Some critical observations on The Faroese - Danish financial relations

By Erlendur Patursson*

In the Home Rule Act which came into force on 1st April 1948, it is expressed in the 1st article:

Within the framework of this Act the Faroes Islands shall constitute a self-governing community within the State of Denmark. In conformity herewith the Faroese people, through its elected representatives, the »Logting«, and an Executive established by the Latter, the »Landsstýrid«, takes over, within the unity of the Realm, the administration and government of Faroese affairs as indicated in this Act.

In article 2 it is expressed:

The matters and fields of administration specified in the appended list shall, in principle, be regarded as special Faroese concerns. The Faroese Home Government (the bodies referred to in the second sentence of section 1) can decide that all or some of these matters and fields of administration shall at once be transferred to the Home Government with the consequence that the latter will take over the expenses involved. With the same consequence, the Home Government may decide later that such matters and fields of administration specified in the list as are not transferred at once, shall be transferred to the Home Government. In like manner the Home Government is under obligation to take over matters and fields of administration specified in the list when the national authorities so desire.

In article 6 in this law it is expressed:

Matters which do not, according to this Act, come under the Faroese Home Government shall be handled as joint concerns by the national authorities.

On this list A are among other things the following items: Direct and indirect taxation. The right to make grants, and as a whole the right to dispose over all own incomes. Together with a whole series of other affairs these matters were taken over by the Faroese local government as special Faroese affairs in 1948.

But despite the fact that many proposals have been put forward with the aim to take over further items on list A, under article 1 and 2 under Faroese Home Rule, this has only been done to a very modest extent, and we can thus say that in general the Faroese local government has been stabilising itself on the Home Rule Act from 1948, and the decision taken by the Faroese parliament that same year.

The local government arrangement has then become a »static« arrangement, and not what undoubtedly had been the original intention, a »dynamic« arrangement, where more and more items were taken over as Faroese special affairs, and consequently the expenses involved.

However, two items included in the Home Rule Act, in article 9, the Faroese local government has been authorized to take over the administration itself. And in this article it is expressed:

Agreement shall be made, after negotiation, in which cases and to what extent it is possible, within fields falling under joint affairs, to leave it to the Faroese Home Government to promulgate detailed regulations for special Faroese matters and take over the administration of the field concerned.

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In accordance with this agreement the provisions for and the administration of the social security sector and the educational system were taken over by the Faroese local government.

The social security sector was taken over from 1st April 1975 and the educational system from 1st August 1979. Although the administration expenditures are now held by the local government, the total expenditure is being shared between the state and the local government on a fifty fifty basis on these items which remain unchanged.

Apart from this no real changes have taken place since 1948 in the financial relations between the Danish state and the Faroese local government.

And just as the Faroese constitutional position, as part of the Danish Kingdom, has not undergone any changes since it came into force on the 1st April 1948, the financial relations are largely the same as they were in 1948.

I shall now outline a few of the main features in the financial and economic relations.

Firstly, we have a survey of the public expenditures in the Faroes during the five year period from 1978-79 to 1982-83: The Faroese municipal expenditures, and the local government expenditures, and the Danish state expenditures.

### The Danish - Faroese financial relations (in million kr.)

<table>
<thead>
<tr>
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<th>78-79</th>
<th>79-80</th>
<th>80-81</th>
<th>81-82</th>
<th>82-83</th>
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</thead>
<tbody>
<tr>
<td>Municipal expenditure</td>
<td>182,3</td>
<td>200,7</td>
<td>227,6</td>
<td>280,5</td>
<td>327,6</td>
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<tr>
<td>Local gov. expenditure</td>
<td>517,1</td>
<td>626,7</td>
<td>739,4</td>
<td>971,0</td>
<td>1,042,5</td>
</tr>
<tr>
<td>Total Faroese expenditure</td>
<td>699,4</td>
<td>827,4</td>
<td>967,0</td>
<td>1,251,5</td>
<td>1,370,1</td>
</tr>
<tr>
<td>Total Faroese exp. in pr. cent</td>
<td>69,1</td>
<td>67,8</td>
<td>68,2</td>
<td>71,6</td>
<td>70,2</td>
</tr>
<tr>
<td>Danish state expenditure</td>
<td>312,9</td>
<td>393,0</td>
<td>450,3</td>
<td>496,9</td>
<td>580,6</td>
</tr>
<tr>
<td>Danish state exp. in per cent</td>
<td>30,9</td>
<td>32,2</td>
<td>31,8</td>
<td>28,4</td>
<td>29,8</td>
</tr>
<tr>
<td>Total</td>
<td>1,012,3</td>
<td>1,220,4</td>
<td>1,417,3</td>
<td>1,748,4</td>
<td>1,950,7</td>
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</tbody>
</table>

As it appears, the Danish state expenditure has been quite stable in percentage of the total public expenditures during this five year period, or about 30%.

The same percentage, as mentioned above, for the period 1972-73 was 32,3%.

The Home Rule arrangement has missed what undoubtedly has been one of its main aims, namely to gain more independence from Danish state support, and to be financially more self sufficient. On the contrary the Faroes have today become just as dependant on Danish state support, and just as financially dependent as before.

But let us analyse the Danish state expenditure more closely. (The following figures concern the calendar year 1982, and are therefore not identical with the figures above, which concern the fiscal year 1982-83).

The following expenditures must be regarded as irrelevant to the Faroese community, and partly unwanted:

- Danish administration in the Faroes: 4,3 mill.
- Danish war-ships: 76,7 mill.
- Danish Naval station: 7,3 mill.
- Military installations: 24,6 mill.

Total: 113,1 mill.