

Conclusion: Lessons and Advice for Future Local Government in Europe

Multifaceted reforms - opposing trends? The need for consistency and 'translation'

The three key concepts used here to understand shifts and effects of local government reform in Europe are: autonomy, performance, and participation. The improvement of *performance* for the citizens (in terms of effectiveness, efficiency and legitimacy) is a key function of local public sector reforms. Its fulfilment strongly depends on the levels of *autonomy* and the degrees of *participation*. For policymakers, it is important to take into account that these three dimensions are affected by the various reform approaches (territorial, functional, democratic and managerial) in quite different ways. There can be mutually reinforcing, neutralizing or weakening effects, depending on the concrete outline and direction of the reforms and the 'starting conditions' of the municipality. In a number of European countries, an increase in local autonomy after decentralization and participatory reforms has been attenuated or cancelled out by simultaneous austerity policies and cutback measures. The same applies to participatory reforms, where in many places citizens' control has been enhanced by way of new consultative channels etc., while simultaneously NPM-guided privatizations have reduced citizens' control over important domains of local governance. We have also observed that NPM reforms on the one hand, have enhanced local performance in many places, yet neglected or reduced participation and transparency on the other, e.g. after privatization and outsourcing. More recent post-NPM developments, such as the introduction of new consultation bodies and user boards along with re-municipalization and public corporatization, have in practice turned out to be rather limited in their participatory effects. This is even more problematic if citizen empowerment is combined with austerity measures, as has been the case in some countries, and thus user participation is reduced to pure rhetoric.

We conclude from this that there is a need for more consistency in reforms in a multilevel and multipurpose context. As upper levels of government are predominantly responsible for designing and legally framing local level reforms, they should have an interest in more reform concise-

ness and in avoiding opposing strategies that generate converse effects and trade-offs. This is all the more important as, in a multilevel context, the local governments are the first (aid) level of the public sector and still enjoy the highest levels of trust. They are ‘jacks of all trades’ and have to meet both the demands for effective and efficient services and good performance, and the requests for responsive and accountable democratic governance. From the citizens’ point of view, both functional and democratic elements of local governance are important. Although effectiveness and efficiency are top of the priority lists; in Europe, democratic participation is valued highly, too. This European perception stands in contrast to a purely Singaporean conception of good (local) governance, dominated by the values of effectiveness and efficiency. For policymakers, this implies that balanced reform packages are needed in order to guarantee that all the important dimensions of local governance are addressed, although with varying emphasis. Furthermore, reforms must be adapted to the specific national, regional and local contexts and decision-makers should not copy and paste fashionable ‘best practices’ from elsewhere, but design reform packages bearing in mind their specific needs and circumstances. Of course, local governments can learn from each other, even across regions and countries, which is a basic assumption of this cross-country comparative approach. However, some reform instruments are effective in some countries and regions, whereas they are likely to fail in others. Therefore, a careful analysis of concept transferability from one context to another and efforts of ‘translation’ are necessary to avoid disappointment and failures. A variety of organizational models is one of the key features of European local government and public sector reform. And, from our point of view, welcoming this variety is worthwhile as it allows for tailor-made reform approaches by taking the contexts and needs of various municipalities into account.

■ **Participation, accountability, legitimacy**

Another general lesson to be drawn is that often the improvement of already existing channels (e.g. for citizen participation) or piecemeal incremental reforms turn out to be more effective and successful than great leap strategies or radical transformations. One example is the free-access-to-information approach combined with new digital technologies, which promises quick wins for the localities. In general, such measures are easier to implement and less contested than more far-reaching constitutional ‘changes of the game’, like for instance the introduction of

directly elected mayors or referenda. However, even more moderate reforms, such as free-information policies, sometimes encounter serious obstacles at the local level, specifically if quasi-public and private agencies involved in local service delivery are requested to provide adequate information to users. It is therefore an important task for local policymakers to use their powers as principals to make this information accessible to their citizens in their role as 'ultimate principals'. To promote efficient accountability regimes, ICT and new social media should be used more broadly, e.g. for online-monitoring, e-consultation, and e-surveys. These new accountability channels in local governance are suitable for creative experimentation, with the aim of effectively securing citizen control, protecting against arbitrariness, contributing to performance improvements and to safeguarding local autonomy (the latter is specifically an accountability function in a context of inter-municipal cooperation). However, policymakers should be aware of the fact that different local tasks and different collaborative arrangements in service delivery call for different (combinations of) mechanisms of accountability. They should also keep in mind that these new arrangements of control and accountability presuppose a quite high level of social and political trust and a strong civil society, which cannot be taken for granted in all European countries and regions.

Another tension is an unbalanced relationship between local responsibilities and accountability. Local governments are often confronted with situations where they are considered to be (politically) accountable, but are in fact not (legally) responsible. The types of responsibility and accountability should correlate and should be proportional. To the extent that more responsibilities are decentralised to local government than resources - a common and hidden central government cost-saving strategy - or to the extent that central 'wicked' problems are politically defined at the local level, local responsibility and local accountability will be in conflict. Sticking to the principle of fiscal equivalence is therefore one approach to levelling out this imbalance and should therefore be recognized by policymakers when designing future reform approaches. This is a crucial contribution to achieving 'good local governance' with its claims of rule of law, transparency, accountability, effectiveness and efficiency of service delivery.

It is important for reformers to consider the time lag with which reforms come into effect, e.g. on legitimacy or efficiency. Even if the effects are likely to occur, one should not expect fast changes. In general, it is not the mere number of innovations that increases performance and/or legitimacy, yet their actual utilization and the impact they have on

local decision-making and policy implementation. If consultation results are not taken seriously by policymakers, citizens become sceptical and reluctant to participate, and legitimacy decreases even further. Finally, it is reasonable for local actors to take the encouraging or discouraging factors of successful participatory processes into account. These are: (1) the ambitions and motivations of people to become active, (2) the contacts and the social capital they can draw on, (3) the talents and time resources they invest, (4) the institutions and rules of the game, and (5) the empathy and responsiveness of government actors in stimulating participation.

The need for balanced and consistent reform packages notwithstanding, some reforms *per se* include potentially conflicting goals and a certain danger of trade-offs. Amalgamation reforms, for instance, which have been pursued in many European countries (also including some of the previously more reluctant Southern European and Eastern countries, such as Greece and Latvia), are often regarded as a threat to local democracy. However, there is also evidence that bigger municipalities attract more competent candidates for local mandates and that local elections become more competitive. Therefore, on the one hand, decision-makers should not equate mergers with losses in local democracy. On the other hand, they should consider anticipating the citizens' fears of decreasing participation by installing intra-municipal units or sub-municipal entities within bigger municipalities with their own political rights and functional competence in order to keep local government close to the citizens despite amalgamation. However, this solution has only proved effective under the condition that these inter-municipal units enjoy solid democratic legitimization, a significant functional profile, and a high degree of autonomy; otherwise their democratic and functional performance is rated as rather poor. Policymakers must therefore find a balance between the aim of generating savings and efficiency gains by way of upscaling and reducing institutional fragmentation on the one hand and the reform objective of bringing public administration closer to the citizen through the creation of additional local-level entities on the other.

■ Internal and external (post-) NPM reforms, performance and autonomy

Within this policy brochure, we have scrutinized performance-related improvements of local service delivery in European municipalities through reforms of externalization (e.g. privatization vs. re-municipalization, hybridization, etc.) and internal management (HRM, performance

information and measurement, joined-up government etc.). Some of these reform measures can be classified according to the NPM framework, others belong to reform approaches that aim to correct some of the unintended outcomes of NPM, which we label ‘post-‘NPM reforms, and a third cluster can be labelled as ‘non-‘ or ‘other-than-NPM’-reforms (see Bouckaert/Kuhlmann 2016: 2).

An important finding is that in general the institutional changes prompted by NPM-reforms, especially privatization, outsourcing, marketization, have turned out to be more influential and enduring in their overall impacts than subsequent post-NPM movements (such as re-municipalization, insourcing, re-integration of entities etc.). It is true that there are tendencies in several countries towards remedying failures of former NPM-reforms by either adding a new reform layer, by undoing some NPM-elements or by increasingly relying on hybrid forms of service delivery, such as public-private partnerships, co-production and co-creation with citizens and non-profit providers. However, these attempts are not an issue in all countries and sectors. For the case of re-municipalization, for instance, it was pointed out that “the pendulum might have swung back, but the pendulum has halted far from its original position” (Bönker et al. 2016: 82).

Regarding local autonomy we have found that NPM went hand in hand with decentralization and higher or more stable degrees of local autonomy in some countries (such as Sweden, France, Switzerland) whereas in others, there were also centralizing tendencies and partly shrinking degrees of autonomy, at least in the fiscal dimension (UK, Spain and some CEE countries). Sometimes, the NPM-agenda was even used to impose centralizing measures and to exert tighter controls over the localities, like in the UK. In such extreme cases reforms could turn out to be a real threat to local autonomy, especially when they were solely framed as austerity measures and meant to cope with the fiscal crisis (i.e. cutback strategies, staff reductions, outsourcing of services). In other cases, by contrast, local autonomy turned out to be a favorable condition or even a driver of locally framed and steered NPM-reforms. Interestingly, local government systems ranking high on the local autonomy scale (e.g. Switzerland, Germany, Sweden) have also been quite active in adapting some of the NPM-measures. Typically, in these countries reforms were pursued in a bottom-up manner using local discretion and organizational autonomy for innovation. Generally speaking, in most countries analysed here, NPM has not substantially reduced local autonomy, which can be seen from the long-term overall increase of the index in most of the dimensions (see chapter one in this volume). This is an interesting

finding as it contradicts the obvious expectation of NPM reforms leading to a decrease in local discretion. In addition, our research suggests that a high level of autonomy is a positive asset for local governments' performance, not at least because it puts them in a comfortable position to decide upon and customize their activities, services, and organizational settings in a way that suits their individual needs most effectively.

In terms of internal institutional autonomy we have seen that NPM-reforms have enhanced in many local governments the organizational autonomy of single-purpose entities, like public or semi-public corporations and local agencies. These developments towards an 'autonomization' of special-purpose entities have in some cases generated severe political steering problems, lacks of accountability and deficits in multi-purpose territorial governance. Therefore, NPM-related local-level agencification or corporatization - meant to increase performance - have in fact often contributed to major problems of coordination, political accountability, and control to be remedied by more recent re-reforms aimed at introducing new accountability regimes, user boards, approaches of joined-up governance etc. Policymakers should bear in mind these – sometimes remote and indirect - consequences of local agencification and corporatization and anticipate them when launching related reform measures.

Regarding the effects of internal management reforms, one general observation is that results tend to be best if trial and error learning is used, across-the-board cutback measures are avoided and ICT is strongly adapted. However, in countries with functionally and administratively weak municipalities or with a less developed tradition of local self-government, there is a need for capacity building at the local level of government. Policymakers must find appropriate incentives and tools to enable the municipalities to toughen up their organisational settings, to manage various collaborative arrangements with external actors, be it in the context of inter-municipal cooperation (IMC) or be it in relation to private and non-profit providers. And they also need to take reasonable strategic decisions regarding the system of service delivery, like for instance re-municipalization or insourcing of services. Local actors should be aware that especially these substantial changes of the system of service delivery are often controversially discussed, can bring about much contestation by various stakeholders and will take longer periods of time to be prepared and implemented.

Whilst there is agreement that the '*golden rule of subsidiarity*' should be applied, there are of course many institutional options to improve service provision. Whether this will be successful is largely dependent on the

specific circumstances in a country or region. In some cases amalgamations have turned out to be the best solution to overcome institutional fragmentation and the related functional weaknesses of the local government system. In other cases IMC was seen as a more feasible and acceptable solution. Anyway, decision-makers and reformers must take the advantages and disadvantages of these various institutional options into account. Doing so, they should draw on existing research about reform impacts or generate evidence about these impacts on various dimensions of local performance (e.g. on efficiency/savings; effectiveness/goal attainment; citizen orientation/satisfaction; legal/professional quality of task fulfillment etc.). There are many ways to gain better knowledge and to 'know your ground'. Our research showed that several approaches like experimental learning, learning from best practices (without copying them), 'lighthouse projects', seed funding of projects, needs and potential analysis, surveys, SWAT analysis, benchmarking and citizens' consultation proved to be helpful tools. Drawing more frequently and systematically on some of these measures would enhance the evidence-base, the level of acceptance and legitimacy and arguably the (positive) long-term impacts of local public sector reforms.

Performance in the light of democracy and stakeholder integration

Earlier research showed that the relationship between elements of internal administrative reform that focused on the increase in efficiency/performance, and elements of democratic renewal that focused on improving democracy is at least ambiguous. It is mostly stated that increasing democracy will lead to a decline in efficiency, since the introduction of e.g. participatory elements is costly. But LocRef research demonstrated that this is not necessarily the case and that if instruments are applied carefully and if citizens are integrated, a 'win-win-situation' is possible. One example is performance measurement. Whilst several studies showed that there is the danger of excessive over-steering, data cemeteries and transaction costs, under-utilization or measurement problems (just to name a few) by using performance measurement too extensively, it is unquestionable that it can be used for control, planning and to increase efficiency. Especially when performance measurement is used for performance assessments/appraisals at the individual level, a careful consideration is recommended since harmful consequences (such as loss of staff motivation) mostly occur when measurement and appraisal take place at

the individual level - and less so at the organisational or policy level. By integrating citizens into the design and the adoption of performance measures, municipalities can raise the quality of service delivery, achieve efficiency gains and at the same time increase citizens' satisfaction, improve accountability and, hence, improve democracy. Therefore, we suggest turning away from a purely internal perception of what is 'good quality' to a cooperative understanding of what citizens define as good quality, hence not only increasing citizen satisfaction but also holding them accountable for changes in service provision. We conclude that citizens' views are a valuable source of data and a way to seriously improve the quality of service delivery. Their inclusion is recommended in performance measurement as recipients of reports, and also to design performance indicators and to identify standards that are relevant to the addressee of service delivery and not for the administration only. 'Bringing the citizens back in' seems to be therefore generally a good idea for the design and implementation of instruments of internal and external management reforms, since administrative staff might gain new insights, but they should be aware that more consensus-oriented decision-making processes are necessary - and sometimes they are hard to achieve.

As a continuation of this stream of thought, another general lesson to be drawn out of LocRef research is to foster '*stakeholder integration*', *communication* and *cooperation* in the design, adoption and implementation of (managerial) reforms. Increasing communication with all stakeholders (employees, service providers, users, citizens, departments, units, IMC partners etc.) and involving strategic interests (e.g. interest groups, associations of municipalities, municipal companies) before, during and after a reform process is worthwhile. Explain why you do the things the way you do and try to involve stakeholders whenever possible. Communication is very strenuous, but it is worth the effort. Research showed that through this advice, reform opposition decreased or was less severe (e.g. for privatization or amalgamation reforms) and staff motivation increased or at least stayed the same (e.g. for HRM reforms) – obviously with positive effects on the performance of administrative tasks and services delivered. Nevertheless, just to keep opposition low is not enough. Successful reforms, especially when changes of internal managerial reform are envisaged, also need a strong 'advocate' to ensure successful reform implementation. The most important promoter at the local level is certainly the mayor, but also other key actors (e.g. heads of departments/units etc.) are important. They must ensure communication processes and foster cooperation between departments and units. Especially in projects/reforms that aim to increase vertical coordination, key actors should integrate all

departments/units from the very beginning and use strategic planning to tackle coordination problems. More generally, in several reform areas (externalizations, JUG, HRM, strategic planning etc.), cooperation was identified as a key factor of success. We assume that future reform activities will (and should) focus more and more on an increased use of forms of cooperation, be it to achieve efficiency gains (e.g. for IMC), to replace/undo former reform failures (post-NPM; JUG), to raise effectivity (i.e. horizontal coordination between cross-sectional departments; E-Government; staff motivation increases in HRM; for strategic planning to create alliances with other municipalities or associations of municipalities) or to improve operational logics by fostering cooperation amongst service fields.

Autonomy, size, democracy

In Europe, there has been a significant increase in local autonomy over the last 25 years, most significantly in the new democracies but also, to a lesser extent, in the older democracies. There are only a few cases with a significant decline in local autonomy, most pronouncedly in Hungary and Spain. Although many countries, specifically in the South of Europe (Cyprus, Greece, Italy, Portugal, Spain), but also in the Northern parts (Ireland, United Kingdom, some German ‘Länder’), were severely affected by the fiscal crisis and subsequent austerity measures, there is a general trend in Europe towards more autonomous municipalities. However, a frequent reaction of national governments in those countries suffering from the fiscal crisis has been the downshifting of tasks from upper levels to the local governments without adequately increasing the resources. Quite on the contrary, local fiscal and financial liberties were often reduced in these countries, as was local autonomy because borrowing became more difficult. Thus, with general local autonomy not being affected by the crisis in most of the countries observed, the principle of fiscal equivalence turned out to be violated in many cases, and national governments often responded to fiscal pressures by way of unitary reflexes and stricter controls over local actions. This increasing tension between local responsibility and accountability in those countries affected by austerity measures and cutback strategies contradicts the principle of ‘good local governance’. Conspicuously, the likelihood of reductions in local financial autonomy is higher in those countries where municipalities are already strongly fiscally dependent on upper-level resources. Yet, these reactions, at first glance comprehensible from a national point of

view, do not appear very convincing at a second glance. As we have seen from our research, strong and financially self-reliant municipalities serve as a stronghold against crises, have stabilizing effects in times of economic pressure, are less vulnerable, less subjected to blame shifting from above, and in general more resilient to fiscal problems. Therefore, the answer to external pressures, wicked problems, and developments of crisis should be to guarantee well-equipped, fiscally healthy, strong municipalities that have the capacities to provide assistance to their citizens and the resources to cope with negative impacts of crises. Having said that, we must take into account, however, that local autonomy does not guarantee economic growth. Yet, empirically, it goes hand in hand with economic well-being in a number of European countries (e.g. Switzerland, Sweden, Denmark, Germany), whereas countries with less autonomous municipalities were in general more severely affected by the crisis and economic pressures (e.g. Greece, Cyprus, Ireland).

Some countries dramatically reduced the number of their municipalities as a response to fiscal pressures (e.g. Greece, Ireland, and Albania) and/or to enhance effectiveness and efficiency of local service provision (e.g. UK, Turkey, Denmark, the Netherlands, Belgium, Finland). However, there are still remarkable differences in terms of size between and even within the European countries without showing a clear regional pattern. It is true that in the Nordic countries, the municipalities are the largest and have become larger over time (e.g. Denmark, Ireland, and UK); however, this is also the case for some Mediterranean and Eastern countries. In Middle, Southern and Eastern Europe, we have small and large municipalities. The federalist countries tend to have smaller municipalities on average, yet this does not apply to Belgium, and in Germany there is a huge variety, with some 'Länder' tending towards the 'Northern pattern' and some retaining a more fragmented municipal structure. In general, amalgamations have not been a common way to react to the most recent fiscal crisis of 2007. Times of severe crisis have turned out to be not the best moments for fundamental reorganization at the local level of government. Many countries had embarked on amalgamation reforms much earlier, some already starting in the 1950s and 1960s. Moreover, mergers are often not primarily considered a tool for coping with fiscal stress or with which to achieve short-term savings, but with which to equip local governments in the long run with more viable structures, stronger capacities to provide high-quality services for their citizens, and more resilient institutions to cope with increasing task-portfolios and future challenges. Against this background, amalgamations (as well as NPM modernization) should predominantly be regarded and framed as

prospective reforms which can increase effectiveness and efficiency, but not as austerity measures or cutback strategies.

Local autonomy and local democracy go hand in hand, and both aspects in general improved in Europe over the last few decades. Specifically, municipalities' freedom to decide on taxes, on their political system and their administration as well as on a broad range of tasks are most strongly related to the quality of democracy (measured by trust and electoral turnout). The levels of trust – combined with low degrees of corruption – are the highest in the Nordic countries, Germany, Austria, Switzerland, and the Benelux countries. Most of these countries, in particular Switzerland, Denmark, Sweden, Norway, and Finland, also score highly in terms of local autonomy, which supports the assumption that these two properties of local government systems are strongly interrelated; and this, in addition, goes hand in hand with economically strong and well-functioning countries. Against this background, the claims for more local autonomy and democracy, but also for more viable and better performing local institutions are justified and thus should be appropriately responded to by policymakers.

