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# Earmarked general grants and general earmarked grants in the Netherlands

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# 1 Abstract

In the Netherlands the main resources for local government consist of general and specific grants. The prospects for Dutch municipalities and provinces for generating not redistributed own incomes, for instance on the base of local taxes, are limited.

This paper is about the following issues:

- there is a decreasing number of specific grants in the Netherlands. Specific grants are partly converted to general grants and partly compiled in wide-target specific grants;
- there are new types of general grants, especially in terms of execution time and varying ways of allocation;
- there are fields of policy (urban renewal; social care) where both general and specific grants form the resources for local government;
- restrictions in the freedom of spending are more and more connected with laws, rules, covenants and other agreements between national and local government and not with general or specific grants;
- specific grants increasingly give evidence of general grant features: in regard to reporting and accountability, in regard to conditional spending, in regard to applied methods for the compiling of the allocation;
- general grants increasingly give evidence of specific grant features: in regard to the compiling of the allocation by field of policy, in regard to the conditional, temporary character;
- this convergence of general and specific grants is the result of a changing institutional environment consisting the new views of today politics versus the conventional theory and the significance of laws, rules, covenants and other agreements between national and local governments.

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## 2 Introduction

### *decentralisation and convergence in the practice of general and specific grants*

Despite the dissimilarities based on social, physical and regional structures, the Netherlands have high ambitions regarding the equalization of services. All municipalities and provinces, despite their divergent social, physical and regional features, must possess the financial potential to realize an equal level of services, emphasizing not on uniformity but on equality.

Equal levels of services are supposed to be realized according to the municipal and provincial autonomy. The autonomy of the municipalities and provinces has increased during the last years as the result of a reduction in the numbers of specific grants and the decentralisation of tasks, for which purpose financial means are provided by general means (municipal fund) or by specific 'wide target' grants. For example the decentralisation of school accommodation, benefits within the recent Social Support Act (benefits for domestic care, for the disabled) and employment and income benefits.

Meanwhile the Netherlands are giving evidence of converging features of general and specific grants, such as conditions, duration, reporting and accountability and in respect to the applied methods for compiling the allocation. This convergence is the outcome of a periodical maintenance and monitorial system including annual scanning of the development of spending by local governments in relation with the allocation system. Limited conditions by the central government in regard to the composition of services and spending are realised in particular by means of legal instruments (laws, general rules of government) rather than by means of financial instruments.

### *limited prospects for generating own incomes*

The high ambitions in respect to the equalisation of services have also resulted in limited prospects for Dutch municipalities and provinces to generate own incomes which are not redistributed, for instance on the base of local taxes. The fact that municipalities have their own specific resources is taken into account to the allocation of general grants by the municipal and provincial funds.

Municipalities and provinces are only capable of generating their own income by means of property or road taxes through applying higher rates in regard to the central standard on which the municipal and provincial funds are founded.

The municipal fund, for instance, corrects dissimilarities between municipalities in valuing property by means of a negative allocation formula. This negative allocation formula varies between municipalities from 6% up to almost 30% of the general means. Municipalities, moreover, are supposed to be able to cover approximately 4% of their general spending by means of other independent resources, including, in particular, revenues of investments, participations or land exploitations.

Besides these independent general resources, municipalities also are authorised for charging cost-effective contributions to civilians (administrative charges, taxes or duties, etcetera) on account of the provision of specific services. Waste collection levies, sewerage charges, charges for services provided by the population register and the granting of building and other permits are examples of this kind of contributions.

### *the subjects of this paper*

In this paper on 'earmarked general grants and general earmarked grants in the Netherlands' the following subjects are introduced:

- a survey of the general and specific grants in the Netherlands (chapter 3);

- developments in the use of general and specific grants (chapter 4);
- convergence in the use of general and specific grants (chapter 5);
- the institutional environment as a background of the convergence (chapter 6).

The central aim of this paper is bringing into focus the general and specific grants of municipalities. However, when there is a relevance, we also mention experiences regarding the provinces and sub-municipal areas of Amsterdam and Rotterdam.

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## 3 Survey of general and specific grants in the Netherlands

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### 3.1 General grants

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#### 3.1.1 Municipalities

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##### *volume of general grants, specific grants and own municipal incomes*

Nowadays the volume of the allocation of general means to municipalities (approximately 16 billion euro) is some-what higher than the volume of the allocation of specific means (approximately 12 billion euro). The municipal own incomes (in particular from taxes, investments and charges) amount to approximately 30% of the general municipal means.

There is a large variety in the volume of the allocated means among the municipalities, both in regard to general means and to specific grants.

##### *general grants: the clusters of the municipal fund*

The most important instrument for the allocation of general means, the municipal fund, is based on a system of objective criteria applied to each municipality. Only the four largest cities do receive supplementary grants because of their exclusive tasks as large cities.

The general grants of the municipal fund are legal founded in the Allocation of Finances Act (most recent adaptations in 2008).

The municipal fund distinguishes 14 clusters of expenditure, subdivided into four – logical arranged – compartments:

- the compartment of public area includes the clusters of public parks and gardens, roads, water and sewerage;
- the compartment of buildings and environment includes the clusters of public order and security, museums etc., public housing, spatial planning and urban renewal, physical environment and garbage collection;
- the compartment of public services includes the clusters of education, employment and income, social care (including the disabled and children), art, sports and entertainment and civil registry;
- the cluster local government.

##### *the distinguished meaning of general grants in regard to varying types of municipalities*

The nature and intensity of tasks within the clusters differ among the municipalities as an effect of the features of social, physical and regional structures. Dependent on their composition, the tasks and costs within a cluster are dependent on features of the physical structure (i.c. the condition of the soil, low or high density and the quality of the buildings), features of the social structure (i.c. the composition of the population) and features of the regional structure (i.c. services in particular for art and entertainment used by citizens from outside the municipality).

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### 3.1.2 Provinces

The general and specific grants for provinces are also legal founded in the Allocation of Finances Act.

In opposition to the circumstances of municipalities, the volume of the allocation of general means to provinces (1,2 billion euro) is somewhat lower than the volume of the allocation of specific means (approximately 1,7 billion euro).

The provincial fund consists of five clusters: government, social services, physical environment, road and waterways infrastructure and spatial planning (nature, economy and housing/urban renewal).

The provincial own incomes (in particular from taxes and power company shares) amount to approximately the same level as the general provincial means. The own incomes out of power company shares are booming in recent years, with the consequence of big inequalities in spending prospects among provinces. Because of that a public discussion has started about pruning down and redistribution.

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### 3.1.3 Sub-municipal areas

Within the two largest cities of the Netherlands, Amsterdam and Rotterdam, some 40% of the total amount of general grants from these municipalities plus the incomes out of property taxes is distributed among the sub-municipal areas (500 à 600 million euro) by means of sub-municipal funds. The latter have similar characteristics as the municipal fund, yet adapted to differences in tasks and in features of social and physical structure among municipalities and sub-municipal areas.

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## 3.2 Specific grants

The legal base for specific grants is also founded in the Allocation of Finances Act. In article 15a, lid 1 the specific grants are defined as: each contribution out of the state coffers that by or on behalf of the involved minister conditionally is provided to provinces and municipalities for the benefit of a determined public interest.

In 2009 there exists approximately 80 specific grants to municipalities, distinguished by different features: continuous versus temporarily, wide target versus narrow target, objective criteria of allocation versus budgets as a result of historical factors.

The distribution of the specific grants among departments is as follows:

Tabel 1. The distribution of specific grants among departments in 2009

<i>Ministry</i>	<i>number of specific grants</i>	<i>amount (in billions of euro's)</i>
<i>Interior and Kingdom Relations</i>	6	96
<i>Economic Affairs</i>	7	90
<i>Finances</i>	-	-
<i>Youth and Families</i>	5	1.322
<i>Justice</i>	5	1
<i>Agriculture and Fisheries</i>	3	511
<i>Education, Culture and Science</i>	10	928
<i>Social Affairs and Employment</i>	9	8.130
<i>Transport, Public Works and Water Management</i>	6	2.130
<i>Housing, Spatial planning and the Environment</i>	13	602
<i>Health, Welfare and Sport</i>	7	111
<i>Housing and urban development, Communities and Integration</i>	11	1.347
<i>Total</i>	82	15.268

The specific grants with the largest payment amounts are:

- Ministry of Social Affairs and Employment:
  - income support on the base of the Work and Income to Labor Act (WIA): 3,7 billion of euro's
  - participatory budget amount (employment promotion): 1,8 billion of euro's
  - Sheltered Employment Act (WSW): 2,4 billion of euro's
- Ministry of Transport, Public Works and Water Management
  - traffic and transport: 2,0 billion of euro's
- Agriculture and Fisheries
  - investment budget rural area: 0,5 billion of euro's
- Housing and urban development, Communities and Integration
  - investment budget urban renewal: 0,4 billion of euro's
  - social, integration and security: 0,9 billion of euro's
- Youth and families
  - youth care: 1,3 billion of euro's
  - youth and family centres: 0,3 billion of euro's
- Health, Welfare and Sport
  - social relief and addicted care: 0,3 billion of euro's

#### *the allocation among municipalities and provinces*

The above mentioned specific grants are directed both to municipalities and provinces:

- municipalities exclusive: income support on the base of the Work and Income to Labor Act (WIA), participatory budget amount (employment promotion, Sheltered Employment Act (WSW), social, integration and security, youth and family centres, social relief and addicted care;
- provinces exclusive: investment budget rural area;
- both provinces and three general law areas (municipal coöperation's around the large cities); traffic and transport, youth care;
- both (mainly) large cities and (some) provinces: investment budget urban renewal.



*the distinguished meaning of specific grants in regard to varying types of municipalities*

As far as the specific grants are directed to municipalities they are not of similar relevance for all the municipalities. Broadly speaking specific grants tend to be financial rules with no importance for all municipalities, but on the contrary with importance in particular or exclusive for those determined types of municipalities, proceeding from the fulfilment of determined regional tasks or proceeding from determined urban problems.

The following situations occurs:

- grants exclusively provided to general law areas around the three largest cities proceeding from their fulfilment of provincial tasks: traffic and transport, youth care;
- grants provided to 45 municipalities proceeding from their fulfilment of regional tasks: social relief and addicted care;
- grants mainly provided to 31 cities proceeding from urban problems: investment budget urban renewal, social, integration and security;
- grants provided to all municipalities with the restriction of taking into account the dissimilarities in social problems with the effect of a relatively large share for the benefit of the larger cities: income support on the base of the Work and Income to Labor Act (WIA), participatory budget amount (employment promotion, Sheltered Employment Act (WSW), youth and family centres.

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## 4 Developments in the use of general and specific grants

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### 4.1 Introduction

In the Netherlands there are new developments in the use of general as well as in the use of specific grants. This chapter comprehends a survey of these changes:

- regarding general grants: the introduction of cost-orientated indicators in the municipal and provincial fund; the introduction of integration grants and of decentralisation grants;
- regarding specific grants: the decreasing number of specific grants, the development towards ‘wide target’ grants; the collective specific grant.

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### 4.2 General grants

The following developments have altered the features and uses of general grants.

#### *the introduction of cost-orientated indicators in the municipal and provincial fund*

An important condition for the criteria of allocation is their accuracy in following the alterations in municipal financial needs, also in terms of time. A plausible connection must therefore been made between the development of financial needs on one side and the changing criteria of allocation caused by exogenous factors on the other side.

The differences in costs related to exogenous factors qualify in principle for being rewarded. As ‘cost drivers’ they have to be expressed in indicators of the municipal fund. The latter does not apply to differences in costs related to policy and organization.

The ‘cost-orientated’ municipal and provincial fund indicators were introduced at the end of the last and the beginning of this century.

The introduction of this type of indicators coincided with the distinction of clusters within the municipal fund and the provincial fund (see chapter 2). Because the indicators were separately developed for each cluster, a much solid connection has been created between the criteria for distribution and the appropriate categories of spending.

#### *the introduction of integration grants*

The integration grants are a tool to introduce extra budgets for new tasks to the municipal and provincial funds. When it is decided to add certain extra budgets to the municipal- en provincial funds on a structural base, it is often used by integration grants. This type of grants is applied when there is a lack of new and objective cost orientated ways of distribution on the short term or in the case of a transitional regime.

If there is available a structural cost orientated distribution then the extra budgets are distributed by means of the regular criteria of the municipal fund.

In 2009 the integration grants make up some 9% of the total general grants of the municipal fund and 3% of the provincial fund.

#### *the introduction of decentralisation grants in 2008*

When an integration grant is introduced, it must be clear at which date it has to be transformed in a regular general grant.

A decentralisation grant is introduced, when the government still doesn't know if and when the extra budgets are added to the general grants of the municipal fund. A decentralisation grant can also be used as a policy-incentive with a temporal character.

The stimulus for decentralisation grants is to encourage the use of general grants instead of specific grants and comes into force in the very moment the decision has been made to decentralise tasks and budgets. In the past the use of specific grants often was given preference, because of the lack of flexibility in the use of general grants. Moreover the introduction of decentralisation grants is connected with the governmental policy to reduce the number of specific grants (see the following). Since the introduction 25 decentralisation grants have been established, making up some 1% of both the municipal and the provincial fund.

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### 4.3 Specific grants

#### *decrease of the number of specific grants in the last decades*

In the last decades the number of specific grants decreased significantly: starting with over 500 in 1980 ending under 100 nowadays. The main reduction has taken place between 1980 and 1998: starting with over 500 and ending with somewhat more than 100. Between 1998 and 2004 the number of specific grants has risen again up to 160.

As from 2004 the policy purpose is to reduce the number of specific grants or to cluster the existing specific grants as much as possible into 'wide target' grants. Starting with 160 specific grants in 2004 the number has been reduced to 82 in 2009. The aim is to decrease the number even further to just a few dozen.

Along with the aim to restrain the introduction of new specific grants, the rule exists that they explicitly must have the approval of the Council of Ministers.

#### *the significance of 'wide target' grants*

The reduction of the number of specific grants didn't coincide with the same reduction in the amount of the related allocation. The amount connected with the specific grants decreased in a slower progress: starting with ample 18 billion euro in 2004/2005 down to ample 15 billion euro in 2009.

Most of the time existing small specific grants were clustered into wider ones. The amount of allocated specific grants didn't actually decrease in a large way. The latter means that the number has been reduced in particular by creating wide target grants.

Other explanations of the reduction of the number of specific grants were the introduction of the aforementioned decentralisation (general) grant and the collective specific grant.

#### *the collective specific grant*

With the aim to reduce the bureaucratic costs of numerous minor specific grants, the collective grant was introduced in 2008. The collective grant is a clustering by department of minor specific grants. Budgets covering less than 10 million per year become subdivisions of the collective grant.

Nowadays 4 departments are employing a collective grant concerning their subjects. Expectations are that there will be eight collective grants, making it possible to cancel 30 specific grants.

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## 5 Convergence in the use of general and specific grants

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### 5.1 Introduction

In the Netherlands differences in the use of general and specific grants could be figured out in regard to the way of allocation, the connection with financial needs, in terms of time, in the conditions for spending, in the way of adaptation, in input arrangements, in the way of justification and in the steadiness or flexibility of the adaptation. Those differences were narrowly related to a balance on the managerial level.

The previous mentioned changes in the use of general and specific grants however have led to a certain degree of convergence in the use of general and specific grants.

This convergence is manifesting itself in a two-way direction:

- strong relationships among the expenditures of lower governments paid out of general and specific grants;
- a convergence in the features of general and specific grants.

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### 5.2 Strong relationships among the expenditures of lower governments financed by general and specific grants

To establish several services municipalities and provinces are dependent on general as well as on specific grants.

To indicate the background of this interrelationship we provide in the following a couple of instances.

*large city problems (urban renewal and budgets for social, integration and security)*

In the Netherlands there exist a specific grant for urban renewal. The largest part of this specific grant (over 80%) is directly provided to 30 municipalities and up. In regard to the other more than 400 municipalities the smallest part of the specific grant is directed to the provinces. The provinces redistribute the specific grants to those other municipalities.

Along with this specific grant, municipalities also collect means for urban renewal by way of the general grant from the municipal fund (as a component of the cluster public housing, spatial planning and urban renewal). Within the general grant the same criteria have been applied as within the specific grant. With that the basic assumption is that municipalities bear some 20% of the total costs by way of the general grant.

In the other components of the budgets for large city problems related to social aspects, integration and security, there are similar forms of interrelationship among general and specific grants.

Because of these interrelations and new views in politics (see chapter 6) there are intentions to add the specific grants for urban renewal and for 'social, integration and security' to the general grant of the municipality fund (initially by way of an integration or decentralisation grant).

*social care, public mental healthcare and addicted care*

Within the services for social care, public mental healthcare and addicted care, the local and regional tasks are distinguished.

The local tasks are subdivided to the general grant of the municipality fund, in particular the cluster social care is such a subdivision. All municipalities ought to bear these costs out of the general means.

In respect to regional tasks some 45 municipalities are receiving a specific grant. This specific grant however is not intended to cover the total but only some two-thirds of the amount of costs. The regional municipalities ought to bear the remaining costs out of their general grants.

As from 2010 the specific grant will be added to the municipal fund by way of an integration grant.

#### *public order and security*

In case of public civil order and security (fire brigade and contingency services) most of the needed means (some 90%) is allocated by way of the general grant of the municipality fund (by way of the cluster public order and security). However, there is development to organize the services for fire brigade and contingency services on a regional scale. For that reason so called security regions are installed existing of coöperations among municipalities.

These security regions are directly collecting the remaining 10% needed means from the ministry of the Interior and Kingdom relations by way of a specific grant. This grant has similar criteria of allocation as the general grant of the municipality fund. Along with the specific grant, security regions collect contributions from enclosed municipalities. The volume of these contributions is varying in accordance with the distribution of tasks among the security regions and the municipalities.

#### *employment and income*

Municipalities receive the means for promoting employment and income support partly by way of two specific grants and partly by way of the general grant of the municipal fund.

The general grant is particularly intended to finance the execution costs, while the specific grants are intended to cover the other costs (such as income supplies).

#### *road infrastructure and public transport*

In respect to the realisation of regional roads and regional public transport the provinces and the three general law areas (including Amsterdam, Rotterdam and The Hague) collect finances out of a wide target grant. This grants are allocated in a general sense on the base of objective criteria and partly in the line of projects (concerning the largest projects).

Moreover is intended that provinces and the three general law areas contribute 50% of the costs for investments in the new or improved regional roads out of their own financial means. For investments in new infrastructure for public transport their contribution is 5%.

#### *backgrounds of interrelations between general and specific grants*

Along with the aforementioned arrangements, different backgrounds of interrelations between general and specific grant can be distinguished:

- the specific grant is connected with regional components in the realisation of services. The specific grant is supplementary to the general grant for local services. The supplementary specific grants can be directed towards all municipalities (directly or by provincial intervention), to general law areas, to the 30 à 45 largest municipalities, or to security region);
- large city problems, which are expressed in supplemented specific grants ;
- historical backgrounds such as the distribution of roles among distinguished ministries (specific grants) and the municipal fund;
- the availability of own general means (in particular those of provinces) for providing own contributions.

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## 5.3 Convergence of the features of general and specific grants

Besides the above mentioned interrelations within the use of general and specific grants the, in chapter 4 depicted, developments in the use of general and specific grants have resulted too in a convergence of features: specific grants are increasingly giving evidence of general grant features and general grants are increasingly giving evidence of specific grant features.

### *general grant features of specific grants*

Specific grants are giving evidence of the following features of general grants:

- in regard to the conditions of reporting and accountability. These conditions are more general and less specific, and more and more combined with other specific grants (see chapter 6);
- in regard to conditional spending: with the broadening of the specific grants into wide target grants the degrees of freedom in ways of spending are increased. In case of certain specific grants there even is a possibility to spend a part of the financial means beyond the scope of the grant. Along with the broadening of the grants the lower governments have more possibilities for reshuffling existent expenditures within the scope of the grant;
- in regard to applied methods for the compiling of the allocation. Usually there are related ways of a compiled allocation: by way of similar objective indicators for the allocation (urban renewal, fire brigade and contingency services) or by way of financial arrangements which are supplementary to each other (social care, public mental healthcare and addicted care; employment and income);
- by introduction of the collective specific grants.

### *specific grant features of general grants*

General grants are increasingly giving evidence of some specific grant features. Examples are the following:

- the introduction of interrelated services clusters in the municipal and provincial funds which have own cost-orientated indicators (see chapter 3);
- the introduction of highly target-orientated indicators in the municipal and provincial funds; such as 'students in special and secondary schools', 'the number of persons drawing benefits' (municipal fund) or the length of provincial roads (provincial fund);
- the introduction of the integration and decentralization grants within the municipal fund.

### *the significance of the institutional context to restrictions in the spending of general and specific grants*

Restrictions in the freedom of spending are more and more connected with laws, rules, covenants and other agreements between national and local government instead of related to (specific, general) grants. This institutional context will be depicted in the following chapter.

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## 6 The changing institutional environment as a background of the convergence

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### 6.1 Introduction

In the preceeding chapter we depicted the convergence between general and specific grants. This development is connected with a changing institutional environment.

In this chapter the focal point is on the different aspects of this changing institutional environment as the background of the convergence:

- new views of today politics versus the convential theory concerning the use of general and specific grants;
- the development that laws, rules, covenants and other agreements between national and local government have more and more implicit restrictions in the freedom of spending by local governments instead of the rules for spending general or specific grants;
- the incorporation of specific grants in the Allocation of Finances Act and the significance of periodical maintenance;
- the significance of the use of (interrelated) objective, cost-orientated indicators within general and specific grants;
- more equal conditions for reporting and accountability between general and specific grants.

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### 6.2 New views of today politics versus the conventional theory

#### *conventional theory*

According to the conventional theory concerning the choice between general and specific grants there is the following distinction:

- general grants are supplied in the situation of: autonomous lower governments; full freedom of policy and spending; no ministerial responsibility;
- specific grants are supplied in the situation of: no autonomy of lower governments but co-governance of national and lower governments; no freedom of spending, some freedom of policy; ministerial responsibility.

#### *the views of today politics: effective lower governments and a reduction of executive and administrative costs*

Today's politics have different views concerning the conditions in regard to effective lower governments and in regard to a reduction of executive and administrative costs:

- lower governments are more effective when they have full responsibility and possibility to provide services. This means that even in the situation of co-governance, lower governments ought to have a large degree of freedom in policy and spending. The background of this way of thinking is the search for an optimal scale in the realization of services along with a proper anticipation on local circumstances;
- this optimal scale connected with a large degree of freedom in policy and spending must lead both to a reduction of the executive costs of the government and a reduction in the administrative costs of civilians, companies and other non-governmental institutions.

The aforementioned views also imply the use of general grants beyond the use of specific grants, even when there is a situation of co-governance, and an intended reduction in the differences among general and specific grants.

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### 6.3 The significance of laws, rules, covenants and other agreements between national and local governments

The reduction of the number of general grants and an intended convergence in the use of general and specific grants is also the outcome of the development that laws, rules, covenants and other agreements between national and local government more and more are constituting the limiting conditions in spending by local governments, instead of the rules for spending specific grants.

This laws, rules, covenants and other agreements may as well result in more and less constraints in the freedom of spending.

Examples are:

- the integration of different existing laws and other rules in one covering ‘umbrella-law’ leading to a reduction of specific grants, the introduction of ‘wide-shaped’ specific grants or the adding of specific grants to the general grant of the municipal or provincial funds. Examples of such ‘umbrella-laws’ are the Social Support Act (WMO) and the Work and Income to Labor Act (WWI);
- some ‘wide-target’ specific grants have conditions of co-financing by lower governments. Examples are the specific grants for traffic and transport, the investment budgets for rural areas and the specific grants concerning large city problems.

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### 6.4 The incorporation of specific grants in the Allocation of Finances Act and the significance of periodic maintenance

#### *incorporation of specific grants in the Allocation of Finances Act*

Another background in regard to the increasing convergence is the incorporation of specific grants in the Allocation of Finances Act, especially the content of article 2 of this Act.

The content of this article is as follows: if new central government policies result in changing the tasks or activities of lower governments they are bound to provide a well-founded quantified indication of the financial implications of this changes. There is also an obligation to indicate in which way (general grants, specific grants, other ways) the financial implications can be resolved.

#### *periodical maintenance*

The convergence of general and specific grants is also a result of the system of periodical maintenance and monitoring.

The process of periodical maintenance and monitoring includes an annual scanning of the development of spending versus the allocation system, occasionally supplemented by more detailed research on the backgrounds of differences between the expenditures of municipalities and the effect of the allocation system.

If relevant this process of scanning and more detailed research is as well related to the general grants as to the relevant specific grants and to the interrelations between both types of grants.



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## 6.5 The significance of the use of (interrelated) objective, cost-orientated indicators within general and specific grants

Narrowly related to the significance of periodical maintenance the use of (interrelated) objective, cost-orientated indicators in both general and specific grant has led to a convergence in these two types of grants.

An important condition for the criteria of allocation is their accuracy in following the alterations in municipal and provincial financial needs, also in terms of time. The more a plausible connection has been made between the development of financial needs and the changing criteria of allocation (being the result of exogenous factors), the less relevant is the use of specific grants instead of general grants. This applies even more in combination with the views of today politics regarding effective lower governments and a reduction of executive and administrative costs.

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## 6.6 More equalized conditions of reporting and accountability between general and specific grants

The aim of diminishing the governmental executive costs and the administrative costs of civilians, companies and other non-governmental institutions, has led to new arrangements in the way lower governments give account of the spending and the effects of specific grants.

Central to these new arrangements between central government and lower governments is the principle of single information, single audit (SISA).

The principle of SISA has the following characteristics:

- the central government constrains the need for own information out of specific grants;
- single information: the request for information by the central government is related to the request and moments of accounting of the municipalities and provinces themselves;
- single audit: the financial control of the central government is leading to the financial control of the specific grants by the municipalities and provinces themselves;
- once a year the municipalities and provinces send the SISA-information to the central Minister of Interior and Kingdom Relations. In the case of collective specific grants the concerned Minister is only permitted to ask the municipalities or provinces for policy-information when it concerns a period of more than one year or at the end of the duration of the specific grant.

The principle of SISA has led to more equalized conditions of reporting and accountability between general and specific grants and as a result to a further convergence of the two types of grants.