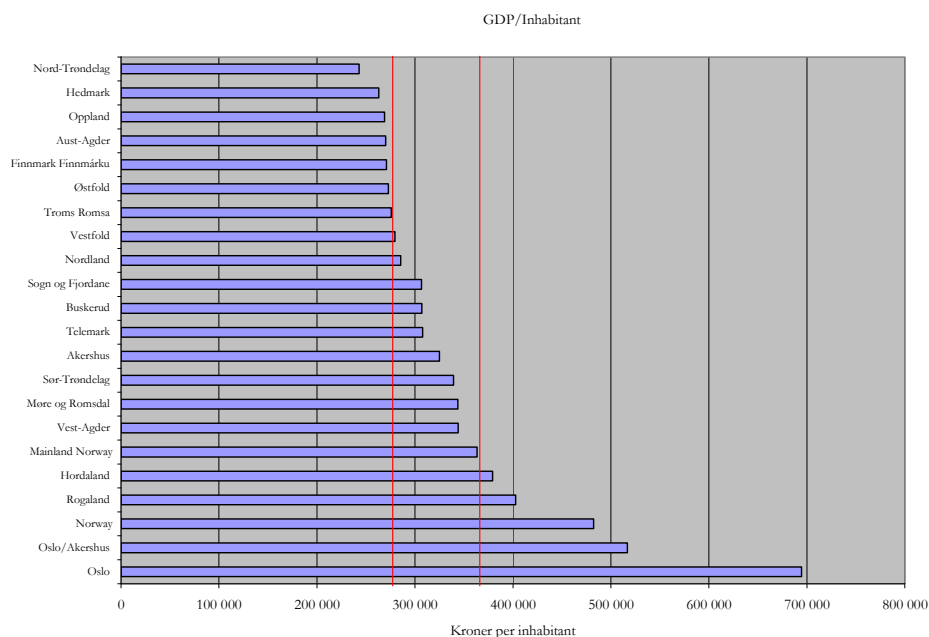


Fig. 3 GDP per capita by regions in Norway

The figure above illustrates the gdp/cap differences between Norwegian counties, based on Mainland Norway figures (the "Norway" figures include the oil production, which is not located to a county). Gdp/cap in Oslo is more than twice that of Finnmark, which is number five from the bottom and is well below the national average. The differences can be explained by economic structures and differences in productivity, but more important is probably the fact that there are many in-

commuters to Oslo (but if Oslo and the neighbouring county of Akershus are presented together, the differences are still large). Indicators like gdp/employed or personal income/person are probably better illustrations of the real income differences in Norway.

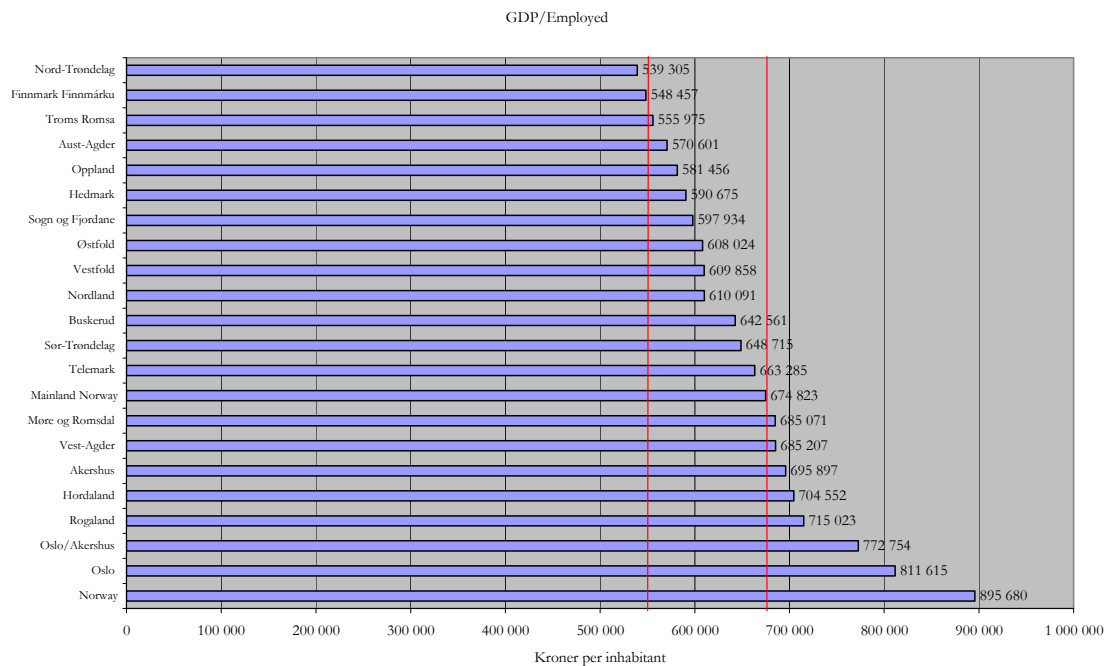


Fig. 4 GDP/employed population by regions in Norway

Looking at GDP/employed, the variations decrease. At the same time, Finnmark's rank falls from number five to number two (from the bottom).

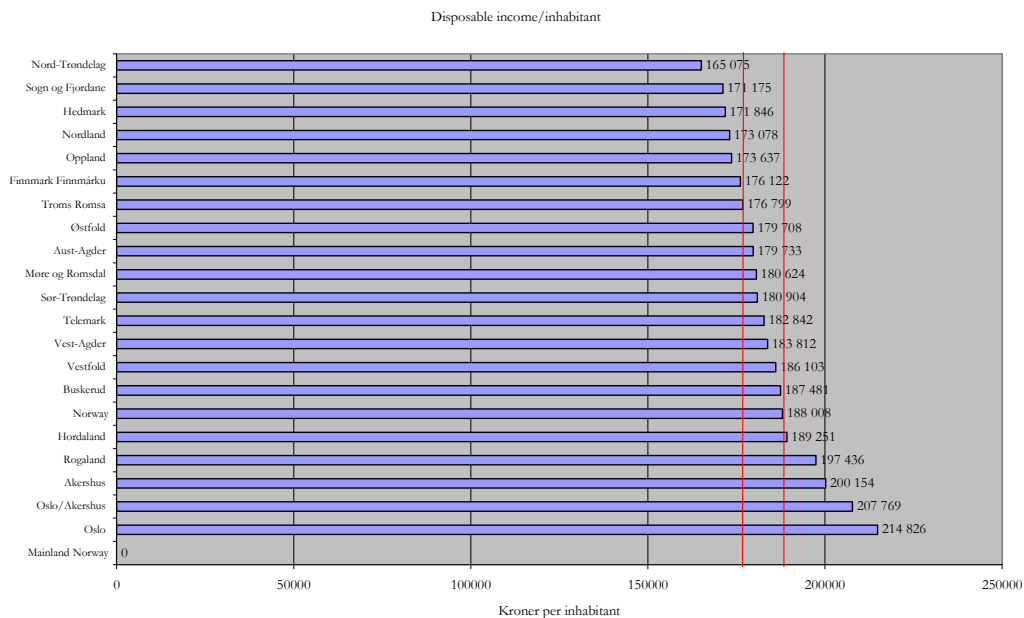


Fig. 5 Disposable personal income per inhabitant by regions

Disposable personal income per inhabitant varies even less. This can be explained by the fact that the national system of taxes and social security schemes seems to level out regional income differences. Finnmark's rank is still low, number 5 from the bottom.

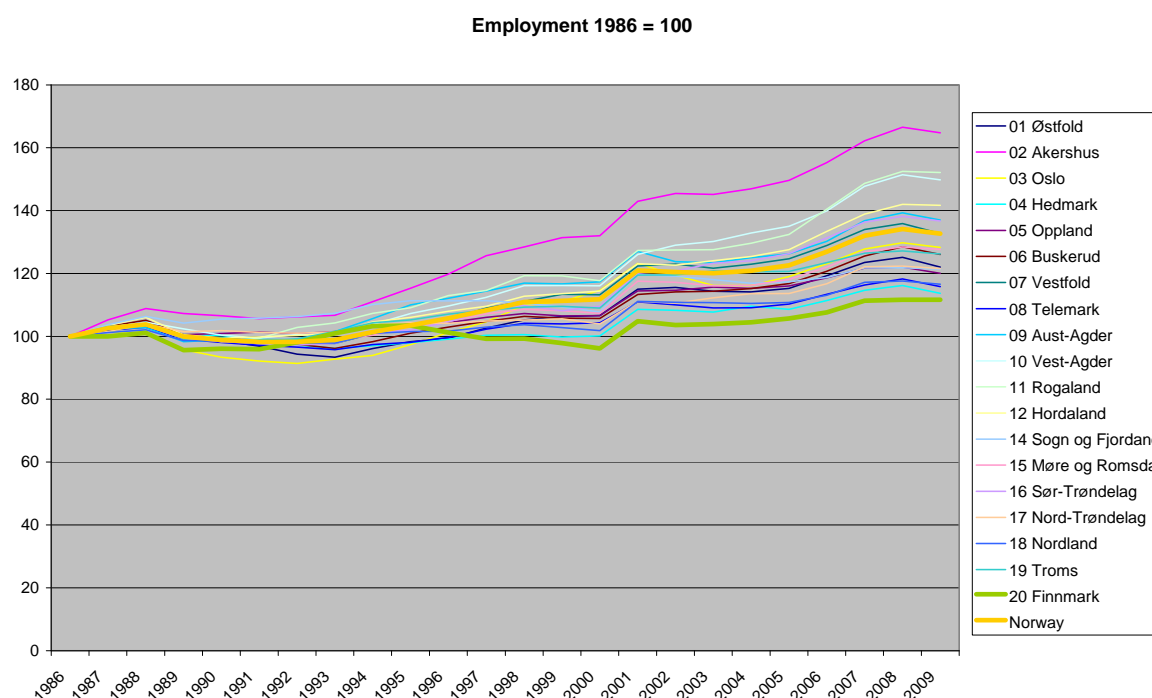


Fig. 6 Employment in Norway by regions (1986-2009)

The figure above illustrates how employment from 1986 to 2009 has increased in all Norwegian counties. Finnmark has had the lowest growth rate when we consider the period as a whole. At the same time, we see that the economy (employment) of Finnmark reacts less to changing business cycles than many other parts of the country (see for instance Oslo during the recession in the early 1990s). This has got to do with economic structures – employment in Finnmark is not as dependent on changing income levels and demand as in other counties. The opposite is the case for Oslo.

	Primary sectors	Oil and gas	Secondary sector	Power and water	Construction	Retail trade, hotel and rest	Transport and communication	Finance and business services	Public and other services	Not known	Sum
01 Østfold	85	1	138	55	118	105	78	73	101	120	116277
02 Akershus	45	92	63	27	84	130	142	116	93	107	242384
03 Oslo	6	13	51	83	75	102	108	181	98	98	423178
04 Hedmark	208	0	101	74	110	92	72	67	113	110	84938
05 Oppland	216	0	99	125	118	100	82	56	108	124	86646
06 Buskerud	80	2	134	102	122	111	73	84	96	117	120252
07 Vestfold	74	2	128	46	107	110	89	83	100	129	102895
08 Telemark	88	1	121	192	116	97	79	77	106	133	76806
09 Aust-Agder	90	73	117	74	118	106	92	70	103	118	47291
10 Vest-Agder	73	4	144	124	128	102	89	74	97	124	85277
11 Rogaland	112	700	125	77	101	92	84	93	85	81	226237
12 Hordaland	70	150	115	132	102	91	101	102	100	84	244692
14 Sogn og Fjordane	250	17	138	212	101	81	115	51	101	104	53569
15 Møre og Romsdal	164	22	172	143	98	91	123	61	92	81	125838
16 Sør-Trøndelag	116	35	83	101	105	95	82	115	104	76	152477
17 Nord-Trøndelag	283	94	104	159	104	87	98	51	106	87	60586
18 Nordland	203	0	91	170	108	87	119	53	114	84	113892
19 Troms	146	28	52	94	97	93	106	67	126	84	79168
20 Finnmark	225	97	71	163	104	89	102	47	119	139	36299
Sum valgte områder	76445	26713	259714	16152	181242	443608	158786	334924	969721	11397	2478702

Table 1. Localisation Intexes (sahre of sector employment in the region)

The table illustrates localisation indexes (L_{ir} - share of sector *i*'s employment in region *r*, in proportion to the national share of the same sector). If L_{ir} is greater than 100, the share is larger than the national average. Finnmark is dominated by sectors that are resource based and the public sector, where the level of production and employment is decided outside the "market". At the same time, the employment share in the most income dependent sectors (finance, trade, hotels etc) is low. This contributes to stabilising the Finnmark economy, but at the same time does not contribute to considerable growth.

Finally, there are many different regional policy schemes in Norway. I will not discuss them in detail here, only mention a couple which are important in Finnmark:

- Finnmark is considered to be the Norwegian periphery. This means that national regional policies can be applied to Finnmark at the highest legal rates. This includes employer paid social security benefits and investment support for businesses.
- Finnmark (and Nord-Troms) is defined as specific Action Zone, where specific means are considered necessary to contribute to national aims for regional policy. The means include:
 - # Write-down of student loans by up to 10 percent of the original amount, maximum NOK 25,000 per year
 - # Exemption from electricity tax on consumption
 - # Reduction in personal taxation
 - # Increase in family allowance – the so-called "Finnmark supplement"
 - # Wage subsidies for pre-school teachers
- The criteria for transferring ("free") income to municipalities favour municipalities in the periphery, a.o. in Finnmark. The municipalities are compensated for low municipal income as well as for location and for costs of producing services.

Many of the factors that we have mentioned above can be elaborated further and more analytically. Hopefully, this gives a first glance of Finnmark and of some of the problems (because they are problems or challenges, in a national perspective) the county faces, and some of the policy means connected to this.

2. National Analysis of Services - Norway

2.1 Description of the Welfare System and its Particular Effects on Various Services

Norway has three tiers of government (the municipality, the county and the state), for which there are separate elections every four years. This means that every municipality, every county and the state all are democratically governed. The state, however, is the legislative body and sets out the conditions within which the local and regional democracies are allowed to function (see below). The municipalities (local) and county (regional) governments' powers to exercise democratic functions are therefore limited and can only be carried out within the limits set by these conditions. As a result of this, there are some tensions between the state and the local/regional governments, although the tasks of each tier of government are well defined. The tensions cannot, however, be characterised by open conflicts; everybody knows more or less what tasks lie on what level.

2.1.1. The Norwegian Welfare State (NWS)

Without going into details about what SGIs are, one might describe them as services which are available to everyone in a nation irrespective of his/her income. This description implies that SGIs to a certain extent can be interpreted as being rights connected to citizenship. The different SGIs have become SGIs because they to a certain extent represent basic services for the population and/or businesses of a country, which everyone should have. Some SGIs (mainly economic) are provided to all because it is more efficient than market provision, while others (mainly social) are provided to all because they should "have them" irrespective of the individuals' ability to provide them for themselves in the market place.

In Norway, the public sector has been responsible for providing SGIs. One might also argue that the number of SGIs in Norway is relatively large, compared to other countries. This means that the public sector traditionally has been responsible for a relatively large part³ of the economy, compared to many other countries. Therefore, SGIs and public provision of public goods might be interpreted as being similar in Norway. Since the 1990s, public provision of many SGIs has been abandoned. Some (public) monopolies have been privatised or partly privatised, and the public sector has opened for private provision of other SGIs in competition with public providers. This means that SGIs no longer are publicly provided as a rule, they might also be provided by private suppliers. However, the public sector still finances many of the privatised SGIs.

The question of financing of SGIs is very important, and many (privately or publicly produced) SGIs are financed via the tax system in Norway. Tax financed production of goods implies that the *need* for the good, for instance according to a person's age (schools, childcare, elderly people's care) or his/her need for insurance (hospitals, income loss), determines the individual's access to a good (SGI). This is quite different from goods (services) provided in a market, where demand is determined

³ This was true at an earlier stage (some ten years ago), but is changing. Today, the public sector's share of the economy in Norway is around or lower than the EU as well as the OECD average. A table can be provided based on OECD or EU figures later in the project.

as a function of prices and incomes. In this sense, tax financed production of SGIs contributes to a more egalitarian society. This is an important part of the NWS.

The NWS is a social democratic welfare state system. It is based neither on a liberalistic nor on a centrally controlled economic system, but rather on what we like to call a mixed economy. There are a set of important features to the NWS, including the centralised wage bargaining system and the three-party cooperation between the national Government, labour organisations and employer organisations. This system of centralised bargaining of wages at the same time generates moderate wage increases on total and relatively low wage differences between individuals. In this sense, the system is based on providing cost control for the part of the private sector which competes internationally, and (since it is centralised) similar cost (wage) control in other parts of the private sector and in the public sector. The Government, as a part of this system, provides income guarantees and a security net for both businesses and employees via the access to SGIs in a broad sense. The labour market part of the NWS is also thought to be the most important factor behind the high (among the world's highest) productivity rates, and thus the high income and welfare levels, of the Norwegian economy. On contrast, more decentralised wage bargaining systems of other countries, which are more in line with main stream (micro) economic theory, lead to higher wage differences and lower rates of productivity and therefore lower efficiency, income and welfare levels. The difference between these two models are often thought of as a paradox, as the decentralised and market based system according to theory should be more efficient and productive, and thus generate more income and welfare.

The NWS was developed since the war (from 1945). Originally, public and private capital contributed together to rebuilding the country's infrastructure after the war (mixed economy), including the secondary sector. Growth of the secondary sector, based a.o. on cheap hydro power and the new infrastructure, generated a 20-30 year long period of economic growth in Norway. This period represented the main expansion of the welfare state (parallel to Sweden's and many other countries'). Many social reforms were introduced. One type of reforms was what one might call the "security net" for individuals, where society as a collective in a way insured the citizens against incidents which would reduce their income (job and income loss, illnesses). Unemployment benefits, sickness allowances, social security benefits and pensions are examples of this. Another type of reforms was the public production of welfare services, such as child care, education (primary, secondary and tertiary), primary health care, hospital care and care for the elderly. The third main type was what can be called infrastructure services (telephone, water, sewage, electricity, roads, railroads etc.). In addition, the previously mentioned contribution of the Government within the centralised wage bargaining system is a very important feature of the NWS. All these factors must be seen as a whole when the NWS and the production of SGIs in Norway are discussed.

The NWS is *not* directed towards the poorest people. It covers everybody, irrespective of incomes. In general, everybody use the SGIs as well, although rich people could choose to buy some of these services in the private market. This fact has been an important contribution to the relatively egalitarian⁴ Norwegian society.

⁴ Norway is not an egalitarian society in every way. We have mentioned the relatively even wage distribution. However, there are major income differences between wage earners and those earning their incomes in other

The organisations in the labour market have been very important in developing the NWS. Many welfare reforms, also before the war, were first introduced as a part of the negotiations between employers and employees in certain parts (secondary sector) of the economy. Later, the Government made these reforms general in the sense that the services were made available to everybody. After the war, the cooperation between the employee organisation(s) and the social democratic Government was imperial for the development of the welfare state – the employee organisation(s) are also social democrats. One might say that the Government followed the reforms introduced in the labour market. The 1970s represented the major decade for developing SGIs in Norway. Neo liberalism has, since the 1980s, changed the relationship between the social democratic party, which has become more liberalistic, and the unions. Today, one might argue (but it's a question of debate) that the neo liberalistic reforms⁵ introduced by the Government were accepted by the unions (if the Government was social democratic at the time), and that the unions (which are still social democratic) now follow the social democratic party. Maybe the era for welfare reforms is over?

Darek: This has been a broad overview. Things are changing with the NWS as you see, and much has been written about this. I hope, at this stage, that this is sufficient and that you are able to better understand the Norwegian system. To what extent all sides of this discussion should be included in the case study, I don't know. But we could discuss that later??

2.1.2. The Relationship between the Tiers of Government

As was stated above, the state level is responsible for setting out the conditions within which the municipal and county levels (are allowed to) operate. These conditions include the legislative framework, other rules and regulations, the distribution of tasks between the three tiers of government and to what extent the different tasks or services are mandatory or compulsory, minimum quality levels (for production of services) and the financial framework (taxes and other sources of income).

When the NWS reforms were at the peak, during the 1960s and especially the 1970s, the responsibility for producing different SGIs was distributed among the different tiers of government. The principle of subsidiarity was used. This means that the responsibility for producing SGIs was given to "the lowest efficient level". The responsibility for producing services used by everybody, such as primary education, child care, primary health services and so on, was given to the municipalities. The counties became responsible for secondary education, hospitals (which today are organised in a different way), public transportation, certain parts of regional policy and so on. Regulations on how to produce these services (quantity and quality measures) were introduced, to secure minimal quality and quantity levels of production. The national Government was responsible for national services, including many social security schemes, infrastructure services and tertiary education.

Income, expenditure and property tax are the main sources of income for the public sector in general. The national Government has defined maximum (income) tax rates that can be used by each municipality and county (almost all municipalities and counties apply the maximum rates). In

ways (for instance from capital (richer than wage earners) or from social security schemes (poorer than wage earners)). And the income distribution is changing.

⁵ These reforms are in a way the opposite of welfare reforms. Generally, they represent more individualisation (fewer collective solutions) and market orientation, perhaps because the public feels that the tax level is high enough. Darek: This discussion could be elaborated further, if required.

addition, the national Government taxes income. Expenditure tax (including value added tax and different special taxes) and some other taxes are collected by the national Government, while some municipalities collect property taxes, which are voluntary. In practice, therefore, the only form of tax competition between municipalities is the property tax.

The national Government also provides additional income to municipalities and counties. *Earmarked grants* are aimed at specific purposes, while the municipalities and counties themselves decide how to use *general grants* (which are granted to make income and expenditure levels, and thus the production of services, more equal and independent of local/regional differences). General grants, income and property tax are added together into what is called *free income*, which the municipalities and counties spend on what they like. The free income in this sense represents the financial framework for local and regional policy preferences. As previously mentioned, though, the freedom for making local and regional priorities are also restricted by the rules and regulations set out by the national Government. When the financial and regulatory restrictions are added together, the room for local and regional policy making becomes quite restricted, at least for the poorer municipalities and counties.

There are 19 counties and around 430 municipalities in Norway. This means that the average population size is 265' (counties) and 12' (municipalities), but the number of people varies a lot. However, Norway follows a "generalist" principle. This means that all municipalities (counties) are responsible for producing all services, irrespective of their sizes. The municipality of Oslo (600' inhabitants) is therefore responsible for producing the same set of SGIs to their citizens as municipalities with 500 inhabitants. In principle, the services should be similar in these very different communities. One could discuss to what extent the generalist principle is efficient when the number of municipalities is so large in a small country, given their tasks. Reducing the number of municipalities is therefore a hot political issue in Norway. We will not pursue that discussion here. However, the generalist principle implies that people living in communities in the peripheries are provided with similar services as people living in central communities. In this sense, the number of municipalities and the generalist principle together represent an important regional policy measure both regarding SGIs and job-opportunities in the peripheries.

2.2. Economic services of general interest

Below is a list of traditional infrastructure services and how they are provided in Norway.

Gas is not used extensively by households (and businesses) in Norway, since most appliances use electricity and electricity is produced by hydro power. Therefore, no infrastructure network for gas exists. However, Norway produces gas, of which most is exported to Europe via pipelines and tank ship. Some of the gas is also used for producing energy in Norway, which is highly debated in Norway since hydro power (the main source of electricity) is thought to be more environmental and climate friendly.

The Norwegian **water supply** is mainly surface water, which is used for drinking (and other uses). The water quality is in general good. Water is provided for by the *municipalities*, which also are responsible for the pipelines. The costs of the infrastructure are covered by the municipalities,

supported by user fees (so called “water tax”). Individual user fees generally do not depend on the quantity consumed by the individual user.

Sewage is similarly the responsibility of the municipalities, which provides infrastructure (pipelines and sewage cleansing facilities). The sewage systems are financed via municipal incomes and “sewage taxes”.

Waste can be divided into collecting, transporting and getting rid of (infrastructure in the form of garbage dumps and facilities for burning garbage) the product. The municipalities are responsible for all three phases. However, collecting and transporting the waste are privatised in many municipalities. In some cases, user fees finance this part of the waste handling, while there in other cases are combinations of municipal and user fees. The infrastructure is also a municipal responsibility, and it is financed by the municipalities. This sector is changing, as we are becoming more aware of the environmental problems connected to waste handling. Recycling means that the waste has to be divided into categories, which are handled differently. This imposes extra costs in collecting, transporting and getting rid of the waste. These extra costs are normally covered collectively by the municipalities, but differentiated user fees might be introduced.

Electricity in Norway is mainly based on hydro power. This implies that there are large networks of high voltage electricity lines in Norway, which are used for transporting the power from the place of production (the mountains) to the place of consumption (where people live and work). The large networks are run by the Government. In addition there are local networks providing energy to consumers in an area. These local networks are owned by municipalities, but some of them have been privatised. The maintenance costs of running the national and local networks are financed mainly by user fees. Investments, however, have been financed mainly by the authorities. Both the national and the local networks represent traditional network monopolies, which the authorities try to regulate. The production of hydro power is relatively cheap. Since the 1990s, however, Norway’s electricity network has been connected to the networks of the neighbouring countries. This means that the price on power is relatively independent of the costs of producing it. The consumers pay for their use of electricity. Electricity has changed from being a commodity which was low-priced until the 1990s to a more market based commodity today. Both infrastructure costs and use of energy are today covered by consumers, who pay fees depending on their individual consumption of energy.

Public transport is very important for the mobility of the population. It can be divided into several sub-categories, which require infrastructure (rail, road, airport, port). Traditionally, the infrastructure has been public. This is changing, and today more and more of the infrastructure costs are covered by the users. For instance, around 50 per cent of road investments are covered by road tolls. The public sector, on the other hand, pays for maintaining the roads. Airports are financed by the users, but the fees collected at large and profitable airports subsidise the costs of small and non-profitable airports. In addition, there are also public (national government) finances of airports. The railroad infrastructure is run by a publicly owned company, which is financed by the Government. Ports are financed mainly by the users.

Local public transportation is the responsibility of the county councils, which normally buy these services from private or public companies. User fees (ticket costs) are paid by the users, but public transportation is also subsidised by the county councils. This included ferries. Public transportation over greater distances can be divided into air, road and rail transport (public transport at sea is

moderate, except the Hurtigrute in North Norway). Companies (private and public) produce these services, based on user fees and public subsidies. The argument for subsidising these services is that the subsidies contribute to securing a network of public transportation services all over the country. Therefore, the subsidies have the form of public guarantees for income also when the seats are empty. The companies providing public transport compete with each other, given these conditions, in the form of offers to the Government.

Postal services are provided by the Norwegian Post, which has become a publicly owned company and not any more is a part of the public sector. There are service requirements for these services (unified prices all over the country, deliveries each day etc), which are provided all over the country. Many traditional post offices have been shut down and replaced by “post in shop” services (privatisation).

Telecommunication services. Traditionally, the Norwegian telecom company (Telenor) was a part of the public sector on national level. The telecom network was developed using public funds, supported by user fees. In the 1990s, Telenor was made into a public company and partly privatised. It still has a monopoly on the fixed line network for telephone services. However, there is only one of several mobile telephone networks, and the monopoly is therefore watered out as competition is high between the fixed and mobile provision of telecom services.

This also applies to modern information technology (broadband), which is provided partly by the old fixed telecom network, partly by mobile networks and partly by “new” cable networks. The broadband network infrastructure was built by private companies (including Telenor), starting in central parts of the country and covering an increasing part of the country. Today, almost all Norwegian households (99.7%) has access to broadband (more than 640 kbit/sec⁶), and only 7,000 households lack this access. The slowest speed can be found in the peripheries, and there have been discussions whether the Government should finance broader bands there, since it is not profitable for private companies.

2.2.3 Social services of general interests

The municipalities are responsible for providing *child care services (kindergartens)*, but the service is produced both by private and public producers. Traditionally, these services have been partly financed by the national Government (earmarked grants), partly by the municipalities (their free income) and partly by user fees. The user fees were quite high, restricting certain parts of the population from using these services. The national Government therefore initiated a reform, aiming at lowering the user fees and increasing the availability of places to 100% (definition: everybody who wants a place should have one). This national reform led to an extensive building up of this sector by the municipalities, and the user fees were reduced. Today, the aims of the reform are more or less reached.

Primary education is the responsibility of the municipalities, which produce this service themselves. Primary education is financed by the municipal free income. There are very few private primary schools in Norway, which means that (almost) everybody has the same basic education (the Unity School). However, there are different political views towards private, primary education, especially since Norwegian primary education seems to score relatively low on Pisa tests, which measure basic

⁶ 94% has access to more than 4 mbit/sec, while 67% has access to more than 25 mbit/sec

knowledge within different subjects. Changing governments might therefore imply changing conditions for private, primary schools.

Secondary education is not compulsory in Norway, although it is free and almost everyone today starts their secondary education at the age of 16. Many do not, however, complete it, and the secondary education level is criticised for being too theoretical. Secondary education is the responsibility of the county councils, since there are different directions to choose, and since a certain amount of centralisation is necessary to reduce costs. The costs of providing secondary education are financed by the county councils' free income. There are more private alternatives on the secondary than on the primary level of education, although the number of public schools is substantially higher.

Tertiary, or higher, education is the responsibility of the national Government. This level includes university level education (up to doctoral and post doctoral level) as well as other forms of higher education. Most of the higher education institutions are public, and they are free for the user. There are a significant number of private institutions as well. They are financed partly by user fees, partly by grants from the Government. In addition to financing the costs of education, the Government also offers grants and loans to students. The only requirements for receiving grants and loans are that the student is registered, and that he/she follows the study progression. When exams are passed, parts of the loans are transferred into grants. People living in Finnmark (the case study area) who have student loans, are awarded a 10-% reduction in the loan each year.

Labour market services are the responsibility of the NAV (the labour and welfare department), which is a public body covering both the municipal and national levels. We will not go into all the functions here, but only point at the fact that this is a social service aiming at providing the needing with social services. At the same time, NAV tries to get people "back to work", so that their need for using different support schemes is reduced.

Defence services are the responsibility of the national Government. The structure of the Norwegian defence has changed substantially the past years. One has gone from a "labour intensive" defence, with compulsory military service for boys, to a more technological defence (substituting labour with technology). The military service is still compulsory, but the need for manpower is reduced, so substantially fewer are drafted. In addition, Norway uses a substantial amount of its defence efforts for so called "peace keeping" operations abroad.

Cultural and recreational services are very broad. They are supplied by all sectors (all tiers of Government), the private sector and organisations (sport clubs, interest organisations etc.). National, regional and local support schemes exist and are awarded according to applications.

Health care services are a part of the NWS and constitute a large part of the Government's budget (the most important sector, in this sense). The different types of services are, however, organised differently. Some health care services require user fees.

Primary health care is the responsibility of the municipalities, although a national scheme allocates a doctor to each person in Norway (so called "permanent doctor"). In central parts of the country, many doctors work at private practices, but some also at municipal practices. In the more peripheral parts, publicly employed doctors are more normal. The permanent doctors receive a grant from the

government of around 50 € per patient, just for having them on their list. They also receive payments from NAV for each consultation in addition to user fees. Some medicines are subsidised by the Government (for chronic diseases), and there is a roof on how much each patient has to pay for medical treatment (medicine for chronic diseases and consultations) of 250 € a year.

Care for the elderly is the responsibility of the municipalities. There are different ways of caring for the elderly (old people's homes, treatment at home), which represent very different costs for the municipality. It is less expensive to treat them at home. The municipalities normally demand user fees from the elderly to provide care, and the user fees might be substantial. Some private companies and organisations also provide care for the elderly.

Hospital services were the responsibility of the county councils until 2002. Then, these services were taken over by the central Government, and five health regions were established. These health regions are quite autonomous in the sense that they are run in the same way as private companies, but with national financing (basic plus variable income). Focus is, in other words, on resources and economy as well as on treating the patients. Each hospital is owned by a health region and is run in a similar way. Hospital care is, in general, without user fees. There are, however, some exceptions regarding for instance different diagnoses.

Social care is provided by the municipalities, but organised via NAV.

Social housing is not very widespread in Norway, as most people live in their own homes or rent in the private market. There are, however, some municipal schemes following the social care (needing people), where municipalities support the rent for needing people. There are also schemes for the handicapped.

Compulsory social security is provided by the national Government. This fund is financed by a specific employers' tax, which is paid on all wages (14.1%), but this tax is lower in the periphery (0% in the case study area of Finnmark). In addition, each employee pays a specific tax of 7.9% to the social security fund. The fund is not really a fund, but "pay as you go" (paid for over the ordinary state budget).

3 Regional Analyses of SGIs

3.1. General description of the Finnmark region

Finnmark is considered to be the Norwegian periphery. This means that national regional policies can be applied to Finnmark at the highest legal rates. This includes employer paid social security benefits and investment support for businesses.

Finnmark (and Nord-Troms) is defined as specific Action Zone, where specific means are considered necessary to contribute to national aims for regional policy. The means include

- Write-down of student loans by up to 10 percent of the original amount, maximum NOK 25,000 per year
- Exemption from electricity tax on consumption
- Reduction in personal taxation
- Increase in family allowance – the so-called “Finnmark supplement”
- Wage subsidies for pre-school teachers

The criteria for transferring (“free”) income to municipalities favour municipalities in the periphery, a.o. in Finnmark. The municipalities are compensated for low municipal income as well as for location and for costs of producing services.

These factors probably contribute to securing that the periphery of Finnmark is actually producing SGIs at least at the same level as other parts of the country, and according to the lines discussed above.

Further detailed analysis of services of general interest(including cartographic illustrations) in Finnmark is in progress.

3.2. Economic services of general interest in Finnmark

3.3. Social services of general interest in Finnmark

3.4. Summary of the general results of questionnaire survey

4. Conclusions