Modernisierung des öffentlichen Sektors | Sonderband 47

Schwab | Bouckaert | Kuhlmann [eds.]

The Future of Local Government in Europe

Lessons from Research and Practice in 31 Countries

Nomos

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herausgegeben von / edited by

Jörg Bogumil,
Ruhr-Universität Bochum, Fakultät für Sozialwissenschaft

Julia Fleischer,
University of Bergen, Department of Administration and Organization Theory

Gisela Färber,
Hochschule für Verwaltungswissenschaften, Speyer

Wolfgang Gerstlberger,
University of Southern Denmark, Department of Marketing & Management, Research Group Integrative Innovation Management

Gerhard Hammerschmid,
Hertie School of Governance, Berlin, Public & Financial Management

Marc Hansmann,
Finanz- und Ordnungsdezernat der Landeshauptstadt Hannover

Sabine Kuhlmann,
Universität Potsdam, Lehrstuhl für Politikwissenschaft, Verwaltung und Organisation

Renate E. Meyer,
Wirtschaftsuniversität Wien, Institut für Public Management

Erika Mezger,
Deputy Director, European Foundation for the Improvement of Living and Working Conditions (Eurofound), Dublin

Frieder Naschold †,
Wissenschaftszentrum Berlin für Sozialforschung

Christina Schaefer,
Helmut Schmidt-Universität Hamburg, Professur für Verwaltungswissenschaft, insbesondere Steuerung öffentlicher Organisationen

Karsten Schneider,
DGB-Bundesvorstand, Leiter der Abteilung Öffentlicher Dienst und Beamtenpolitik, Berlin

Göttrik Wewer,
Vice President E-Government, Deutsche Post Consult (DPC) GmbH., Bonn

Sonderband 47

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Christian Schwab | Geert Bouckaert
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The funding of this volume was supported by the COST (European Cooperation in Science and Technology) Association. COST is supported by the EU framework Programme Horizon 2020.

The Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data are available on the Internet at http://dnb.d-nb.de

ISBN 978-3-8487-3756-7 (Print)
978-3-8452-8063-9 (ePDF)

British Library Cataloguing-in-Publication Data
A catalogue record for this book is available from the British Library.

ISBN 978-3-8487-3756-7 (Print)
978-3-8452-8063-9 (ePDF)

Library of Congress Cataloging-in-Publication Data
Schwab, Christian / Bouckaert, Geert / Kuhlmann, Sabine
The Future of Local Government in Europe
Lessons from Research and Practice in 31 Countries
Christian Schwab / Geert Bouckaert / Sabine Kuhlmann (eds.)
129 p.
Includes bibliographic references.

ISBN 978-3-8487-3756-7 (Print)
978-3-8452-8063-9 (ePDF)

1. Edition 2017
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Preface

This policy brochure is an outcome of the COST Action IS1207 'Local Public Sector Reforms (LocRef[1])', which ran for four years from March 2013 to March 2017 within the EU/Horizon 2020 framework. The main objective of this project was to identify approaches and effects of local public sector reforms from an international, comparative perspective, to explain these approaches/effects and to draw lessons for future policy-making. LocRef embraced more than 300 senior and early stage researchers in 31 countries from about 60 academic institutions. Based on a shared European perspective, it brought together academics and practitioners in order to jointly assess the hitherto scattered and dispersed information bases on local public sector reforms, to generate new comparative knowledge, and to develop policy-relevant frameworks in order to design future modernization processes in Europe. The overarching questions addressed by LocRef were:

> "*Which approaches and effects of local public sector reform can be identified from an international comparative perspective? How can these be explained? What lessons can be drawn for policymaking*"?

The output of LocRef includes more than 200 individual articles, 10 English language books and seven special issues in international journals (published or in preparation). To achieve this output, 32 conferences, workshops, meetings and PhD Training Schools were conducted within the four year term of LocRef. What has been missing so far, however, is an overview of the major conclusions and recommendations to practitioners to guide future reforms of local governments in Europe. This policy brochure is meant to fill this gap. The policy brochure project would not have been feasible without the support of many colleagues, friends and institutions. First and foremost, the main resource for making this network project possible came from the COST Association (European Cooperation in Science and Technology), which funded LocRef as COST Action IS1207. The editors had the honour of serving LocRef as Academic Coordinator, Vice Chair and Chair. We are very grateful and owe many thanks to the senior and early stage researchers within LocRef who contributed to our common research, be it as working group chairs/members, authors, commenters, discussants, local organizers of conferences/workshops or participants in periods of research at partner institu-

1 Refer to: http://www.uni-potsdam.de/cost-locref/

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tions (so-called Short Term Scientific Missions). A complete list of LocRef participants is provided in the appendix. Moreover, we would like to express our gratitude to the main authors of the chapters as well as to those colleagues who contributed valuable input and empirical information to the various chapters of this policy brochure. Without their contributions, this book would not have been possible. Our thanks also goes to the research team in Potsdam, particularly Marcel Blank, Justine Marienfeldt and Constanze Arnold, for their support in preparing the final manuscript. Lastly, yet importantly, we would like to thank the reviewers of the book manuscript for their helpful comments on an earlier version of the brochure, and our publisher, Nomos edition sigma, for its interest in our project and the support we received.

Geert Bouckaert
KU Leuven Public Governance Institute, Belgium

Sabine Kuhlmann
Political Science, Administration and Organization
University of Potsdam, Germany

Christian Schwab
Political Science, Administration and Organization
University of Potsdam, Germany

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Christian Schwab, Geert Bouckaert and Sabine Kuhlmann

Autonomy, Performance, Participation: Lessons from the Comparative Study of Local Public Sector Reforms

Local Public Sector Reforms in Europe: Core Areas of Modernization

Over recent decades, local governments in Europe have come increasingly under pressure facing a multitude of new challenges, like demographic change, climate change, public debt, digitalization, demands for more participation, and the migration crisis in some European countries, to name just a few. Consequently, a wave of political and administrative reforms aimed at coping with these challenges, pressures and, wicked problems has changed local governance in many nations. In part, these changes were the result of reform policies introduced by national and state governments, often triggered by austerity, which has become an overwhelming reality for an increasing number of European municipalities. They also followed municipal initiatives and more endogenous driving forces.

At the same time, current demands on and future expectations of local governments are high and still growing: municipalities and counties are not only responsible for efficient administration, high-quality services and a legally correct execution of laws coming from the upper levels of government, but also for ensuring legitimacy, democratic participation, accountability and trust – often under the conditions of austerity. Obviously, a certain degree of autonomy is needed in order to put local governments in a position to meet all these demands.

This policy brochure draws *scientific conclusions* from the comparative study of reforms in 31 countries, including not only Continental European, Nordic and Anglo-Saxon countries, but also Central Eastern and South Eastern European countries. As the policy brief is entitled '*Future* of Local Government in Europe', our ambition here is not only to draw lessons from the past, but also to ask how policymakers can shape and influence the future of local governments. How should they deal with increasing challenges and how can reform decisions be adapted to various external and internal pressures? Just ignoring them does not seem to be a very convincing option.

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Thus, based on the *lessons learned* from our comparative research, the policy brief derives evidence-based *policy advice* for policymakers and local government representatives to be utilized to formulate and implement future reforms, meant to create viable, well-performing, responsive, and democratically accountable local governments. We are convinced that these are crucial elements of modern states and democratic systems in general. Therefore, with this policy brief, we want to provide guidance and advice for policymakers to be taken into account when they are designing the future of European local governments.

We have studied four basic reform trajectories, all of which have turned out to be major trends in the 31 European countries covered by this project – although they were pursued with varying facets, paces, and impacts (for details see Kuhlmann/Bouckaert 2016):

1. *Reorganization of local service delivery*, so-called external (Post-)NPM reforms (LocRef working group I)
2. *Managerial reforms*; so-called external (Post-) NPM reforms (LocRef working group II)
3. *Territorial and functional rescaling* (LocRef working group III)
4. *Democratic reforms* (LocRef working group IV)

Reorganization of local service delivery: Many local governments all over Europe have reorganized their structures, modes, and procedures of service delivery. Starting in the 1980s, New Public Management (NPM)-driven externalizations of local services to private or non-profit providers (contracting out, functional/asset privatization, corporatization, competitive tendering) were pursued. In LocRef, this type of reforms was labeled 'External (Post-) NPM reforms', because it is intended to change the relationship between the state and the market in order to restructure the relations between organizations and sectors. Topics at stake have been amongst others functional/asset privatization, corporatization, contracting out, competitive tendering and agencification. However, more recently, in some countries and sectors, a trend of post-NPM re-municipalization and insourcing of previously externalized local functions is perceivable.

Managerial reforms: Internal managerial reforms have also largely been guided by NPM ideas. Inspired by the concept of a customer-friendly 'service enterprise' to be managed in a performance-oriented manner, many local governments have embarked on reform projects of internal reorganization, process re-engineering, new budgeting and accounting systems, performance management tools and human resource-related modernization (e.g. performance-oriented pay) and process re-engineering. From a post-NPM perspective, some new trends have

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emerged that are partly aimed at correcting former NPM failures, for instance joined-up government (instead of fragmentation and sectoralization), strategic planning (instead of short-term management), which is partly meant to cope with the fiscal crisis, e.g. cutback and austerity management.

Territorial and functional rescaling: Major questions here are, whether the territorial sizes and administrative jurisdictions of local authorities are becoming larger and larger (bigger is better with the basic idea to achieve economies of scale) or remaining small (with the basic idea of ensuring proximity and participation) and how local governments can cooperate if amalgamations are not the preferred institutional choice. In the latter cases, trans-scaling strategies have been pursued that aim at ensuring the operative viability, even of very small-scale municipalities, by establishing inter-municipal bodies. In many countries, territorial rescaling entails measures of functional reallocations of tasks between the levels of government. In this regard, an overall trend of (political/administrative) decentralization has been observed since the 1980s and a reverse movement of re-centralization, specifically in Southern Europe, after the global financial crisis of the 2010s is to be noted.

Democratic reforms: This type of reforms addresses the political and participatory dimension of local governments aimed at 'bringing the citizens back in', in order to allow residents to participate in public debates by introducing consultations and more interactive policymaking. It includes new forms of direct and deliberative democracy, like local referenda, initiatives, petitions or recalls, but also the modernization of 'old' instruments of representative democracy and elements of so-called cooperative democracy or collaborative governance. The latter refers to the inclusion of civil society and the citizen as a co-decision-maker or co-creator in local policymaking by way of citizen forums, youth/neighborhood councils or e-democracy.

Autonomy, Performance, Participation: A Cross-Cutting Perspective on Local Reforms

Our comparative research has revealed that the aforementioned four areas of local public sector reform are not independent of each other, but – as they all affect local government – are strongly interlinked and interwoven, often pursued simultaneously, yet in a rather disconnected manner, and almost never evaluated from an overall cross-cutting perspective. In many cases, we observe multifaceted, partly explosive mixtures of various

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reform tools stemming from a more or less reasonable selection of tools from the four reform toolkits. Yet, these various tools might address rather different, even conflicting or opposing goals. The demand for more efficient structures by way of amalgamation or upscaling can stand in contrast to the objective of ensuring more proximity and citizen engagement. Outsourcing services to private agents can be in conflict with the demand for more political accountability of the public principal or user democracy and so on. These developments might cause trade-offs, negative or unintended effects which are, however, not visible when studying the various types of local-level reforms separately, disregarding their interrelatedness.

Against this backdrop, it is our aim here to address local public sector reforms from a cross-cutting viewpoint and to concentrate more pronouncedly on the interaction effects of the four core areas of reform. On this basis, we will draw some general lessons from our research and provide evidence on whether the effects of various approaches of local public sector reforms have intensified or cancelled each other out. We will scrutinize to what extent the reforms analysed in one area have had an (intensifying/weakening) impact on the results in other reform areas.

Our guiding questions are: How do the external NPM reforms influence the outcomes of the internal NPM, democratic and territorial/functional reforms? To what extent do the internal NPM reforms shape the outcomes of the external, democratic and territorial/functional reforms? Which impact do the democratic reforms have on the outcomes of the external/internal NPM and the functional/territorial reforms? How do the territorial/functional reforms affect the outcomes of the external/internal NPM and the democratic reforms? For these purposes, the four LocRef working groups intensified their mutual exchange and developed an analytical scheme, cross-cutting the different reform trajectories. On this basis, we combine in the following the four LocRef pillars (according to working groups I-IV; see above) with a new cross-cutting perspective on three key issues of local governance:

1. Autonomy (Chapter I; *Andreas Ladner*)
2. Performance (Chapter II; *Trui Steen, Filipe Teles, Harald Torsteinsen*)
3. Participation (Chapter III; *Bas Denters*)

(1) Autonomy: Local autonomy refers to the municipalities' and counties' power to determine public action in their jurisdiction, to set policy priorities, to decide upon organizational matters and to manage their resources. This includes, on the one hand, a certain degree of independence from upper levels of government and political discretion and, on

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the other hand, a relevant portfolio of tasks to be performed as well as capacities to discharge these various local functions (for details see Chapter I). This kind of 'real decentralization' is generally assessed as a positive feature of local governments. However, it must be taken into account that too much autonomy might also be dangerous, especially under the condition of lacking institutional, democratic, and/or financial capacities. The latter particularly have tended to decrease in many countries with the outbreak of the financial crisis and subsequent severe austerity policies. Consequently, the tension between effective service delivery for citizens and cost-cutting has become more pressing in many local governments all over Europe. This, in turn, might on the one hand question the idea of local autonomy, because central, federal, and provincial governments are often keen to seek greater savings from local governments than from their own activities and thus impose austerity policies, spending restrictions, and policy priorities at the local level. On the other hand, cutback pressures could also be a window of opportunity for local governments to modernize their procedures, organizational settings and modes of service delivery. Yet, austerity can also mean that central governments withdraw resources from the local level and at the same time give them more freedom (autonomy) to act. Or, virtually leave them 'alone' with more liberty, i.e. no or insufficient resources, which has been labelled as 'austerity localism' in England. Against this background, the question arises as to whether austerity policies will diminish or, in contrast, strengthen local autonomy. Which local public sector reforms will result in increasing autonomy, and which will contribute to autonomy losses – specifically in times of austerity? Obviously, the four reform areas studied in LocRef can be expected to have quite different impacts on local autonomy. For instance, enhancing local governments' task portfolio by way of decentralization will possibly strengthen local autonomy, at least in its functional dimension. However, if at the same time major local services are being outsourced or privatized, this, in turn, will reduce local autonomy because municipalities then will be more dependent on private providers. Another example of the interaction of different reform effects is the introduction of direct democracy and territorial reforms. Whereas new direct-democratic instruments and participatory reforms can be expected to increase local (political) autonomy and discretion, municipal mergers lead to the dissolution of politically independent small local entities. However, this might finally result in a general increase in local autonomy, at least if the new unitary municipality is more viable, powerful, and thus more independent of upper levels and external actors. In the end, an overall upgrading of local autonomy might be the outcomes of participatory and

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territorial reforms, at least under favourable circumstances. It thus becomes apparent that the interaction of the various reform approaches studied here affects local autonomy quite substantially, sometimes in a rather ambiguous manner, specifically under the pressure of austerity. These tensions and questions will be taken up in Chapter I of this policy brochure entitled 'Autonomy and Austerity: Reinvesting in Local Government'.

(2) Performance: Local government is the level closest to the citizens, is concerned about improving service delivery, increases performance and output legitimacy, and tends to be more salient and visible than the superior levels of government. Therefore, improving local performance, that is, effectiveness, efficiency, accountability, user-orientation etc. of local governments, is one of the core objectives of local modernization processes, be it in the context of internal or external NPM-reforms, territorial and functional rescaling or participatory movements. However, the attempts at rearranging service provision and chains of local service delivery as well as the degree of contestation regarding classical Weberian bureaucracy, as contrasted with NPM, are highly diverse in various local government systems. Not surprisingly, the answers of the contributions to this volume to the questions of whether, when, and to what extent the 'pendulum is swinging' back (from private to public; from NPM to're-Weberianization') are not uniform, but rather differentiated. The same holds true for the assessments of the results of performance impacts. Changes in performance are inevitably linked to different reform approaches. They can be a result of territorial rescaling in combination with accompanying strategies of internal organizational restructuring that are meant to increase the effectiveness and efficiency of service delivery. Another example of the effects of interaction is inter-municipal cooperation that might be an appropriate way to circumvent the outsourcing of service provision to private providers and, at the same time, to ensure user participation and democratic accountability. Often, trans-scaling is also linked to internal organizational changes and the introduction of new operating logics of local service provision, partly drawing on performance management tools. Finally, upscaling reforms combined with innovative management techniques, might also have an impact on external reforms in the sense that better performing, more viable and efficient local governments can more easily afford to provide services in-house and thus avoid privatizations. On the other hand, introducing new managerial techniques in order to improve the quality of service delivery and the performance of the municipality while simultaneously privatizing and outsourcing its services may also have paradoxical effects, because an increased capacity to

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perform then stands in contrast to diminished functions to be performed. Under the headline 'Improving Local Service Delivery: Increasing Performance through Reforms', Chapter II of this policy brochure will address these questions, draw lessons from them and give advice to decision-makers.

(3) Participation: Across the world, cities and towns are becoming increasingly important loci for addressing major societal challenges. Some even talk about a return of the city-state or about the potential of mayors ruling the world. Against this backdrop, the democratic accountability of those who rule cities and towns becomes increasingly important. However, this implies that answering the question of 'who rules this city' may have become even more difficult to answer than before. In recent years, local political decisions have been increasingly relocated from traditional public decision-making in 'town halls' to more deliberative and direct democratic arenas as well as to collaborative forms of governance in 'multi-agency networks' that cross traditional jurisdictional boundaries. This relocation of local public decision-making is partly caused by the reform movements analysed here, which raises the questions of whether, how and under which conditions they have contributed to an overall increase in participation and citizen involvement. Have the various – partly opposing, partly complementary - reform measures reinforced or cancelled each other out regarding the participatory quality of local governments? What difference does the overall impact of (Post-) NPM reforms, rescaling processes and democratic renewal make for the citizens and their participatory capacity? For instance, striving for larger territorial units can, on the one hand, entail increased participation because citizens then have more issues to decide upon, which raises their interest in being involved in local decision-making processes. It may also prompt the establishment of new local levels, such as intra-municipal or sub-municipal units to ensure proximity, which can be an additional source of participation. On the other hand, upscaling can also result in a greater emphasis on performance and efficiency of the then more viable local entities to the disadvantage of participation and proximity. Finally, we might also observe the paradoxical situation that new forms of democratic participation are introduced and citizens are empowered, while, at the same time, municipal services are externalized, centralized or abolished for austerity reasons, which has been labelled as 'empowerment of powerlessness'. Chapter III of this policy brochure entitled 'Participation and Democratic Accountability: Making a Difference for the Citizens' will draw conclusions and give advice regarding local public sector reforms, participation and accountability.

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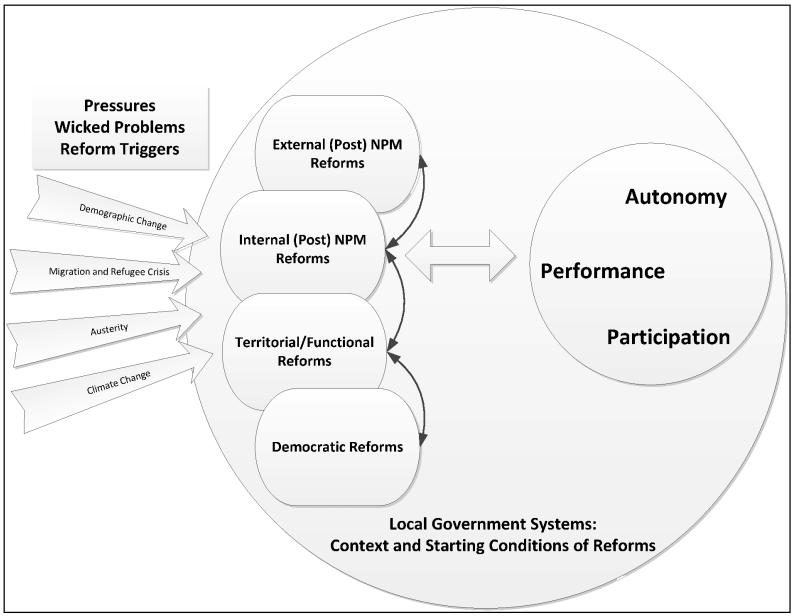
To sum up, we have seen that the impacts of the four reform approaches studied in LocRef are strongly interrelated, which may either have positive/intended or negative/unintended consequences for the functioning and performance of local governments. It has also become apparent that the interrelatedness of reforms, their (at least partial) simultaneousness and often disconnected or uncoordinated implementation poses quite a number of tensions and problems to the local governments. Their solution needs as much effort, innovation and creativity as possible for the future governance of municipalities in Europe in the years to come. Figure 2 presents a simplified model of the interrelationship between the reforms and the three cross-cutting issues of autonomy, service delivery/ performance, and participation.

≡ Figure 1: Local Public Sector Reforms and Autonomy, Performance, Participation



Authors' own representation

The following three chapters are organized according to these three key topics of autonomy, performance, and participation focusing on the guid-

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ing question: *What lessons and policy recommendations can be drawn from LocRef research in 31 countries?*

Thus, we will present:

a) major *scientific conclusions* and *lessons*
b) *policy advice* for practitioners to be used for future reforms.

Doing so, we will address all four kinds of local public sector reforms in each of the chapters in order to emphasise their interrelatedness, but also tensions between the reform concepts and impacts to be considered by policymakers. Our aim is thus to avoid a possible 'pillarization' based on a strict separation of reform areas and, instead, to strengthen a cross-cutting perspective on local public sector reforms, which has been neglected in previous research so far.

Types of Local Government Systems and Country Sample

The 31 countries included in this volume are (in alphabetic order): Albania (AL), Austria (AU), Belgium (BE), Croatia (HR), Cyprus (CY), Czech Republic (CZ), Denmark (DK), Estonia (EE), Finland (FI), France (FR), Germany (DE), Greece (EL), Hungary (HU), Iceland (IS), Ireland (IE), Israel (IL), Italy (IT), Latvia (LV), Lithuania (LT), Netherlands (NL), Norway (NO), Poland (PL), Portugal (PT), Romania (RO), Slovakia (SK), Slovenia (SI), Spain (ES), Sweden (SE), Switzerland (CH), Turkey (TR), United Kingdom (UK).

Drawing on pertinent typologies that incorporate organizational, cultural, and civil service related features, these countries represent six types of local administrative systems (see Kuhlmann/Wollmann 2014; Bouckaert/Kuhlmann 2016, Heinelt et al. 2017) which we consider here to be the contextual or starting conditions for reforms. These contextual conditions, within which local actors operate, must be considered an important factor for understanding and explaining reform movements and outcomes. Thus, similar institutional interventions can bring about very diverse effects in the contexts of the individual countries or groups of countries because they each encounter pre-existing institutional arrangements and institutional 'legacies'. These have to be taken into account when interpreting the lessons learned from LocRef and applying the generic policy advice given here to specific national, regional, and local circumstances (see table 1). In order to do so, an attempt at 'translation' is necessary, which the following country clustering can pre-structure and facilitate. The typology of six different types of local government systems described

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below therefore refers to features of public administrations at the local level of government and is built on three main dimensions (see Heinelt et al. 2017):

a) *historical dimension*: is based on the East-West difference of public administration development (system change and bureaucratic history), namely the differences between the Western (Weberian) bureaucratic model and the post-Communist model (transition of the institutional legacy of Communism).
b) *institutional dimension*: refers to the macro-level structure of public administration and differentiates between unitary-centralized, unitary-decentralized and federal systems of public administration.
c) *cultural dimension*: refers to the administrative culture and legalistic/law traditions and differentiates between a Continental European 'rule of law' tradition with a focus on legalism, stemming from Roman Law (and a varying degree of clientelism between the countries within this tradition), and the Anglo-Saxon culture of 'public interest' with a common law tradition and a focus on managerialism, transparency and open recruitment systems.

Within the *Continental European Napoleonic type (CEN)*, the principle of legality with a strong common Roman tradition and statutory law is typical. Legal norms are comprehensively codified, the administrative judicature is extensive and the whole administration system is strongly centralized with a deeply rooted political culture where the role of the central state with its centralized bureaucracy is very strong and accepted. In terms of functionality, local governments are traditionally weak and the state is highly visible in the territory with many deconcentrated field offices. Some (especially) Southern European countries within this type exhibit a high amount of politicization, clientelism and party patronage.

The *Continental European Federal type (CEF)* is characterized by a strong legalistic and rule of law administrative culture. Remarkably, the subnational (decentralized) level of government with the prevailing principle of subsidiarity is highly important in this type. Central level bureaucracy is weaker and 'leaner' than in the CEN type, whereas the importance of local government is higher, also (in many countries) with a stronger, more influential mayor.

The Scandinavian/Nordic countries form the *Nordic type (NO)*. While also rooted in the Roman law tradition, this system is peculiar with respect to an open civil service career and recruiting system and the principle of transparency and openness (accessibility of information, participation) for the citizens. Subsidiarity is also a general principle; the admin-

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istrative structure is highly decentralized with politically and functionally strong local governments, which shows a high degree of autonomy.

Looking at the *Anglo-Saxon type (AS)*, the predominant administrative tradition is the so-called public interest tradition, based on liberal state philosophies and an instrumental understanding of statehood. The separation of public and private law (common law) does not exist, and open recruitment and career systems prevail. While functionally strong, local governments' political positions are rather weak in terms of local leadership.

The *Central Eastern European type (CEE)* is characterized by its break with the former socialist administrative system. Local governments are functionally strong with varying degrees of fiscal discretion, and the public administration system is rather decentralized. Countries within this type have made great efforts to establish a constitutional and administrative model of the Continental European type, whilst the Baltic States adhered more to the Nordic type. Moreover, territorial fragmentation is rather dispersed, encompassing the whole range from low to high territorial fragmentation.

Focusing on the *South Eastern European type (SEE)*, we see that a characteristic feature of the Balkan countries is their striking similarity to the South European countries within the CEN type. Local leadership is strong (especially mayors) and local governments' functions are rather limited with low fiscal discretion and with local governments occupying a generally weaker position compared to the central level, which has adopted a centralized, unitary public administration structure.

The following table gives an overview of the evidence-base of this policy brochure, that is, the (groups of) countries covered and analyzed here with regard to the three cross-cutting topics of 1) autonomy/austerity; 2) service delivery/performance; 3) participation/citizen involvement. For comparative purposes and generalizations to be drawn, we assigned them to the respective type of local government/administrative systems.

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≡ Table 1: LocRef countries grouped by type of local government system and key dimensions of analysis

Type of Local Government System*	Cross-Cutting Themes of Research and Advice		
	Autonomy (Chapter 1)	**Performance (Chapter 2)**	**Participation (Chapter 3)**
	Countries covered in the policy brochure (per theme/chapter)		
Continental European Napoleonic Type (CEN)	Belgium, France, Greece; Italy, Portugal, Spain, Turkey	Belgium, France, Greece; Italy, Portugal, Spain, Turkey	Belgium, France, Greece; Italy, Portugal, Spain, Turkey
Continental European Federal Type (CEF)	Austria, Germany, Switzerland	Austria, Germany, Switzerland	Austria, Germany, Switzerland
Nordic Type (NO)	Denmark, Finland, Iceland, the Netherlands, Norway, Sweden	Finland, Iceland, the Netherlands, Norway, Sweden	Denmark, Finland, Iceland, the Netherlands, Norway, Sweden
Anglo Saxon Type (AS)	Cyprus, Ireland, United Kingdom	Ireland, Israel, United Kingdom	Ireland, Israel, United Kingdom
Central Eastern European Type (CEE)	The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia	The Czech Republic, Estonia, Hungary, Lithuania, Poland, Slovakia	The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia
South Eastern European Type (SEE)	Albania, Croatia, Romania, Slovenia	Croatia, Romania, Slovenia	Croatia, Romania, Slovenia

Source: according to Bouckaert/Kuhlmann 2016: 10-14; Heinelt et al. 2017 (forthcoming)

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Andreas Ladner

Chapter 1: Autonomy and Austerity: Re-Investing in Local Government

based on contributions by Nikos Hlepas, Claire Kaiser, Andrea Lippi, Carmen Navarro, Esther Pano Puey, Geraldine Robbins, Miguel Rodrigues, Reto Steiner and Theodore Tsekos

1.1 Introduction

There is wide agreement that in an increasingly complex and globalized world problems can only be solved by the joint endeavours of actors on different state levels and across borders. The concept of multilevel governance captures this new set of circumstances quite well: networks of actors with blurring borders and no clear-cut distinction between the public and the private sector have replaced traditional territorial structures and hierarchies. Seeking a consensus and compliance have become more important than predefined chains of command. People no longer live where they were born, they no longer work where they live, and they are confronted with changing environments which reflect their different activities. How can a single municipality maintain its dominant role as a point of reference for identity building and democratic decision-making in the light of this growing complexity?

At the same time, there will always be some services and facilities which remain predominantly local. Schools and childcare on a face to face basis as well as care for elderly people will most probably also be offered close to the place where people live in the future. Water, energy, and waste removal will have to be provided according to the demands of the citizens, and neighbourhoods will always matter, be it for social contacts and activities, or be it as distinct surroundings offering specific characteristics for different tastes. Accordingly, there will always be decisions to be taken which will have a very direct impact on the living conditions within a specific territory. If they can be taken by the citizens directly affected by these decisions, they will also be more likely to meet their preferences.

The first and most fundamental questions we need to address will upend the importance of local government and its role within the state in

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the years to come. Will municipalities lose their importance in the decades ahead of us or will they manage to maintain or even reinforce their importance both for their inhabitants and citizens as well as in relation to other providers of services and facilities or regulatory actors? De- or re-municipalization - that is the issue at stake.

In addition to simply analysing local government in relation to other layers of the state and depicting the changes over time, we should also have a closer look at reform activities which municipalities chose in order to adapt to the changing environment and to improve their performance. Reform activities – compared to incremental changes – have the advantage that they address existing problems more explicitly and that they suggest changes and improvements in a decipherable direction. They tell us which role local government is supposed to play in the future, how municipalities are likely to be organized, what services they will offer and, of course, what the ideal size of a local government is meant to be.

Not all moments in time are equally suitable to analyse changes in a long-term perspective. Particularly in times of crisis the developments depicted are likely to be an immediate reaction to a sudden lack of resources and might diverge from the developments in the long run. It might, however, also be the case that moments of increased pressure and stress bring forward hidden problems of existing organisational settings. The influence of the recent financial crisis has to be particularly taken into account while examining the future of local government.

This chapter deals with austerity and local autonomy from the perspective of de- or reinvesting in local government. How and to what extent do countries strengthen or weaken the structures of local government and give municipalities more or less autonomy in times when financial resources are scarce? Are autonomous municipalities still considered to be a solid ground for sustainable economic growth and a stronghold for democratic decision-making, or do national governments aspire to a more coordinated and comprehensive way of solving the most urgent problems? Or, taking the perspective of municipalities, do they suffer from being disengaged from the higher levels which are no longer able to provide them with the necessary resources, or can they use their autonomy to react to the challenges in a more appropriate manner. Crises, from a reform perspective, should not only be seen as an existential threat to existing solutions, but also as windows of opportunity to bring changes and new ideas to the fore. Can decreasing support for local-level governments by central government serve as an opportunity to increase local autonomy in exchange, is a pending question to add. And finally and most difficult to answer is the question of whether countries with more

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autonomous municipalities are less vulnerable to economic and financial crises.

In order to come at least a little bit closer to answering the questions above, we have to clarify in a first step the strength and autonomy of the municipalities in the different countries under scrutiny. In a second step, we also need to have a more precise understanding of to what extent the different countries and their municipalities were affected by the crisis.

Size of local government

A frequently used starting point for comparative research within LocRef is the size of municipalities. Despite the ongoing debate on how to measure the size of municipalities most appropriately, i.e. whether we should take population density or the number of inhabitants as a basis, we believe that the average size of municipalities provides at least a first idea about the strength of municipalities within a country:

- Countries covered in LocRef with very large municipalities (minimum average size over 20,000 inhabitants in 2014) are the United Kingdom, Albania, Ireland, Denmark, Turkey, Lithuania, the Netherlands, Portugal, Greece and Sweden.
- In countries like Belgium, Finland, Latvia, Poland and Norway, municipalities have on average between 10,000 and 20,000 inhabitants.
- Somewhat smaller (between 5000 and 10,000 inhabitants) are the average municipalities in countries like Slovenia, Croatia, Italy, Germany, Romania, Estonia and Spain.
- And countries with very small municipalities (fewer than 5000 inhabitants) are Iceland, Austria, Switzerland, Hungary, Cyprus, Slovakia, France and the Czech Republic.

At this stage, it is interesting to note the lack of a clear regional pattern. The Nordic countries – apart from sparsely populated Iceland – tend to have larger municipalities, but this is also the case for some Mediterranean and Eastern European countries. The Federalist countries – Switzerland, Austria and Germany – tend to have smaller municipalities, but this is not the case for Belgium. And unitary countries such as France can also have very small or, like the United Kingdom, very large municipalities.

As far as the development over time is concerned, there have been no fundamental changes in most of the countries and they belong to the same group as 25 years ago. In the group with the largest municipalities (more

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than 20,000 inhabitants on average in 2014), it is in the UK, Albania, Ireland, Turkey, Denmark and the Netherlands where the municipalities have become larger over time. In Sweden and Portugal they did not change much, and in Lithuania they became a little smaller. In all these countries, the municipalities – on average – were the largest in Europe during the last quarter of a century. Albania and Greece, however, joined this group only recently. Before, they belonged to the groups with smaller and the smallest municipalities.

In the group of countries with the second largest municipalities (10,000 to 20,000 inhabitants), Belgium and Finland considerably increased the size of their municipalities, and in Poland they remained about the same. Latvia joined this group, leaving the group of countries with the smallest municipalities, and Norway also belonged to a group with smaller municipalities although the difference here was rather small.

The group of countries with the second smallest municipalities (between 5,000 and 10,000 inhabitants) were joined by Slovenia and Croatia, which before belonged to the group of countries with the largest municipalities. Italy, Romania and Estonia have been part of this group throughout the last quarter of a century, and Germany and Spain had joined the countries belonging to the group with the smallest municipalities previously. Germany is an exception in so far as its municipalities were on average much larger prior to the unification in 1990.

Iceland, Austria, Switzerland, Hungary, Cyprus, Slovakia, France and the Czech Republic have always been the countries with the smallest municipalities (fewer than 5000 inhabitants). In Iceland and Switzerland, nevertheless, there was a quite significant increase in size, whereas in Hungary and in the Czech Republic the average size even decreased.

All in all, there is no general trend towards countries having larger municipalities. There are countries with large municipalities on the one hand and countries with small municipalities on the other. In Northern Europe municipalities are large, and they are small or large in Middle, Southern and Eastern Europe.

Local autonomy

The idea of local autonomy highlights municipalities' possibilities in deciding on the provision of local public services according to their own preferences. In order to do so, they need a certain degree of protection from interference from higher political levels, sufficient resources to fulfil their tasks and the means to decide on the things that have to be done (self-government). As an overarching concept, local autonomy consists of

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different dimensions such as their legal position, the tasks municipalities are responsible for, their effective political discretion while fulfilling these tasks, their financial and fiscal autonomy, their autonomy with respect to the organisation of their administration and their political system as well as their immunity against and their influence on decisions on higher political levels. Each of these dimensions is of interest in its own right.

Local autonomy, or real decentralization as it is sometimes called, is generally seen as a positive asset of local government. Decisions are taken at a level closer to the needs of the citizens and are therefore better or more appropriate the smaller the distance that separates citizens and the less local authorities facilitate oversight. This increases accountability, provides local governments with effective ways to participate politically or to decide democratically - being aware of the impact and the consequences of the decisions taken. There are, of course, also more controversial aspects related to local autonomy. Too much local autonomy, especially when it goes hand in hand with extensive decentralization and very small municipalities, might harm the effective and professional provision of local tasks and services, and autonomy also opens the doors for uncontrollable diversity and inequalities. An increase in local autonomy can be both an explicit aim of local government reforms and a more indirect consequence of reform activities. Reforms touching upon the allocation of resources and skills to different layers of government, directly increase or lower the degree of local autonomy. Amalgamations can but do not necessarily have a direct impact on local autonomy.

The question of whether municipalities become more autonomous is of interest in its own right, especially when considering the aforementioned growing interdependencies and the calls for global approaches to face the challenges of society. But the question becomes particularly interesting in times of crisis. What is the impact of the financial crisis on local autonomy? Do decreasing financial resources and the call for more efficiency lead to a decrease in local autonomy, or is this an opportunity for local government to take over responsibilities from central government?

Research within LocRef demonstrates quite important differences between countries when it comes to the autonomy of their municipalities:

– The four Nordic countries, Sweden, Denmark, Finland and Iceland, together with Switzerland and Germany consistently show the highest level of autonomy (values over 25, see also Ladner et al. 2015). Nor-

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way, Poland, France, Italy and Austria have subsequently joined this group.
– Portugal and Spain are regularly in the second highest group (values between 20 and 25). Belgium and the Netherlands also fit into this group, at least since the year 2000, as is the case for Lithuania. All other countries are relatively new in this group, coming either from the group with more autonomy (Estonia, the Czech Republic) or from groups with less autonomy (Slovak Republic, Croatia, Latvia and Romania).
– The second lowest group (values between 15 and 20) includes countries like Greece, the United Kingdom and Turkey. Slovenia has belonged to this group since the year 2000, and Albania moved to this group in 2010, increasing the autonomy of its municipalities. Hungary had joined the group by 2014, coming down from the next highest group of countries.
– Countries in the group with the lowest level of local autonomy (values lower than 15) are Ireland and Cyprus. Cyprus has also belonged to this group since 2014, while it was in the next higher group in previous periods.

Over the last 25 years, we have seen an increase in local autonomy, mostly in the newer democracies. Countries with the most conspicuous changes upwards are Slovenia, Albania, Italy and to a lesser extent Serbia, Lithuania and the Czech Republic. The most pronounced downward development can be found in Hungary. Another country where the autonomy decreased remarkably is Spain.

Financial pressure and financial crisis

When it comes to financial pressure and austerity measures due to the financial and economic crisis, there are at least two important observations. First of all, *scarce financial resources* have been behind most reform activities in past decades and they are therefore not an entirely new phenomenon. The amalgamation movement, which has attracted an important number of countries especially in the northern part of Europe since the 1970s, promised not only services of better quality, but also at a lower cost. The New Public Management (NPM) movement starting in the 1980s did not only promote new forms of political steering, but also relied on performance management and market-like environments for the public sector in order to achieve more with less money. And in a similar vein, all the attempts to outsource activities or to buy services from pri-

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vate providers can be seen as means to lower costs. Perhaps the only groups of reforms where financial considerations were not at the forefront were attempts to increase local democracy. Here, promoting citizens' participation was considered opposed to efficiency and effectiveness, as is well described by Dahl's democratic dilemma (Dahl 1994).

And secondly, the *financial crisis* of 2007 did not hit all countries to the same extent. If financial liquidity is endangered and public debt outreaches national productivity, it becomes very difficult to keep a country running, especially if it is too expensive or impossible to take out new loans. Increasing unemployment and stalling consumption lower public revenues and increase social security and welfare spending. The resilience of public finances and municipalities' budgets particularly play a more vital role. If public debts are too high and municipalities strongly depend on transfers from higher state levels, there is only very limited room to react and to invest in infrastructure, to create new jobs, or to hamper the negative effects of the crisis on citizens.

While looking at local public sector reforms in times of crisis, we must take into account that not all countries started them at the same point in time and not all countries were exposed to the negative effects of the crisis to the same extent. Cyprus, Greece, Ireland, Italy, Portugal and Spain were definitely much more strongly affected than the Nordic countries or Switzerland. Other countries like Hungary, Latvia or Romania also needed financial assistance, whereas in France, Belgium, the United Kingdom and Slovenia the financial crisis was a highly visible threat which influenced political decisions. In some countries, like Germany, the crisis affected only parts of the country.

Local autonomy, a stronghold against crises and austerity measures?

A crucial question to answer is whether some local government systems are less vulnerable and more resilient to financial backdrops. The first observation is commonplace. A country with a prosperous economy and sound public finances with limited public debt is less likely to suffer in times of crisis. In such countries, it is also less likely that the lower levels will have to combat the negative effects of the crisis disproportionally.

The size of a country's municipalities does not seem to be related to its capacity to resist the crisis. Portugal, Ireland and the United Kingdom have very large municipalities, while Italy, France and Spain have rather small municipalities and all of these countries felt the crisis considerably. Among the countries with fewer difficulties, we find Switzerland with

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very small municipalities and Sweden or Denmark with large municipalities. As for local autonomy, the effects seem to be clearer. Countries with more autonomous municipalities (Switzerland, Sweden and Denmark) were less affected than countries where municipalities have less autonomy (Greece, Cyprus, Ireland). In Italy and Spain, however, municipalities are not without some autonomy, but they still suffered.

The idea that local autonomy guarantees economic growth and serves as a shelter against financial crisis is too simplistic, anyway. Although economically strong countries tend to have more autonomous municipalities, a simple causal relation, meaning that by increasing autonomy one can foster economic growth, does not correspond to reality. In countries with more autonomous municipalities, however, it is not the national government who takes all the blame, and the citizens might be more inclined to accept austerity measures on which they decide themselves.

This part of the book is structured as follows: the first subchapter looks at the municipalities' position within the countries and whether the financial crisis had a negative impact on their autonomy. We will also ask whether in some countries the crisis led to amalgamations in order to strengthen municipalities and to make service delivery less expensive. In a second subchapter, we look at reforms of local administration (internal NPM reforms) and specific methods to make municipalities more efficient and effective. The questions here are whether financial pressure and local autonomy foster such reforms. The third subchapter treats different forms of cooperation, i.e. with the private sector, with other municipalities and with higher levels of government, as a means to cope with increasingly scarce resources. Here again, we would like to know whether cooperation has an impact on the autonomy of local government. The last subsection finally looks at local democracy with respect to austerity measures and local autonomy. We will, for each section, introduce the research topic in more detail, present scientific results and the lessons to be drawn and conclude with some policy advice.

Evidence-base for the lessons and advice

Table 2 depicts an overview of the empirical basis for the lessons and recommendations formulated in the various sections of this chapter.

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Table 2: Overview of the evidence-base for lessons and advice formulated in chapter 1

Section	Countries (additional references)
1.2	Albania, Finland, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania (Steiner et al. 2016)
1.3	France, Greece, Ireland, Italy, Portugal (Pollitt/Bouckaert 2011)
1.4	Estonia, France, Greece, Ireland, the Netherlands, Norway, Portugal, Spain, Switzerland (Wollmann 2016; Hlepas 2016)
1.5	Albania, Austria, Belgium, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Lithuania, Poland, Portugal, Serbia, Spain, Sweden, Switzerland (Vetter et al. 2016)

1.2 Stronger local government or is the economic crisis killing municipalities and their autonomy?

What is the link between increased financial and economic pressure and the municipalities' existence, strength and autonomy? Did the crisis weaken municipalities and did they find it difficult to maintain their service level due to the lack of resources? Were new tasks entrusted to municipalities without providing them with the necessary financial support? And finally, was the financial crisis used to increase supervision and control of the municipalities or to promote reforms like amalgamations?

For several years, prevailing decentralization trends went along with economic growth, democratization claims and pluralist dynamics both in politics and policies. Municipalities were more or less eager to adapt reforms to improve their performance both in terms of system capacity and in terms of citizens' effectiveness (Dahl and Tufte 1973), but there was hardly a universal reform pattern that could be recognized. Remarkable differences in terms of size and autonomy remained between the different countries and sometimes even within them, and these differences did not seem to disappear. The outbreak of the financial crisis affected, to different extents, quite a few European countries and their systems of local government. The resources and the support municipalities received from higher state levels, the way they organized themselves and provided their services, and occasionally even their very existence came under pressure.

A crucial question while analysing the relationship between municipalities and higher state levels is the flow of financial resources and the principle of fiscal equivalence (Olson 1969). If municipalities depend to a

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large extent on transfers from a higher state level, increased pressure on national governments' finances almost inevitably leads to a decrease in transfers to the lower level. Municipalities have to provide the same services with fewer resources or they even have to provide additional services, for example due to increased unemployment, without receiving the necessary resources. If municipalities depend to a very large extent on their own resources, have considerable tax raising power and enjoy more policy autonomy as is stipulated by the principle of fiscal equivalence, they will still suffer from the negative effects – a decrease in tax income, more expenses for social welfare – but it is no longer the national government which is responsible for everything. Local autonomy puts more pressure on municipalities to cope with the crisis themselves, but local autonomy also gives them the opportunity to react more appropriately. Citizens, if the principles of self- government and autonomy hold, are more likely to accept austerity measures if they can and have to decide themselves than if those measures are imposed on them through a national government they do not trust. It might even be argued that being disengaged from their national government due to a lack of resources can actively be used by the municipalities to increase their independence and their autonomy.

The chance to act and to take the right measures to cope with the negative effects is not only related to the autonomy of municipalities, but also to their strength and capacity to implement the policies needed. Large and autonomous municipalities should thus make a local government system more resilient against financial and economic crises. Financial pressure might be used to complete pending reforms like amalgamations. Amalgamated municipalities, if the expectations hold true, promise better services at lower costs. At the end of the day, however, it will be an empirical question whether local government will become stronger and more autonomous or whether it will be more intensively controlled by higher levels of the state.

In many countries, the crisis awakened unitary reflexes by the national government, since they were the ones directly facing external pressures both from European institutions and globalized market players. National governments being held accountable by their electorate for the negative social effects of the crisis, such as the sharp increase in unemployment and social impoverishment, became eager to regain or obtain far-reaching control over general government finance and consolidate, as fast as possible, public budgets. Following particularly strong fiscal pressure and growing demands for local services, specific reforms related to autonomy and austerity were adopted in several countries. Although most

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of these reforms were similar in many respects across Europe, decision-making procedures and the concrete policy mix could not be the same due to different national contexts and priorities. The same applies to the effects of these reforms and the trade-off between austerity and autonomy.

In some of the countries investigated, the crisis and the need for consolidation of public and municipal finance, served as windows of opportunity for pending re-centralization tendencies. But additional responsibilities and tasks were also delegated to municipalities (e.g. childcare) without corresponding compensation, which thus violated the principle of fiscal equivalence. In several cases, amalgamation of municipalities or inter-municipal cooperation were encouraged or imposed, while the rationalization of municipal organization, including privatization, cooperation with the private sector or the merging of municipal enterprises was promoted. Fiscal stress at the national level was frequently disproportionally transferred to the municipal level, often through severe cuts in state grants, which particularly affected weaker municipalities. Additionally, debt brakes were introduced and the control of local public finances was enforced.

Evidence about the impact of austerity measures is supported by LocRef findings with regard to the countries where fiscal provisions affected the local government in a direct and incisive way. Some countries, like Greece and Portugal, underwent a strong programme of measures imposed by Troika. The reforms influenced local autonomy through higher control over local finances, hiring and salary freezing, rescaling, amalgamation and fiscal cutbacks. In Spain, different acts weakened the autonomy of local government by affecting the financial sustainability, public debt (2012) and the general reorganization of local government (2013). They enacted coercive measures, fiscal compliance and central control on budgeting together with a reduction of functions. They also contributed to the elimination of the so-called Spanish residual clause that granted local government the power to complement the activity of other public administrations with autonomous choices. In Italy, a letter from the European Central Bank in 2011 led to downsizing local government through dramatic cutbacks and the elimination of the second tier. In 2012 and 2013 the Monti Cabinet approved three packages of measures of fiscal retrenchment, launching cutbacks, limits to public spending and the spending review. They favoured creeping recentralization and a degrading of the local autonomy achieved in the 1990s by extensive delegation of tasks without corresponding financial funds.

In Ireland, the government elected in 2011 abolished town councils (a second tier) and merged adjoining authorities, which led to an overall

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reduction in local authorities. It also continued to amalgamate or to abolish local and regional bodies for tourism, economic development, fisheries and harbours. The Netherlands experienced a severe programme of rationalization through a reduction in funding and a series of budget cuts in disfavour of local government. Increasing delegation of tasks from the central government to the local ones without a corresponding share of financial resources added to local public debts, pushing the municipalities to upscale or closely cooperate or merge with surrounding ones. In Germany, some Laender established a supervising commissioner for indebted municipalities and imposed spending limits. In most Laender, a programme of reorganization of local government was introduced through territorial upscaling and financial supervision. Additionally, German municipalities started to voluntarily introduce cutbacks, outsourcing, privatization, staff reduction and a decrease in public service delivery. In general, the German municipalities adopted reforms which focused on a strategy of doing the same but with less. Other countries, like Finland and Slovenia, suffered specific financial retrenchment through the reduction in financial transfer. In Slovenia, this policy undermined the equalization grant that had historically supported local autonomy (2015) and favoured the amalgamation of municipalities together with inter-municipal cooperation and incentives to save money. The central state also reinforced supervision on local spending. In Finland too, central government subsidies were cut, provoking deficit budgets with the result that the central government allowed the local ones to raise higher property taxes. In order to cope with increasing local public debt, the central government promoted amalgamation, the abolition of municipal bodies, rescaling, cutbacks and recentralization for the indebted local authorities.

As far as the majority of the countries is concerned, however, amalgamations were rather an exception after the outset of the crisis. Greece, Ireland, Latvia and Turkey are the only countries which reduced the number of their municipalities dramatically (reduction of more than 50 per cent). Especially in Greece and Ireland, this can be more or less directly related to the financial situation of the municipalities. The reductions in the number of municipalities in countries like Finland, Germany, the Netherlands, Switzerland and the United Kingdom, which amount to between 8 and 25 per cent of the municipalities, can definitely not be seen as an immediate reaction to the crisis only, but rather as the result of ongoing structural reforms of local government, which were, at best, accelerated by the crisis. The furthest reaching amalgamation reforms took place much earlier: Finland (2005), Sweden (1952, 1964-77), Denmark (2007), Iceland

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(2004), Germany (1968-1980, 1990), the Netherlands (1969-1992, 2004), Belgium (1976) and United Kingdom (1972-74).

Is austerity 'killing' autonomy? According to local government experts (see Ladner et al. 2015), there is only a limited number of countries where the crisis – beyond the political debate – led to a clear decrease in local autonomy. In countries like Greece, Lithuania, Romania and Slovakia, it looks like there was an increase in the scope of tasks municipalities are responsible for. The question, of course, is whether the municipalities also had the opportunity to increase their resources, which was definitely not the case for some of these countries, especially not in Greece. In countries like Hungary or Spain, the policy scope of the municipalities was rather reduced, which can be seen as a sign of lesser autonomy. The most obvious decrease in autonomy occurred in relation to the municipalities' fiscal and financial liberties. A more coercive transfer system (Hungary, Iceland and Ireland) and less autonomy when it comes to borrowing (Greece, Hungary, Iceland and Italy) were some of the most frequent changes. Apart from these reported changes, we believe that the perceived reduction in autonomy had more to do with a reduced margin of manoeuvre due to a lack of resources than with institutional changes reducing their autonomy, at least in the majority of the countries.

Lessons and Policy Advice

In some countries the financial and economic crises affected local government quite strongly. In these countries additional tasks and the burden of coping with the negative effects of the crisis considerably limited their margin of manoeuvre. In some cases, municipalities also experienced stronger control of their finances by the higher state level. In the majority of the countries, however, no substantial decline in autonomy was detected. Amalgamations were not a common way to react to the crisis. Large and strong municipalities can make countries better equipped to face economic problems, but they do not make them immune. Strong and financially self-sufficient municipalities can serve as a stronghold against financial and economic crises. Municipalities need the necessary skills in the fields most likely to be affected (for example social security, unemployment) and the means to react (for example through an increase in investments and the creation of jobs). At the same time, they need their own financial resources and budgeting skills, which allows them to cope with financially less successful years.

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Lesson 1.2.1: The financial and economic crisis increased pressure on municipalities, but not all countries were affected. The larger the municipalities' dependence on resources from higher state levels, the more likely their financial autonomy was reduced.

Lesson 1.2.2: In countries particularly affected, national governments could not support their municipalities sufficiently to cope with the negative effects of the crisis.

Lesson 1.2.3: In several countries, the principle of fiscal equivalence turned out to be inapplicable or violated on various occasions.

Lesson 1.2.4: In countries particularly affected, national government increased its control over municipalities' finances and spending activities. This led to the introduction of debt brakes and restrictions on borrowing.

Lesson 1.2.5: Large scale amalgamation reforms as a reaction to the crisis were rather an exception.

Lesson 1.2.6: Besides financial autonomy, the municipalities' local or general autonomy in most of the countries was not affected by the crisis.

Advice 1.2.1: Ensure that municipalities are well equipped to execute their services and strong enough to cope with negative crisis impacts. Municipalities having the capacity to provide assistance to their citizens in need and to invest in projects to maintain or create jobs can have a stabilizing effect in times of economic pressure.

Advice 1.2.2: Ensure financial health. Municipalities with healthy public finances are less vulnerable and less dependent on higher state level funding.

Advice 1.2.3: Guarantee municipalities their own resources (important share of the overall tax revenue) for service provision. Dependency on transfers endangers municipalities' resources in times of crisis, since national governments are likely to cut transfers more strongly in order to maintain their ability to function.

Advice 1.2.4: Abstain from unequally balanced austerity measures which violate the principle of fiscal equivalence. Autonomy and a well-accepted allocation of tasks and financial responsibilities lower the danger of blame shifting.

1.3 Managing austerity at the local level: achieving efficiency despite cutbacks?

Making local administration more effective and efficient are almost universally valid objectives, which became particularly prominent in the course of New Public Management reforms. Local autonomy can be seen

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as a hurdle to comprehensive implementation of new forms of organizing the politico-administrative system of municipalities. At the same time, it can also be seen as a chance to develop solutions which better suit the diverging needs of municipalities. Financial and economic problems intensify the pressure on municipalities to become more efficient and effective. Reforms, however, demand personal investment and additional resources which are difficult to mobilize in times of crisis.

Efficiency and effectiveness have been key intentions of public sector reforms for almost half a century. The wave of New Public Management reforms starting in the 1980s appeared to be a particularly promising way to reduce the increase in local government' expenditure and to concentrate not only on tasks and services which have to be provided, but also on the outcomes and goals to be achieved. In addition to the different reform trajectories oscillating between 'doing less' and 'doing it better', research is particularly interested in the different measures implemented to reform local public administration. Can the tools borrowed from the private sector successfully be adapted to the public sector?

How to organize the local administration and the employment of civil servants is generally in the hands of the local authorities. Higher levels intervene with respect to local finances and budgeting processes. The more autonomous local authorities are, the more diversity exists. High levels of autonomy make it more difficult to modernize local public administration in general, but also allow municipalities to customize their reforms and, perhaps even more importantly, there is some diversity as far as the implementation of reforms is concerned. Reforms have a more experimental character of trial and error. The latecomers profit from the front runners, well-functioning solutions are copied and mistakes can be minimized. Top-down solutions, like for example in the French case of the 'Loi organique sur les loi de finances (LOLF)', seem to make it easier to implement reforms comprehensively, but face the challenges of error and lack of compliance.

Reforming public administration is a complex endeavour and takes time. A new organizational structure and new processes can be designed easily on paper, but they also have to be implemented and accepted by the people working within the new framework. This needs a change of the administrative culture, which can take years. Of course, times of crises can increase the need for changes and help to get reforms started, but they need additional efforts and demand additional resources.

The overall assessment of the reforms shows diverging results. Apart from some general observations that instruments from the private sector cannot be transferred like-for-like to the public sector, it is the fact that the

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different reforms did not equally fit well into the different administrative cultures and the different starting points with respect to the necessity of implementing the changes called for by the reform concept which led to very heterogeneous results.

Taken all together, NPM reforms were perhaps too ambitious, promising not only a more efficient and effective delivery of public services, but also a new role for the administration with respect to citizens and a new, outcome-related and forward-looking form of political steering. For quite a few researchers within LocRef, NPM belongs to the past. Some of the claims of NPM, however, have not disappeared and considerably contributed to modernizing local public administrations and improving the way they function.

There seems to be no direct link between local autonomy and internal reforms of local public administration. Comprehensive top-down reforms in centralized states were confronted with resistance and non-compliance. Local autonomy led to more customized solutions and prevented municipalities from reforming their administration where it was not appropriate. Very small municipalities do not face the same problems as larger cities. Guidance and support from higher levels and good examples of 'best practices', however, are highly appreciated by the municipalities.

The financial crisis did definitely not foster comprehensive reform of the local politico-administrative system. It is a commonly recognized phenomenon among researchers that reforms cause – at least in the short run – additional costs and demand considerable commitment from the people involved. Countries strongly affected by the crisis did not become particularly interested in the principles of New Public Management, nor did they reorganize their municipalities according to the overall framework of this reform movement. They did, however, rely on some of the cost saving elements that were part of New Public Management. Austerity measures aimed to increase efficiency basically through reducing the waste of financial resources. Central government increased its control over spending activities and the budgets of local government (debt brakes, limited opportunities to borrow money).

Common measures imposed on local government were a reduction in employees or the introduction of employment ceilings. The recruitment process remained in the hands of local government, but it could only be used under the direct authorization and control of the Ministry of Finances. Such top-down limitations were very successful, since some countries managed to achieve a reduction in administrative staff of 25%. A look at some of the countries particularly hit by the crisis shows that

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there were considerable changes induced as a consequence of the crisis, but that they can hardly be linked to more proactive reform schemes.

Some central governments stressed the need to create Public Services Oversight Groups. These entities aim to promote better service delivery collaboration, endorse shared services and ensure centralized public procurement. In some cases, they also oversee financial balance and sustainability, where they have the power to withhold funding from the municipalities. Ireland, for instance, managed to create an effective general structure of public procurement. This structure takes full responsibility for procurement policy and procedures, and for driving reforms within four sectors (Health, Defence, Education and Local Government). In France, the Observatory of Local Public Finances was transformed into an Observatory of Local Public Management in order to link financial benchmarks to service delivery data.

As regards the financial dimension, the countries under fiscal stress (Portugal, Greece, and Ireland) behaved differently from the rest of the countries. Central governments restrained the power of municipalities to contract loans, but provided more autonomy to redefine a local fiscal policy. One important sort of revenue for municipalities are general purpose grants, allocated from central government. Despite the differences in computation between countries, this general grant is intended to promote a balanced division of taxpayers' money for the two levels of government in such a way that each receives a fair share suitable for its responsibilities. The general grant was reduced in Portugal (first from 30.5% to 25.3% then to 20.5%), in Greece (from 21.3% to 19.5%) and in Ireland (a global reduction of 35.7% after a consistent growth of 129% between 1999-2008). However, this reduction did not have a direct impact on the overall size of the budget of municipalities; in some cases, they even increased. With the exception of Italy, where the changes focused on a system of decentralization of functions and taxation governed by state law, many central governments conceived several acts to improve local fiscal policy. Some services that were free of charge started to be charged to citizens (the Irish case of water is the most iconic). In other cases, where fiscal stress was heavier, the municipalities' discretion to set the fee for services was suspended. In countries like France, where grant reduction was late and limited, fiscal autonomy was reduced.

Municipalities also experienced serious limitation of their ability to borrow money. While in some cases they were never able to engage in capital market borrowing, in others, central government placed limits on the amount of money that could be borrowed. Specific emergency man-

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agement initiatives were put in place to restrict the level of discretion of municipalities.

Unlike France, the countries most affected by the financial crises (Italy, Greece, Portugal and Ireland), created Recovery Programmes for overly indebted municipalities. Sharply defined financial indicators automatically triggered the formal process. The adoption of a financial recovery programme implied restrictions on new investments, recruitment of personnel, and maximization of the fiscal burden imposed on citizens and the allocation of every available resource to debt reduction. These initiatives were a success, since they restrained the rise in municipalities' indebtedness, but definitely reduced the municipalities' autonomy.

Lessons and Policy Advice

Apart from being on the reform agenda in most countries in one way or another, New Public Management did not lead to one single way of organizing local administrations. Some countries implemented more of the instruments proposed, others fewer. In most countries, however, the term is no longer used and has lost some of its attractiveness. Local autonomy did occasionally help governments to abstain from further-reaching reforms in municipalities where they were not appropriate, but there is no evidence that it hindered reforms in general. The crisis led to some changes, but they one-sidedly focused on cost-saving effects. Reforms of the politico-administrative systems can increase the capacity of local governments to function well and make them more efficient and effective. To what extent ambitious and comprehensive reforms – like for example the reforms within the framework of New Public Management – really make the state work better depends on the starting point of a country in terms of performance, its administrative culture and the way the reforms are implemented. Internal NPM reforms are very ambitious. Although they contain elements which promise more effectiveness and efficiency, the reforms cannot be implemented successfully without additional costs and thus only partially help countries under financial pressure.

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Lesson 1.3.1: Internal reforms under 'New Public Management' occurred in almost all countries, but did not lead to a single best model with which to organize local public administrations.

Lesson 1.3.2: The fact that NPM belongs to the past in the current reform debate should not overshadow the achievements of some of the reform claims of this reform movement.

Lesson 1.3.3: Local autonomy did not particularly hinder the implementation of New Public Management reforms, but rather helped municipalities to customize their reform activities.

Lesson 1.3.4: The financial crisis and austerity measures led to some drastic changes in some of the countries. These changes unilaterally focused on cost-saving issues and control. They cannot be called NPM reforms.

Lesson 1.3.5: Reductions in numbers of employees, more control of local public finances, reallocation of tasks and recovery programmes are changes triggered by the crisis in some countries. These changes must be seen as attempts to cope with the crisis rather than as proactive reforms.

Advice 1.3.1: Ensure well-functioning municipalities. Make sure that they follow the principles of 'good local governance' (see Denters et al. 2016; Council of Europe 2014). Municipalities need support and guidance when it comes to implementing administrative reforms.

Advice 1.3.2: Allow municipalities to design their administration according to their specific situation and their needs within the framework of 'good local governance'. Municipalities need organizational autonomy to implement reforms in a way which serves them best.

Advice 1.3.3: Do not confound austerity measures with prospective reforms to increase effectiveness and efficiency. Reforms of politico-administrative systems are meant to increase the overall performance of municipalities and to prevent them from suffering in times of crises. Some of their claims might coincide with measures that appear helpful in times of crisis.

1.4 Impacts of austerity on local-level service provision: how to avoid a race to the bottom ■

Alongside territorial and internal reforms to make municipalities stronger, more effective and efficient in general, but also particularly in times of crisis, there are also ways to reorganize the tasks and services they are responsible for. Apart from completely cutting down services, municipalities can cooperate more intensively with the private sector, increase

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municipal cooperation or accept higher state levels taking over the responsibility for some of the tasks. The autonomy of municipalities to reorganize the provision of tasks and services is one matter of interest; another matter of interest is the question of what impacts such reorganization has on the autonomy of municipalities.

How to organize the provision of tasks and services is one of the fundamental questions which concerns every state. Beyond the very basic question of what has to be done by the public sector and what has to be done by the private sector, which addresses normative concerns about the role of the state within society, there is an ongoing debate on the organization of tasks and services the municipalities should be responsible for. Of course, normative values have some importance here as well, but the question is more about the provision or, perhaps better, the execution of tasks and services. The final responsibility remains in the hands of the municipalities, even if they do not offer these tasks and services themselves through their own administration and their own civil servants. The size and the capacities of the municipalities play an important role here.

There are basically three directions municipalities can take when looking for alternative ways to provide their tasks and services. A first direction can be termed cooperation with the private sector. This entails different forms of outsourcing or purchasing of services and public-private partnerships. The spectrum is wide and the terminology varies, but the basic idea is that the municipality still has the last word but takes advantage of the competence of and the opportunities offered by private actors. The second possibility is the joint provision of tasks and services with other municipalities. Inter-municipal cooperation is a way to optimize the catchment area of a task, which results in lower costs or more professional provision. This is often seen as an alternative to amalgamations and offers the advantage that the catchment areas can be adapted according to the requirements of each specific task. The last possibility is intensified cooperation with higher levels of state. This must not be confounded with transferring the task to the higher level, which is nothing but centralization. The municipalities still contribute to the funding and by doing so – following the principle of fiscal equivalence – they should also keep some decisional power.

To what extent do these reforms have an impact on the autonomy of local government? Outsourcing, or more intensive cooperation with the private sector, does not necessarily lead to less autonomy, since the municipalities remain in charge of these tasks and services. One of the problems arising here is what political scientists call the ‘principal-agent’ problem. The municipalities have the role of the principal. They take the

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final decisions, define the goals to be achieved and set the rules and conditions to respect. The private providers of the services are the agent. They know how to execute these tasks and retain all the important information. This gives them the chance to influence the terms of the contract in their interest. The municipalities depend on the know-how of their agents (private service providers). Although the municipalities' autonomy is not reduced, they might lose some influence on the tasks and services provided. In an ideal form, however, they receive precisely what they want and might get it at a cheaper price.

As for inter-municipal cooperation, it is often argued that this reduces local autonomy since the municipality no longer decides alone on the provision of a specific task, but together with other municipalities. Some even argue that inter-municipal cooperation leads to retrenchment of local democracy. The effects of intensified cooperation depend to a large extent on the way it is organized. There are ways to increase democracy through service contracts and binding mandates, political steering and supervising boards, referendums and initiatives. A single municipality, nevertheless, depends more on other municipalities and therefore loses its independence. The scope of tasks municipalities organize autonomously without interference from higher state levels, however, remains unchanged. Inter-municipal cooperation thus reduces the autonomy of single municipalities, but not of the municipalities in general.

Increased cooperation with higher levels of the state, on the contrary, can reduce the autonomy of the municipalities in general. This is particularly the case when the execution or the regulation of tasks and services is transferred to the higher levels of state. Following the broadly accepted principle of subsidiarity, transferring tasks to higher state levels should only take place when the lower levels are no longer able to fulfil this task and a countrywide solution is needed. Following the principle of fiscal equivalence, regulating, funding and executing should coincide on one level. Paying without any influence on the way public agents from the higher level do something is the worst case scenario for the municipalities. The – very unlikely – best case would be to receive all the money without any additional instructions so that they can use it for their own purposes according to their preferences.

The pressure to save costs and to become more efficient caused by the financial and economic crisis can be seen as a crucial element in reorganizing the provision of tasks and services and increasing cooperation with the private sector, other municipalities or higher levels of the state. It remains to be seen, however, to what extent the crisis triggered such a development and to what extent they were already part of ongoing

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restructuring of the public sector. Since the early eighties, a number of methods and techniques aimed at restructuring public services under the name of New Public Management have been introduced in many European countries. Such methods are termed within the LocRef research framework as 'external NPM' techniques.

At the outset, the debate was particularly polarized, opposing privatisation and provision by the state. Apart from specific services and a limited number of countries where privatisation seemed to be the right way forward, the reforms thereafter concentrated much more on different forms of cooperation between the state and the private sector, although the normative undertones of the debate persisted. Municipalities did not stop being responsible for the tasks and services, but stopped providing them themselves (outsourcing, buy instead of make), chose organizational forms closer to the market (state owned enterprises), or simply accepted and supported private actors in offering services to their citizens (public-private partnerships). In more recent times, there seems to have been a revival of the municipal sector (re-municipalization).

At least in some countries, research within LocRef revealed a trend towards inter-municipal cooperation. This is not an entirely new form of service provision, nor is it directly linked to New Public Management reforms. It is interesting to note that a joint provision of services with other municipalities not only affects smaller municipalities, but is also practiced in countries with large municipalities. A loss of local autonomy, at least from the perspective of the different municipalities involved, as well as democratic deficits accompany increased cooperation, and amalgamations are often considered to be a better alternative. Single purpose cooperation ventures offer the advantage that they can be better adjusted to specific tasks, whereas multi-purpose municipalities are hardly the ideal size for all the tasks and services they are responsible for. The alleged loss of democracy has not been confirmed by larger international comparative research, but rather reflects anecdotal evidence.

Mixed forms of service provision – for example in the case of child day care – can be found in a variety of countries. LocRef research that compared countries like Estonia, Finland, Germany, Greece, Ireland, Portugal and Spain, revealed not only remarkable differences concerning the range of services offered, but also with respect to provision, regulation and funding (Hlepas et al. 2016).

Literature on multilevel governance takes up the increasing complexity when it comes to regulating, financing and executing public policies. Municipalities, for example, are responsible for primary schools in most of the countries, but they have no influence on the subjects taught and

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they cannot cover all the costs themselves. Subsidiary and fiscal equivalence, although broadly accepted and widely used in the political debate, are only partially respected. In practically all the countries, there are quite important transfers from central government – or in the case of federalist countries from subnational governments – to the municipalities. In some countries they account for a larger part of local government income, and in some countries they are more often conditional. Up to now, there has been a lack of promising concepts of how to organize vertical cooperation effectively, giving the lower levels at least some discretion and not treating them as executive bodies only.

Austerity measures in countries particularly hit by the crisis hardly pushed the municipalities to reform the organization of their provision of services in a comprehensive manner. For some municipalities, cooperating with the private sector or with other municipalities proved to be helpful in maintaining services. A shift of additional tasks to the municipalities on the vertical axis without additional resources or cutbacks of resources where services still have to be provided was a common practice in countries under financial stress, but it was also constantly observed in other countries.

Lessons and Policy Advice

Municipalities are increasingly cooperating with private actors, other municipalities and also more intensively with higher state levels. All these forms of cooperation have an impact on the municipalities' autonomy, and there is an intensive debate on how these forms of cooperation can be improved without retrenching local autonomy. Austerity did not particularly foster cooperation, but the vertical relationship with the higher levels proved to be a source of conflict. Cooperation with other actors is an interesting way to provide services and tasks more professionally and at lower costs. Hereby, the possibility of influencing and controlling the provision of services politically must not be neglected, and the provision has to take place within the reach of local democracy.

Lesson 1.4.1: The way the provision of local tasks and services is organized depends on political preferences with respect to the role of the state as well as on the capacities of municipalities to provide the different tasks and services effectively and efficiently.

Lesson 1.4.2: Municipalities have the opportunity to cooperate with the private sector, other municipalities and with higher state levels.

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Lesson 1.4.3: There is no single best practice. The extent and form of cooperation depends on the tasks and services as well as on the specific context municipalities are confronted with. Increasing cooperation has been on the reform agenda for quite a long time.

Lesson 1.4.4: The financial and economic crises did not lead to a clearly visible reorganization of local service provision. In especially exposed countries, however, municipalities had to take up new services without additional resources or maintain tasks with fewer resources from higher levels.

Advice 1.4.1: Maintain or develop appropriate instruments to control and steer tasks and services if they are provided by private actors.

Advice 1.4.2: Maintain or develop appropriate instruments to control and steer public service provision politically and ensure that they fall within the reach of local democracy if public tasks are provided together with other municipalities.

Advice 1.4.3: Make sure that the principles of subsidiarity and fiscal equivalence are not disrespected without convincing justification if (some parts of) local public service provision falls into the hands of higher state levels.

Advice 1.4.4: Contemplate the impact of changes in the mode of service provision from a mid- and long-term perspective. Moments of crisis are not necessarily the best moment for fundamental reorganization.

1.5 Local autonomy, democracy and austerity: an ambiguous relationship

Local autonomy and local democracy are commonly seen as positive assets of local government. There are local public sector reforms which aim at increasing local autonomy and there are local public sector reforms which aim at increasing local democracy. This section deals with the link between local autonomy and local democracy and the impact of austerity on both of them.

The European Charter of Local Self-Government implies the idea that local autonomy is a prerequisite of local democracy. The safeguarding and enforcement of local self-government entails

> "the existence of local authorities endowed with democratically constituted decision-making bodies and possessing a wide degree of autonomy with regard to their responsibilities, the ways and means by which those responsibilities are exercised and the resources required for their fulfilment, (…)" (Council of Europe 1985).

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In more analytical terms, this implies that local autonomy increases the reach of issues which can be decided by the municipalities independently, and therefore also the scope of democratically elected authorities. Whether and to what extent the increase in autonomy also leads to an increase in local democracy in terms of democratic instruments and the opportunities for citizens to influence local political decisions depends on the transfer of decisional power to the citizens.

Any attempt to gain an idea of recent developments and trends with regard to local autonomy and local democracy, faces a series of conceptual and empirical challenges. First of all, we have to clarify the meaning of local autonomy. Local autonomy encompasses a variety of aspects, but not all of them are of equal importance for local democracy and citizens' influence. Whereas there are, apart from the different aspects to consider, also serious normative concerns to take into account for local democracy, for those in favour of direct democracy, a simple transfer of decisional power to the representatives is not sufficient; they attempt to increase the direct influence of the citizens instead. Additionally, the static analysis confronting local autonomy with local democracy has to be combined with a more dynamic perspective. Here, we are interested in whether an increase in local autonomy, or, more specifically, some of its components, leads to an increase in local democracy, or, more specifically, to an increase in some aspects of local democracy.

When it comes to the impact of the financial and economic crisis on local autonomy and local democracy, the first set of question asks whether the consequences are likely to be negative or positive. Financial and economic pressure, on the one hand, are likely to reduce the financial resources transferred to local government and might call for tighter supervision with respect to the municipalities' financial liberties and opportunities to borrow. On the other hand, it might theoretically also be possible that the higher level loses its grip on local government, being no longer able to steer local policies through subsidies and transfers. In contrast to local democracy, the scope of decisions does not necessarily increase, but the choices to be made might become more important and the interest in local politics is likely to increase.

A second set of questions asks whether autonomous municipalities with broad and well-established democratic procedures are more resilient to the negative impacts of a financial crisis and better able to take the necessary decisions to cope with the crisis. We can argue that autonomy increases the possibility of municipalities taking the most appropriate decisions. For some, there are ways to become more efficient through internal management reforms; others might have to cut down expenses,

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and for others an increase in public spending and investments might help to create employment. One could also expect that the decisions resonate better with the citizens if they can take them by themselves or not too far away from them. The most important prerequisite here, of course, is that they decide on the use of their own resources and not on the money they receive through transfers and that they possess sufficient financial resources in the first place.

According to the results of broad comparative research conducted within LocRef, we found considerable differences as far as the autonomy of municipalities in the different countries is concerned (see the introduction to this chapter). Measuring with a multi-dimensional indicator and taking into account the legal position, the tasks municipalities are responsible for, their effective political discretion while fulfilling these tasks, their financial and fiscal autonomy, their autonomy with respect to the organization of their administration and their political system, and their immunity to and their influence on decisions on higher political levels, we can distinguish between countries where municipalities enjoy a high degree of autonomy (like for example Sweden, Denmark, Finland and Iceland together with Switzerland and Germany) compared to countries where local autonomy is very low (Ireland and Cyprus).

The quality of local democracy has up to now been under-researched. To get an idea of possible differences between the countries, we have, to a large extent, to rely on indicators which measure the quality of democracy in general, or more specific studies covering only some countries or some aspect of local democracy. One of the difficulties when comparing and quantifying democracy are competing normative concepts of democracy, for example whether it should be representative or more direct. Here, we focus on electoral turnout and trust in subnational governments.

Not astonishingly, it is far from simple to compare electoral turnout at local elections. The functionaries to be elected (mayors, councils, and executives), the electorate, the electoral systems and the electoral districts are very different. More or less comparable figures show quite a high turnout in the Nordic countries, but also in France, Italy, Portugal, Spain and Greece. Turnout figures below 50 per cent are found in countries like Switzerland, Poland or the Czech Republic.

Trust in local or regional governments is often taken as a prerequisite for a well-functioning democracy. The Nordic countries again show the highest level of trust. The Rhinelander States also have a high level of trust, whereas the level of trust is considerably lower in the Southern European Countries (apart from France) and in the new democracies (with Estonia being the noteworthy exception). The Eurobarometer study

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on the role and impact of local authorities from 2008-2009 confirms not only that trust in authorities is higher on a local level than on a national level, but that this level also remained higher during the financial crisis' (see Eurobarometer 2009).

Not unexpectedly, a high level of trust coincides with a low degree of corruption, and both aspects are strongly related to the quality of democracy in general. Here, the Nordic countries, together with Germany, Austria and Switzerland as well as the BENELUX countries show the best results.

It becomes quickly apparent that local democracy and local autonomy go hand in hand. Those countries with the most autonomous municipalities also score high when it comes to the quality of democracy. This is particularly the case for countries like Switzerland, Denmark, Sweden, Norway and Finland. Low autonomy countries such as Cyprus also score low on the democracy dimensions. Among the different components of local autonomy, it is the municipalities' freedom to decide on taxes, on their political system and their administration, as well as on a broad range of tasks which are mostly strongly related to the overall quality of democracy.

From a more dynamic perspective, there has been a significant increase in local autonomy over the last 25 years. This increase has been considerably stronger in the new democracies, which started off from a very low level of local autonomy. In the older democracies, the increase was much lower. Countries with the most notable changes upwards are Slovenia, Albania, Italy and to a lesser extent Lithuania and the Czech Republic. The most pronounced downward development can be found in Hungary. Another country where autonomy decreased remarkably is Spain.

For local democracy, however, we notice an increase with respect to the means of political participation. Participatory planning, participatory budgeting, citizen conferences and e-participation are just some of the tools municipalities started making use of. Such more direct involvement in local political decisions by citizens is often a reaction to decreasing turnout in local elections, which can be considered a loss of legitimacy on the side of the authorities. Increased 'customer orientation' promoted by New Public Management reforms and more demanding citizens when it comes to local services, however, can also be considered driving forces for participatory reforms. Further reaching democratic reforms shifting decisional power to the citizens by developing binding means of direct democracy, as has, for example, been done in Germany, are rather seldom. The same applies to far-reaching transfers of competence from one part of

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local government to another. However, we must not forget that the idea of good local governance with its claims (rule of law, transparency, accountability, efficiency, etc.) made the baseline for local democracy more ambitious.

Has the financial crisis had an impact on local autonomy and local democracy? Evidence from countries like Italy, Portugal, Spain and Greece shows that the financial crisis negatively affected the transfers municipalities received from higher levels of government. If fewer transfers means fewer obligations linked to the transfers, this could mean an increase in autonomy. In general, however, fewer transfers simply means that local government are deprived of the resources needed to fulfil their duties. Empirical evidence also shows that in some countries, the financial autonomy of the municipalities was restricted by governments introducing budget control measures and reducing their autonomy when borrowing. The more municipalities depend on their own income, the less dependent are they on higher levels. The crucial question here is whether the crisis considerably reduced their ability to generate enough tax income. This, of course, is directly related to the municipalities' economic structure and the economic situation of their taxpayers and to their power to raise taxes. To what extent municipalities are finally able to use their autonomy to use the most appropriate measures to fight the crisis depends on the resources they have at their disposal and the question of whether possible spill overs can be excluded. Investments, for example, make more sense if the municipalities also profit from the additional jobs created.

The financial and economic crisis limits the field of possible decisions to be taken, but there is no direct institutional link to local democracy. Anecdotal evidence from Greece, for example, shows an increased interest in political decisions among its citizens.

Are local systems with strong, autonomous municipalities and well developed systems of local democracy more resilient to the impacts of a financial crisis? Obviously, when we look at the evidence, countries with more autonomous municipalities like the Nordic countries, Germany and Switzerland suffered less compared to Portugal or Greece. The question is whether this is in fact due to their municipalities' higher degree of autonomy, or whether there are other, much more important factors not considered in this context. It is difficult to argue that local autonomy or local democracy serve as a shelter against any economic problems or crises. Other factors like the state of the economy and the robustness of public finances (for example) play an important role as well. The opposite, how-

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ever, that centralized countries with very little democracy managed to cope with the crisis better definitely does not seem to be true.

The claims for more local autonomy and local democracy, if they are taken seriously, can eventually lead to a considerable amount of diversity and inequalities. To what extent differences and diversity are accepted and acceptable are not primarily scientific but normative, cultural or political questions. The same applies to means chosen to deal with inequalities and diversity. The political stability of the countries with autonomous municipalities and a strong local democracy proves that the way they deal with these problems is largely accepted by the citizens.

Lessons and Policy Advice

The countries differ considerably with respect to the autonomy of their municipalities and the quality of local democracy, and both aspects seem to be linked to each other. Both of them have improved over the last few decades. Whether the crisis and austerity measures have had an impact on them is related to financial issues – i.e. pressures for more economic service provision – and restricted choices in democratic decisions. The results of LocRef research showed that the claims for more autonomous municipalities and more local democracy are justified. Although the impacts might be far from immediate and straightforward, countries with autonomous municipalities and a well-developed local democracy seem to perform better and to be more resilient to crises.

Lesson 1.5.1: Countries differ considerably both in terms of the autonomy municipalities have and in terms of the quality of local democracy.

Lesson 1.5.2: Countries with autonomous municipalities usually also have a more developed local democracy.

Lesson 1.5.3: There has been an increase in local autonomy over the last twenty-five years. This increase is particularly salient in some of the CEE countries.

Lesson 1.5.4: Local democracy has become a salient reform topic. Changes aim at offering citizens more ways to participate. More fundamental changes addressing the normative foundation or the power of different institutions, however, are rare.

Lesson 1.5.5: Most often, municipalities' margin of manoeuvre was reduced more generally by the negative impacts of the crisis (reduction in funds by higher levels and the ability to execute tasks). This sometimes reduced the scope of democratic decisions, but it certainly did not reduce the interest in politics.

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Lesson 1.5.6: Only some of the countries with less autonomous municipalities and less developed local democracies suffered strongly from the effects of the economic and financial crisis.

Lesson 1.5.7: Whether local autonomy and local democracy make countries more resilient to financial or economic crises remains unclear. It seems, however, that local autonomy and local democracy go hand in hand with economically strong and well-functioning countries.

Advice 1.5.1: Implement measures to foster local autonomy and local democracy, since they pay off. They are in line with claims for good local governance and seem to strengthen the 'backbone' of economically strong and well-functioning countries. Be aware that municipalities' autonomy and a developed local democracy are not the only causes of success. Local autonomy and local democracy can also be a result of economic success.

Advice 1.5.2: If a real increase in autonomy and local democracy is envisaged, implement a power shift to local government and the citizens. Implement additional measures to cope with possible differences and inequalities that will result from this power shift, since it will lead to more diversity.

Advice 1.5.3: Do not use austerity measures to reduce the municipalities' general autonomy and to cut down democracy, since these measures will increase the pressure on municipalities. Citizens are more likely to accept measures they decide on by themselves than those chosen by higher levels of government.

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Trui Steen, Filipe Teles and Harald Torsteinsen

Chapter 2: Improving Local Service Delivery: Increasing Performance through Reforms

based on contributions by Irena Bačlija Brajnik, Pieter Bleyen, Hilde Bjørnå, Geert Bouckaert, Giulio Citroni, Bas Denters, Vedran Đulabić, Grétar Thór Eythórsson, Jochen Franzke, Marcel Guenoun, György Hajnal, Nikos Hlepas, Angel Iglesias, Pekka Kettunen, Maiga Kruzmetra, Nicole Küchler-Stahn, Beata Meričková, Stig Montin, Riccardo Mussari, Vitalis Nakrosis, Carmen Navarro, Juraj Nemec, Vania Palmieri, Tobias Polzer, Isabella Proeller, Christoph Reichard, Baiba Rivza, Christian Schwab, Jana Soukopová, Benedikt Speer, Alfredo Tranfaglia, Emil Turc, Eran Vigoda-Gadot, Dominik Vogel, Anne-Kathrin Wenzel and Hellmut Wollmann

2.1 Introduction

This chapter explores institutional changes in organizational forms and operating logics of local service provision in the context of New Public Management (NPM) and post-NPM. According to research findings from this LocRef research programme, local service delivery in Europe has gone through a radical transformation since the 1980s, particularly due to ideas and practices of market liberalisation and business-inspired managerialism associated with public sector reforms and EU legislation. Whereas NPM-inspired local government reform has received extensive attention from researchers, reforms from the more recent post-NPM period are conspicuously under-researched. One of the main purposes of this research project has been to bridge this knowledge gap.

There are significant differences between European countries and between groups of European countries in terms of content, speed and direction of institutional change. Classification of countries varies in different studies depending on which variables they focus upon. In this study, we limit ourselves to two dimensions, east-west and north-south, although we are aware of important variations across these dimensions, e.g. differences between the UK, the continent and former Communist countries (the so-called CEE, Central East European countries). There is

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also a clear difference between how public utilities and personal social services are organized and run.

By using metaphors, researchers try to define the overall pattern that characterize the development of reform. First, the metaphor *trajectory* describes a chronology of reform 'packages' in terms of pre-NPM, NPM and post-NPM, one following the other, and correcting or substituting the preceding reform 'package'. The second metaphor, *pendulum* conveys a picture of oscillation between reform ideas, e.g. practising contracting out in local service provision for a period, then re-municipalizing it before returning to contracting out at a later stage. Lately, a third metaphor has emerged, *hybridization*, which seeks to describe how reform ideas blend and create new patterns of local service provision. Social entrepreneurship is one example of how to mix market with social purpose. Another example is the mixture of government (hierarchy) and market through municipally owned enterprises (MOEs).

This chapter's sections deal with different approaches towards improving local service provision. One describes the transformation of organization and governance in local service provision. It looks at the trend of 'externalizing' local services and the phase after NPM. The influence of NPM has been considerable, although quite varying in strength between countries and services, leading to (varying degrees of) 'hiving off', contracting out and privatization. Lately, in the post-NPM period we find some indications of re-municipalization, but without a full retreat to pre-NPM organizational forms and operating logics. Instead, there is an increasing tendency to blend public and private service delivery, which leads to hybrid forms and logics consisting of public entities collaborating with for-profit businesses and non-profit associations.

Further research explores the possible effects of internal management reforms in local government on local service delivery. Since clear evidence of success or failure is difficult to establish, most of the research seeks to identify the conditions that seem to influence the success of reforms. The reforms include integration/coordination-oriented joined-up government and strategic planning instruments aimed at counteracting fragmentation, as well as more internally oriented approaches like human resource management and performance management. Incremental reforms based on trial-and-error learning, competence building at the local level and use of information and communications technology (ICT) seem to work better than swift, across-the-board changes, especially if these are compulsory and linked to tightening control by central government.

Further, this chapter discusses whether inter-municipal cooperation (IMC) offers a solution to the deficiencies in local service provision. Con-

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trary to the 'hard' approach of a merger, IMC is seen as a 'soft' approach with which to overcome limitations of size and economies of scale problems. The advantage of IMC is that it does not disrupt established communities, loyalties and democratic identities. However, IMC is vulnerable when exposed to disagreement and unwillingness to compromise. Amalgamation offers a 'hard' approach, and is weak where IMC is strong, and strong where IMC is weak. Nonetheless, the subsidiarity principle should be followed as a golden rule, securing proximity, efficiency and flexibility, the main reasons why local government may succeed in improving services.

Moreover, this chapter will raise the question of whether there is an 'ideal' size for municipalities in terms of local service delivery and performance. Its answer is a conditioned no, with researchers arguing that the issue of size belongs more to the political than the scientific sphere. The 'ideal' size, to the extent that it exists, is highly dependent on a large number of circumstances, e.g. political, financial, social, infrastructural, geographical/topographical, conditions that vary extensively inside and across countries. Amalgamations are highly controversial in many countries and may carry high political costs, but if they are properly planned and implemented, opposition to them will usually wane and new local identities will develop.

Finally, how to use participatory instruments to improve local services is another matter of concern. In light of increasing austerity, downsizing and ensuing demands for higher cost efficiency, local governments have to include and actively involve citizens in planning, designing, delivering and evaluating local services. Empirical findings indicate that this may improve not only the quality of user-oriented services, but also trust and confidence in local government. It may even improve accountability and the functioning of local democracy due to the educational effect of increased participation on citizens. However, democratic and legitimacy gains from citizen involvement must be balanced against losses of efficiency, equity and accountability.

The following table 3 provides an overview of the information bases used for chapter 2 and shows the countries under investigation.

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≡ Table 3: Overview of the evidence-base for lessons and advice formulated in chapter 2

Section	Countries (additional references)
2.2	Belgium, Croatia, the Czech Republic, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Lithuania, Norway, Poland, Slovakia, Slovenia, Spain, Sweden, the Netherlands, United Kingdom (various chapters in the three volumes edited by Koprić./Wollmann/Marcou 2017; Kuhlmann/Bouckaert 2016; Wollmann/Koprić/ Marcou 2016)
2.3	Austria, Belgium, the Czech Republic, France, Finland, Germany, Hungary, Ireland, Italy, Israel, Lithuania, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Turkey and the United Kingdom (Bjørnå et al. 2017 (all chapters); Bleyen et al. 2016; Mussari et al. 2016; Proeller et al. 2016; Salm/Schwab 2016; Ticlau 2015 (chapters 1, 2 and 3); Turc et al. 2016)
2.4	Belgium, the Czech Republic , Finland, Germany, Greece, Iceland, the Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, United Kingdom (Hlepas et al 2017; Teles, 2016)
2.5	Austria, the Czech Republic, Finland, France, Germany, Iceland, the Netherlands, Norway, Poland, Portugal, Romania, Spain, Slovenia, Switzerland, (Baldersheim/Rose 2010; Teles/Swianiewicz 2017)
2.6	Estonia, Germany, Slovakia, Spain (Kersting et al. 2016)

■ 2.2 Public, private or hybrid? Redesigning local service delivery after NPM

Since the 1990s, the NPM agenda has put strong pressure on local governments to 'hive off' a wide range of services, through different forms of external service delivery: corporatization, contracting out and privatization. This relates not only to internal activities (e.g. maintenance of buildings, provision of IT-support, legal advice), but also to services delivered to citizens and users such as waste collection and disposal, local public transport, housing, water provision, sewage systems, health and sanitation, social services, and care for the elderly and for children. In addition, such changes in service delivery have called for a rethinking of scale and coordination, both in terms of inter-municipal cooperation, private provision or hybrid solutions. A consortium of municipalities for example, can cooperate or issue tenders for contracting out, instead of each individual municipality providing services alone, thus possibly increasing efficiency, the appeal to private investors, technical capability and regulatory capacity.

Issues of scale are thus central to the implementation of the NPM agenda in service delivery, and imply complex strategies of coordination

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– both technical, organizational and political. While cooperation and externalization of service delivery require effective horizontal coordination, vertical coordination is still needed: the reduced role of local governments in direct service delivery and their increased role as a purchaser and regulator of services necessitates a renewed system of competence building, central supervision, and local cooperation.

Post-NPM trends trigger new and further challenges. Limited privatization, partial re-municipalization, increased corporatization (or 'formal privatization') and growing use of hybrid solutions all call for rearranging coordination and regulation, and for the development of new tools and skills. In addition, inter-municipal cooperation and amalgamations are issues attracting much attention now as a way to overcome scale limitations.

In this section, we address the following questions:

1. The NPM agenda promoted the 'hiving off' of municipal service delivery to externalized municipal and inter-municipal companies and to private sector organizations: has this trend reached its peak and started to retreat?
2. What comes after NPM? More of the same, re-municipalization, contracting in, or hybridization?
3. To the extent that NPM and post-NPM elements blend into hybrid forms and logics of service delivery, what are the main characteristics (risks, opportunities, trends) of the diffusion of these forms and logics?

In the pre-NPM phase, local government played a key role in the provision of local services. This was especially true in the 1970s, when the modern welfare state had reached its peak in West European (WE) countries. Public utilities (water, sewage, waste, public transport, energy) were predominantly provided by national or local government, either directly in-house or increasingly more indirectly through public/municipal companies. In the same period, personal social services constituted one of the main, if not the main function of local government in the UK and the Nordic countries, while in Germany and Italy these services were still provided by non-profit voluntary organizations (often church-affiliated). In the Central East European (CEE) countries, local service provision was predominantly controlled by the communist state, except for Poland, where the Catholic Church retained its traditional role as an important provider of person-related social services.

In the NPM phase of the 1980s and especially the 1990s, local governments started to separate their service providing entities from the

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municipal structure, increased their autonomy and gave some of them a separate legal personality, although many municipalities retained both ownership of provider organizations and formal responsibility for the provision of the services (decentralization). It also became quite common to provide local services through municipal or inter-municipal companies, organized according to public or private law (corporatization). This was especially true for public utilities. In some cases, these utilities were nationalized, opened up for and sometimes sold to private owners (e.g. UK, France, and Italy). In other countries, municipalities have retained ownership and control, at least partially (e.g. Germany, the Netherlands, the Nordic countries). As far as person-related social services are concerned, municipalities have increasingly contracted out service delivery to private non-profit or for-profit entities, and some have even sold their service units to private firms. Thus, the degree of arm's length steering or 'hiving' off (known under many names, like for instance agencification, externalization, corporatization, and privatization) varies between countries and between services. The UK seems to be a frontrunner in this respect, with CEE countries after the fall of communism ranking a solid second. However, the development since the 1990s transition varies significantly within the CEE group. Poland, for instance, left waste collection and disposal to the free market, and only in 2013 did the municipalities receive the formal responsibility for organizing this service, based on compulsory competitive tendering. Croatia and Hungary instead experienced centralization of service provision and a significant weakening of the role of local government. As for the operating logics of this phase, managerial freedom ('let the managers manage') and competition seem to be taken for granted as the best mechanisms for improving efficiency and service quality. However, competition has not been applied to the same extent in all countries, although EU competition laws make it difficult to avoid it altogether.

In some countries, for example Italy, local government has experienced indirect pressure from the national government to adopt NPM-inspired reforms. One strategy has been to reduce financial support to municipalities, without increasing their ability to raise taxes or other forms of revenue. Another strategy has been to induce municipalities to transfer their service provision to other levels of government or to private agents in order to avoid managing complexity, and to stave off the political drawbacks of service reductions. Privatization 'by default' appears to be at least as frequent as, if not more than, privatization 'by intelligent design'. When a grand design has been pursued by the central level of government, however, as was the case in Italy, lack of coordination, moni-

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toring and support for and from local governments has resulted in piecemeal and inconsistent implementation. Further, research findings indicate that political and administrative issues may be at stake, and not only economic, legal or managerial ones; equity, justice, effectiveness, and the quality of democracy are all highly dependent on scale, coordination, and chains of authority devised for the regulation and delivery of social services and public utilities. Lack of competence in regulatory policymaking, political conflicts and localism, diversity of organizational cultures, and lack of accountability in decision-making processes may lead to failure or political crisis. In the so-called post-NPM phase, tendencies towards re-municipalization have been observed in Germany, primarily in relation to energy provision and, on a minor scale, water supply, and in France related to water supply, whereas in other services and in other countries there are few convincing signs of a development in this direction. Neither in Croatia, Hungary, Norway, Spain and Sweden, nor in the Netherlands do we find strong evidence of re-municipalization. Once they are implemented, NPM-inspired organizational forms and operating logics seem to survive. To the extent that post-NPM tendencies are observed, they may come more from local resistance, adaptation and reaction strategies than from the expressed central political will to reverse the course of reforms, at least at the local level. A notable exception appears to be the UK, where the Localism Act of 2011 sponsored by the former coalition government seems to point to more collaborative and developmental strategies. However, NPM features, such as horizontal de-concentration and pluralization now seem to mix with governance features like negotiation, cooperation, citizen involvement and soft power steering. Instead of the expected trajectory from pre-NPM, through the NPM phase to the post-NPM phase, we observe an increased blending of different providers, forms and logics, leading to hybrid solutions and a complex mix of converging and diverging tendencies. This development raises serious concerns and new challenges for democratic governance, transparency and accountability. Hybridization may lead to complexity, fragmentation and rapid exchange of service providers, stressing the governance capacity and capability of traditional representative democracy and local government, leaving citizens with opaque options for influencing political processes. In addition, based on research evidence and experience from all parts of Europe, the risk for growth in illicit business practices and corruption should not be underestimated.

However, NPM-inspired organizational forms and operating logics do not easily disappear in the post-NPM phase. Ideological disagreement between political parties on provision of social services does not chal-

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lenge competition as the 'taken for granted' mechanism for improving the efficiency and quality of local service delivery. Even in the Nordic countries with strong social democratic traditions, use of tender, competition and contracting out is relatively widespread in local government, and there are few if any signs that the tide is turning. Research findings from Slovakia and the Czech Republic concerning competition and contracting out are contradictory, but if this practice is properly implemented and managed, it can be effective in some specific situations. However, contracting out depends on the existence of a private market, which is not always the case. If then local governments want to put some of their services out for tender, they may have to stimulate the creation of that market themselves. However, there are concerns, and there is research evidence that this practice runs the risk of stimulating corruption. In some countries, for example Norway and the Netherlands, inter-municipal cooperation has become an important strategy for creating economies of scale, especially for expensive infrastructure services, like for instance waste collection and disposal. Further, recent performance scrutiny measures in Sweden do not seem to lead to higher levels of citizen satisfaction.

Lessons and Policy Advice

From this research, we may extract the following lessons:

Lesson 2.2.1: Metaphors like 'trajectory' and 'pendulum' may be helpful in describing and understanding the institutional changes in local service provision. However, research has shown that the reform development is much messier than expected, with tendencies and counter-tendencies going back and forth and blending into mixed solutions, or 'hybrids'. 'Hybridization' may therefore be added as an additional and empirically more accurate metaphor.

Lesson 2.2.2: Research has uncovered significant variation between how local service provision is organized and run in different countries and within different services. On the other hand, market liberalisation promoted by NPM and EU regulation and the collapse of communism have stimulated processes of isomorphism, which seem to reduce these differences gradually. However, the ongoing political developments in Europe may counteract these isomorphic tendencies and lead to more differentiation.

Lesson 2.2.3: The expected trend towards post-NPM re-municipalization is only partially confirmed, primarily in Germany and France. The growing importance of municipalities in local service provision in most CEE countries does not contradict this lesson since the legacy of Communist regimes was provision by central government, not by NPM-inspired organizational forms and operating

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logics. However, today we observe increased centralization in some CEE countries.

Lesson 2.2.4: Competition may increase economic efficiency of local service provision, be it through internal contracting (contracting in) or external outsourcing/contracting out. However, transaction costs may reduce this advantage, so may lack of institutional factors such as legislation, rule of law, competitiveness and lack of internal competence in monitoring and contract management. The risk of corruption is another disadvantage.

Lesson 2.2.5: To the extent that local governments try to implement reform agendas using the 'copy and paste' method, taking beneficial effects for granted without genuine and open discussion, they should expect resistance, opposition and competing reform proposals. This approach may make implementation difficult or impossible.

Lesson 2.2.6: When central governments pursue reforms of grand design and try to push them onto local governments, implementation will be half-hearted, partial and inconsistent.

Lesson 2.2.7: Arm's length service provision and externalized organizational forms especially may reduce transparency and create legal, financial and political accountability problems.

Based on the scientific findings presented above and formulated in seven lessons, we suggest seven recommendations, each of which align with the lessons given.

Advice 2.2.1: Make an evidence-based choice of how to blend organizational forms and operating logics ('hybridization'), balancing pros and cons, when faced with a new mix of public/semi-public/private non-profit/private for-profit actors in local service delivery. Avoid looking at this as a merely technical matter, and accept this as an issue of high political consequence.

Advice 2.2.2: Utilize the opportunities created by isomorphic organizational forms and operating logics to learn more about the pros and cons of these forms and logics from local government in other countries.

Advice 2.2.3: Evaluate the political and economic advantages and disadvantages of that approach if you want to retain municipal service delivery or re-municipalize. Opt for inter-municipal cooperation when municipalities are small. This may be an effective approach for building internal capacity and competence and to balance democracy and (scale) economy in local service provision. An alternative approach could be amalgamations.

Advice 2.2.4: Assess systematically the specific conditions and environments under which services are to be provided, and remember, there is no optimal organizational form or operational logic of service delivery. In order to achieve better results of contracting out, improve mechanisms for financial management, legal procedures, control, political transparency and debate, communication with citizens and accountability. If you do have a tender, make sure market

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mechanisms can operate effectively, for instance by creating a well-functioning, transparent market for public service delivery.

Advice 2.2.5: Provide opportunities for critical analysis and discourse on reform narratives in light of current actual evidence. Accept alternative views as legitimate expressions of other interests and values. In addition, uncover values hidden in 'neutral' concepts, like for instance competition. Create opportunities for collaboration among researchers and practitioners in order to obtain a more critical and constructive approach to reforms. Make sure to involve citizens.

Advice 2.2.6: Cooperate and create alliances with other municipalities (e.g. through national associations of municipalities) in order to communicate with the central government when confronted by grand design reforms. Seek to negotiate goals, strategies and tools during the implementation process to adapt it to local needs, preferences and resources. Try to implement reforms step-by-step to make organizational learning and innovation possible.

Advice 2.2.7: Develop effective, transparent and legitimate mechanisms and processes to secure political, financial and legal accountability, whether reforms are inspired by NPM or post-NPM agendas. Build administrative competence and capacity so that local governments are able to draw up contracts and tenders and are able to monitor, evaluate and regulate the actions and activities of private for-profit and non-profit partners. Such competence may also support decisions on whether to re-municipalize or contract-out/privatize activities again. Make sure to involve strategic interests (e.g. interest groups, associations of municipalities, municipal companies) in these processes.

2.3 Modernizing internal management: Making a difference for performance

LocRef research focused to a significant extent on describing, understanding and assessing local governments' efforts to reform internal structures and improve the functioning of local government entities. Questions related to (post-) NPM reforms and instruments of internal management include the extent to which they trigger results, what are key success and fail factors, and what is their impact on local service delivery. However, most of the research did not focus so much on formulating general claims regarding the overall success or failure of the reforms examined, mostly because no reform measure can be deemed as 'successful' or 'unsuccessful' as such. Rather, research sought to *identify the conditions – external as well as internal – that are likely to influence the success of reforms*. Moreover, side effects, either intended or unintended, appeared on the horizon of the empirical investigations, too. Research was conducted in different areas of local government reforms, including joined-up govern-

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ment reforms, human resource management reforms, strategic planning, and performance management.

'Joined-up government' (JUG) is an umbrella term reflecting a move towards increased coordination within (local) government. JUG is a response to the perception that there is increased fragmentation in delivery of public services caused by earlier, NPM type reforms. This fragmentation has created challenges and presented difficulties for intra-administrative coordination as well as for citizens. JUG involves a range of responses that should lead to greater coordination – both horizontal and vertical – to increased integration of service delivery ('seamless services'), and to increased support for policy implementation at local government level. Research focused in particular on shared services and shared service centers.

A second stream of research focused on human resource management (HRM) reforms taking place within large, metropolitan local governmental units. In selected cases of 'best practice', city reforms were compared in terms of their approaches. Research examined not only the process of these reforms, but also whether the implemented institutional change (organizational, personnel and instrumental) affected organizational performance. Correlations between change management and HRM reforms and their (presumed) effects were highlighted and insights into ambiguities, tensions and problems inherent within change processes are shown.

Also, the research assessed the extent to which strategic planning at local level represents an integral component of recent public administration reforms following different – partly and possibly contradictory and/or overlapping – reform paradigms, and whether local public authorities have the capacity to design and implement a proper strategic planning process.

Finally, the research tackled the connection between instruments of internal management and local service delivery, management and performance. The relevant instruments of internal management analyzed include the establishment of performance-oriented pay regimes and their inter-connectedness with motivation and organizational performance, the implementation and use of performance information in the budgets of the municipalities as new instruments of strategic control, steering, accountability and learning, and the implementation of austerity management plans and cutback programmes.

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Lessons and Policy Advice

As with most research, findings in the different problem areas outlined above partly corroborate, partly supplement, and partly contradict one another. In order to offer some synthesizing view of the findings, we present them in terms of three cross-cutting dimensions: *diffusion of reform*, *factors triggering change*, and *assessment of reform results*.

Diffusion of reform

Lesson 2.3.1: Diffusion and implementation practice shows significant differences and leads to heterogeneity and variance of implementation of instruments of internal management. Additionally, there is a variance between local governments in terms of what is considered to be accepted, legitimate, appropriate and expected implementation and development of the reform.

Lesson 2.3.2: With regard to instruments of internal management, several tactics or typologies are identified which can be applied at the whole local government level or which can be selectively applied to specific services or departments.

Examples of reforms studied included, amongst others: joined-up-government reforms in Austria, Germany, Hungary, Ireland, Italy and Norway; HRM reforms in Finland and Germany, more specifically, the implementation of performance-oriented pay regimes in Germany, France and Italy; the use of performance information in municipalities' budgets in Belgium, the Netherlands, Poland, Germany, Italy, Lithuania, Ireland, the Czech Republic, Norway and Slovakia; and austerity management plans and cutback programs in Belgium, France, Germany, Ireland, Italy, Portugal, Slovenia and the United Kingdom.

Factors triggering change

Lesson 2.3.3: Local service delivery in Europe has gone through a radical transformation since the 1980s, particularly due to ideas and practices of market liberalization and business-inspired managerialism associated with NPM and EU legislation. External shocks or trends (e.g., economic crisis and fiscal tensions, aging population) and major shifts in central governmental policy related to these trends, frequently play a crucial role in inducing change. Additionally, more 'incremental' types of factors, such as a desire to improve policy performance and coordination, or the influence of state-of-the-art reform ideas, may play an important role in initiating reforms.

Lesson 2.3.4: Economic and fiscal stress and the central government's (possibly latent) political motives seemed to play a larger role in the peripheral, more vulnerable European countries. Other types of longer-term socio-economic pres-

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sures and concerns about policy performance appeared to a larger extent in the bigger and/or central states of the European Union.

Examples include Irish and Hungarian JUG reforms induced by the economic crisis, HRM reforms in Finland stimulated by an aging population, or fiscal tensions triggering reforms in Spain. In both the Irish and the Hungarian shared service type, JUG reforms examined in LocRef research showed that central governmental policy was another triggering factor; in the former case the central policy change was directly related to crisis management, whereas in the latter case other, presumably more political motives played the major role. In Norwegian JUG reforms, 'incremental' type of factors included a desire to improve policy performance and coordination; in German HRM reform, state-of-the-art reform ideas helped initiate reforms.

Assessment of reform results

Lesson 2.3.5: Reforms – especially those initiated by central governments – frequently affected broad areas of local governmental structures and processes extending far beyond the particular reforms examined. In a majority of cases, these policy shifts included divesting local governments of institutional, financial or political resources, narrowing their autonomy and/or scope of responsibility, and tightening central control over them.

Lesson 2.3.6: The overall outcomes of the reforms include numerous elements which created actual or potential improvements in operations. These include helping organizations to focus retained resources on core activities, creating economies of scale and scope, developing new areas of expertise by specializing in certain activities, and improving the quality and cohesion of service delivery (in the case of shared services), improving morale and staff motivation (especially with the selected HRM reform cases), and overall developing coordination among service fields as well as improving service levels.

Lesson 2.3.7: Likewise, strategic planning presents numerous advantages irrespective of the characteristics of a certain local administration, including stimulating a culture based on performance and managerial learning. Herein, coordination is a central element: national governments need to make sure that a certain degree of coherence and coordination exist among the European, national, regional, and local levels. If properly designed and implemented by closely involving the actors and layers affected, strategic planning can contribute to tackling coordination problems.

Lesson 2.3.8: The limited evaluative accounts that exist today with regard to instruments of internal management point out that actual improvements resulting in motivation and efficiency gains fall short of expectations in almost all national contexts.

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Lesson 2.3.9: For the JUG reforms examined, a trade-off was identified between stronger vertical coordination and increased horizontal coordination. If central government focuses on vertical coordination and tightens its control over the local units, then these reform steps may decrease the inclination of local governments to horizontally cooperate to solve wicked problems, since they may develop the perception that central government will solve these problems anyway.

Reform of performance management and measurement systems specifically were seen as somewhat controversial. On the one hand, research conducted in Hungary and Israel indicates that performance management in local government carries potential or even actual improvements in service performance, customer satisfaction and, possibly even citizens' trust in local government. On the other hand, research conducted in Finland, Germany and Spain concluded that performance assessment regimes measuring individual, as opposed to organizational or policy level performance, may trigger counterproductive effects such as high administrative and transaction costs, over-steering and under-utilization. This suggests that while organizational or policy area level performance management can be seen as relatively uncontested in terms of positive outcomes, individual level performance assessment requires careful consideration and design in order to avoid harmful consequences.

Recommendations derived from our scientific conclusions relate to the introduction of different instruments and reforms, and to the need for taking into account the conditions needed for successful reform.

Advice 2.3.1: Implement realistic instruments of internal management that pay attention to the quality of service delivery and include information about citizens' expectations and perceptions. Induce a move towards creating shared services, but guarantee that adequate resources (material as well as expertise) are ensured as these are critical to underpinning the success of shared services initiatives.

Advice 2.3.2: Introduce strategic planning initiatives to help tackle vertical and horizontal coordination problems.

Advice 2.3.3: Consider not implementing a specific instrument of internal management if it is not able to achieve its aim. At the same time, also consider the value of implementing imperfect instruments of internal management. Those instruments have the potential to provide local governments with useful information, if transparency is ensured at all times and if they are assessed regularly in a critical way.

Advice 2.3.4: Design and implement reform with a reasonable extent of incrementalism in mind, as opposed to initiating swift and across-the-board changes.

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It may be wise to rely on 'best practices' or 'lighthouse projects' combined with 'seed funding' or other (financial) incentives.

Advice 2.3.5: Pay attention to the design of instruments of internal management, so that practitioners can directly use and benefit from the instrument. Employ ITC as a key factor with which to improve public service delivery. As reforms usually aim to modify organizational culture, it is not enough to finance the hardware and software part of the project. Success rests on the thoroughly planned education of civil servants.

Advice 2.3.6: Hire a 'hero actor' to ensure successful implementation. Stronger horizontal coordination which usually means stronger network type coordination, does not mean that there is no need for a key actor to foster the cooperation and to lead the cooperating team. Involve units from the beginning. In a project which has an aim to strengthen the vertical coordination over local units, involve these units already in the planning phase. This can decrease their organizational resistance.

2.4 Inter-municipal cooperation: a proper solution for improving service provision?

Local service delivery is inevitably linked to different approaches to territorial rescaling (thus also organizational rescaling), which can, in many ways, affect effectiveness and efficiency of local service delivery. Implementation of different measures of territorial rescaling can significantly influence local service delivery, by overcoming its most common problem: the size of the locality.

There are many reasons why public service delivery should be provided by the lowest level of government, which can still provide these services efficiently:

a) *Proximity* - local government is closer to citizens, and thus can respond to their needs and adopt tailor-made policies; these are in turn more effective and cost less; proximity also creates room for democratic accountability of local politics;
b) *Efficiency* - overlapping with proximity, it also encourages fiscal responsibility and efficiency, as local politicians are directly accountable for the performance of local services, and local decision-making can produce tailor-made policies; and
c) *Flexibility* - local decision-making is more responsive to the local services users, also due to the homogeneous nature of locality.

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The *subsidiarity principle* should be followed as a golden rule. It states that higher level authorities should perform only those tasks that cannot be performed effectively at a more immediate or local level.

One can overcome the issue of size (too big or too small) with 'hard' mechanisms, like amalgamation, where localities are merged to form new political, functional and territorial entities; or, alternatively, 'soft' mechanisms, such as Inter-municipal cooperation (IMC) or sub-municipal units (SMU), that allow functional optimisation without interfering in the territorial or political status of the locality. Amalgamation reforms can have positive effects on service delivery regarding economies of scale; however, they dramatically influence local government structures and presuppose great political and citizen consensus.

'Soft' mechanisms offer politically more plausible territorial rescaling for local service delivery, as they do not interfere with existing territorial structures. In those cases, where localities are too small to effectively and efficiently deliver services, there is the option of cooperation. IMCs are widely used in Europe and exist in many forms. The type of IMC depends heavily on the purpose of cooperation, the size of localities and the legal framework in the country.

On the other hand, if localities are too big to ensure citizens' voices are heard, SMU can be implemented to overcome participation deficits. This is directly linked to satisfaction with local service delivery, since in smaller communities, in which citizens are more likely to express their needs, tailor-made services are easier to obtain. Besides this, the non-bureaucratic model of decision-making makes public policymaking in small communities easier and more efficient. Thus, a smaller community makes the population more homogeneous, participation in decision-making easier and increases citizen satisfaction with public policy.

Under the umbrella of the categorisation of 'soft' and 'hard' mechanisms presented for territorial rescaling regarding local service delivery, many policies have been implemented, allowing us to scrutinize numerous subtypes and ad-hoc solutions that exist in practice.

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Research has suggested that the relationship between size and efficiency of local service delivery (measured through citizen satisfaction) does not grow linearly, but that there is an *inverted U-shape relationship*. Satisfaction with local public services rises, prevails at a certain point, and then starts to fall (principle of decreasing marginal utility).

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Lesson 2.4.1: Citizens in very small and very large localities are in general less satisfied with local public services. The question is to which point the satisfaction level rises, and where the optimum point lies. There is no indisputable scientific proof that a specific type of territorial (or functional) rescaling affects specific types of services regardless of socio-political background.

Lesson 2.4.2: Amalgamation reforms have proven to have cost-saving effects (e.g. Greece in the 2011 amalgamation reforms and, similarly, in ex ante assessment of potential amalgamations in Germany). However, there is the possibility that due to path dependencies or citizens identifying poorly with the newly established localities, these new (amalgamated) municipalities will not be able to produce tailor-made policies or provide tailor-made services. This may consequently result in a more costly local government.

Lesson 2.4.3: Cooperation between localities exists in a myriad of forms, from highly informal to very formal, from top-down to bottom-up, and from being obligatory or voluntary. However, classification is of little importance when the link to local service delivery is in question. It is of utmost significance whether inter-municipal cooperation functions, how it functions and how it affects local service delivery.

Lesson 2.4.4: Inter-municipal cooperation is established to lower costs and to solve problems that are beyond the scope of a single locality. Additionally, this mechanism is used more often when economies of scale are at stake (e.g. infrastructures, waste management). However, cooperation extends to other areas as well.

Lesson 2.4.5: Inter-municipal cooperation will continue to expand and localities are satisfied with this mechanism. There is empirical proof (e.g. Germany and Iceland) that IMC positively affects local service delivery.

Lesson 2.4.6: On the other hand, there is little empirical proof of how SMUs directly influence local service delivery. There are case studies showing that citizens make positive assessments concerning local access to service delivery. There is also a theoretical assumption that SMUs may link citizens' engagement, homogeneous locality and satisfaction with local service delivery.

It is hardly disputable that territorial rescaling can affect effectiveness and efficiency of local service delivery. The measures used for rescaling, however, rely heavily on individual circumstances. Inter-municipal cooperation mechanisms are especially useful when amalgamation is under consideration (for functional reasons), but there is little or no consensus on the topic. It might provide a useful intermediate step to know, that while localities are politically and autonomously untouched, local service delivery can be organized in a more effective and efficient way.

Advice 2.4.1: Implement amalgamation reforms cautiously and do not break the link between the citizens and local government.

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Advice 2.4.2: Consider amalgamation's positive effects on local service delivery in the case of economies of scale.

Advice 2.4.3: Consider inter-municipal cooperation. It could be a useful tool for overcoming the problem of the size of the locality when local services are too costly or hampered (organizationally or functionally) because of municipal size.

Advice 2.4.4: Ensure the willingness of localities to cooperate. Take into consideration financial incentives and the types of services to be delivered at the inter-municipal level, rather than an immediate focus on the type of IMC.

Advice 2.4.5: Implement sub-municipal units in bigger localities in order to follow the subsidiarity principle in the most organic way, as it can serve as a proxy to delegate specific local services to lower levels of local government.

2.5 Big or beautiful? The challenge of territorial rescaling for local service delivery and performance

The discussion about territorial rescaling on the local level revolves around three basic questions: a) is there something like an 'ideal' size for municipalities and how can it possibly be defined and achieved?; b) are amalgamations of municipalities in this respect a way to overcome problems of size and structure or do they rather create more challenges?; and c) could there be an alternative way to overcome such problems instead, notably through enhanced inter-municipal cooperation?

The concept of an 'ideal' size for municipalities - although often referred to at discourse level - is very problematic and rather more related to the political than to the scientific sphere. In the European Union, the actual number and size of municipalities does not only differ very much between but also inside the member states. In this context of huge heterogeneity, the question itself is normally reduced to the possible existence of a 'minimal' ideal size for local communities, generally defined by the average number of inhabitants.

Lesson 2.5.1: There is no cross-country consensus regarding the ideal size of a locality. The very different positions and the respective arguments to sustain them highlight the fact that no simple one-size-fits-all solution exists in this matter.

Lesson 2.5.2: The 'ideal' size of a municipality depends on a large number of influencing variables like e.g. the given political, financial and social system/situation, the country's infrastructure, its administrative capacities, its demographic development and - very importantly – its unalterable geographic/topographic location.

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Therefore, debates about the 'ideal' size of municipalities have to take into account many factors, ranging from superordinate systemic questions at the national/regional level to specifically local circumstances. This precludes per se simplistic answers or uniform standard definitions, and asks for more single case-oriented reform approaches.

By amalgamations (also mergers, fusions), we understand the dissolving of two or more municipalities in order to form a new one with a single legal status, while the former independent municipalities lose their autonomy. These processes can either be voluntary or, as is presumably more common, enforced by a higher level of government. The phenomenon itself is not new either: from the middle of the 19th century till today, 'waves' of amalgamations at different times have taken place in many European countries, the 1970s being perhaps a focal point.

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Lesson 2.5.3: In most cases, the arguments regarding amalgamation are: bigger entities are supposed to be more efficient, being able to deliver better services to the citizens and, all in all, being more professional. However, these general assumptions have to be checked carefully.

Lesson 2.5.4: The real effects of amalgamations are often controversial, partly due to measurement and evaluation problems. One element found in many amalgamation processes, at least when they are instigated from 'above', though, is the initial opposition of local politicians, citizens, clubs and other forms of locally organized structures. Therefore, these processes have to be carefully planned, communicated and conducted, and are often accompanied by political costs, like the foundation of new political lists and the loss of votes for reform parties.

Lesson 2.5.5: For proponents of amalgamations it might be reassuring that after some years of people living together in the new municipality, such resistance tends to become more nostalgic than politically relevant. Consequently, even if there are cases in which amalgamations had to be revoked afterwards, the overwhelming majority of them are hardly contested after the new structures have come into being.

As mentioned previously, municipalities cooperate. In practice, such arrangements are extremely multifaceted and can take several forms: from legally non-binding soft forms, like the mere exchange of knowledge and information, to legally binding arrangements, e.g. in the area of common waste management, street services or all other kinds of non-mandatory and mandatory tasks.

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Lesson 2.5.6: Amalgamations and inter-municipal cooperation are not mutually exclusive.

Lesson 2.5.7: While the versatility of the subject is thus potentially confusing, inter-municipal cooperation normally shares one simple goal: to use synergies in service delivery without giving up the principle of the respective partners having local autonomy – as would be the case with amalgamations.

Ideally, such cooperation should result in lower costs and/or more effective and better services for the citizens. There is, however, a serious lack of evaluations in this field, so many assumptions about the real effects of inter-municipal cooperation – as well as of amalgamations – are still more a matter of faith in the respective political position than confirmed by neutral and evidence-based analysis.

There is no valid abstract definition concerning the 'ideal' size of municipalities in Europe as it is rather a time and context dependent variable. Considering territorial rescaling, reform projects must therefore take a large number of influencing factors including systemic conditions as well as specifically local circumstances into account. Amalgamations are the hardest reform option in the field of local territorial rescaling, as two or more formerly independent municipalities lose their autonomy and are merged into a new municipal unit. Voluntary amalgamations do exist, but normally they are instigated by a higher level of the political system (national or regional), as the various legal systems regularly foresee this option.

Advice 2.5.1: Avoid mimetism. Given the huge heterogeneity of national and local systems in Europe, the reference to foreign examples might be politically interesting but is - almost always - useless, except when it is based on very detailed and scientifically founded comparisons.

Advice 2.5.2: Plan, communicate and conduct reforms carefully. Given the fact that the initial resistance at the local level is very often high and that the time span needed for amalgamations is usually quite long, reforms should be initiated right at the beginning of a legislative period and be provided for with a very clear timetable for their different steps.

Advice 2.5.3: Take political costs into consideration. Anti-amalgamation movements or the loss of votes for the reform parties in the next elections have to be taken into account from the beginning and countermeasures (e.g. information campaigns) have to be planned. As the opposition to amalgamations in most cases is not very long-lived and decreases when the new structures come into being, proponents of reforms need certainly political stamina, but can also expect to successfully implement their reform projects (especially as judicial ex post controls almost always confirm the legality of the measures taken).

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Because of the wide range of cooperation subjects, the large variety of non-legal and legal cooperation forms and the highly dispersed knowledge about the real cooperation landscape in many countries, it is difficult to formulate policy advice in the field of inter-municipal cooperation.

Advice 2.5.4: Know your ground in advance, and learn from experience. For local politicians, the first step might be simply the collection of information as many cooperation arrangements have never been properly documented. The next step could be a needs analysis followed by an analysis of the existing potential of the respective municipality and its neighbors.

Advice 2.5.5: Consider the impact of cooperative arrangements on policy steering and political leadership. One also has to be aware of the fact that cooperation with others inevitably increases the steering issue. Therefore, a careful analysis of the pros and cons of such cooperation projects and their partner structure is indispensable.

However, from the point of view of higher authorities, even successful inter-municipal cooperation might cause a problem: they are isolated solutions for a number of participating municipalities, which might differ from the solutions of other municipalities for the same subject in the same region. Thus, widespread inter-municipal cooperation might impede more effective and efficient reform potential on a larger scale.

2.6 Old vs. new: using participatory instruments for better services

Local government is the level of government that provides a wide range of services to the citizens, and the need to improve service quality is essential for designing and delivering municipal services. At the same time and in recent years, being forced to implement austerity measures, local governments have been under pressure to downsize demands, to reduce costs and to increase productivity and efficiency. As a result, the extent to which local governments perform their functions has been seriously questioned. In response to rising expectations and citizens' demands, even in times of complexity and austerity, local governments have to become more consumer-oriented and, as a result, citizens' views have to be incorporated into the production and delivery of service chains. In performance management, the challenge is not simply how to control; it is also how and when to include citizens in the process, since performance of the many types of outputs and outcomes, results and processes have to be related to democratic governance.

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In a period of increasing complexity of issues and decreasing revenues, the challenge for local governments is how to be able to assemble multidisciplinary expertise that can be used to address and to solve specific public demands concerning the production and delivery of local services. Consequently, today appears to be an appropriate time for collaboration in order to fulfil the need for high quality provision of local services without expanding costs or organizational size. Research suggests that local governments can become more democratic, more efficient and more effective if citizen participation is used in the design of services. Empirical findings indicate that the same level of output can be achieved when citizens are involved beyond the monopolization of service production and delivery by local officials. Research also supports the fact that when suited to specific services and contexts, collaboration between local administrators, local service departments and citizens in the planning and delivery (or elimination, when resources become more scarce) of specific services may improve not only user-oriented services (participants provide new information), but also trust and confidence in the local government and hence improve democracy. However, many researchers have noted that citizens' inputs in the design and provision of public services are often perceived to be a minor source of valuable information, chiefly because they are perceived as unable to provide objective and concise information.

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Lesson 2.6.1: Long-term and stable support for citizens' involvement in the provision of local services is a prerequisite for local governments to evolve and adapt to new future conditions and problems beyond political turnover.

Lesson 2.6.2: Relevant advantages may be obtained over time by municipalities that can foster citizens' participation in the designs and implementation of local service provision (i.e. citizens' participation improves data quality), but they must be prepared to work within consensus processes.

Overall, evidence is accumulating which shows that citizens increasingly expect quality, accessible and efficiently managed provision of local services. Used appropriately, citizens' participation has the potential to support better decision-making in the production and provision of local services with the required quality standards. Citizen involvement is a central ingredient, since citizens provide guidance to experts about the direction of service quality through their experiences, preferences, and values.

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Complexity, however, has to do not only with the plurality of communities within a city, but also with the development and constant alterations in the different perceptions of and preferences for the municipal services. This scheme constantly challenges the ability to provide quality, and local public officials have to explore how to create new quality arrangements. This includes forms of citizens' participation by shifting from a focus on internal quality perceptions to a focus on cooperation with citizens as partners, in order to improve the quality of service output and be accountable at the same time.

Lesson 2.6.3: Using both expertise and public opinion altogether is most likely to produce high quality production and delivery of local public services. Involving citizens in the efforts of designing local services that meet certain quality requirements can lead to a greater understanding of citizens' needs. There is also a high level of satisfaction among those citizens that have participated in quality processes.

Lesson 2.6.4: Councilors and local administrators must understand that they are working in a complex contextual environment where citizens' perceptions are increasingly important. From an organizational point of view, the delivery of quality of services is purely a technical issue, but those processes also need to be placed within the context of the local political framework. By listening to the citizens, local public administrators can improve the quality of services by making more informed decisions and regaining the confidence of citizens that demand change.

Performance measurement is an essential element of accountability. It serves purposes of control, efficiency, effectiveness and planning. But these are only traditional functions of performance measurement, to which the capital issue of accountability has to be added. In local government, performance measures are typically required by both councilors and public managers, but the involvement of citizens is crucial, since the key to meaningful advances in performance measurement in local governments may lie in strengthening citizens' interest in local public issues. In this case, the challenge will be met not only by formulating measures that address efficiency and achieving goals, but, perhaps more critically, by reporting measures that enhance public interest and by introducing citizens' inputs to elaborate suitable performance indicators. Local governments have to report not only how much they spend, but also how much work they do, how well they do it, how efficiently, and, ideally, what their actions achieve. Furthermore, in this context, the citizens have to be taken into account, not only as recipients of performance measurement reports, but also as a source of input for indicators that shape performance mea-

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sures and to identify relevant standards that could be used as a guide with which to assess local performance.

Local public officials need to gather adequate information through interacting with citizens to ensure that their needs are met better, but performance measures also have implications for local governance, since performance legitimacy requires active accountability to citizens - and this accountability requires both administrators *and* citizens, in turn, to share and develop performance indicators jointly. Integration, connectivity, and cooperation with citizens are central to performance management, but research suggests that performance measures are mainly limited to efficiency and effectiveness measures in budget implementation, and not in all functional areas. For instance, quantitative standards pertaining to provision of local services are established without taking into account the continuous variations in population differences (i.e. refugees' integration).

Lesson 2.6.5: Citizens' participation in the adoption of performance measures and quality indicators, from planning to evaluation, contributes to successful local governance. This is because it enables public officials to be more informed, and thus, to make better decisions about the production and distribution of local services. Furthermore, the inclusion of citizens will serve their democratic education and participation and would enhance accountability.

Lesson 2.6.6: Performance measurement should be a process in which managers and citizens' views should be considered together, so preferences about the several dimensions involved in measurement can be refined by mutual awareness and adjustments. Citizens' involvement entails the formal enrichment or enlargement of the job of public officers in charge of performance measurement.

Based on the scientific findings presented above, we suggest a number of recommendations which link with (1) *supporting citizens in presenting and sharing their views*; (2) *involving public employees in the local government organization*; and (3) *combining management and citizens in performance measurement*.

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Supporting citizens in presenting and sharing their views

Advice 2.6.1: Establish a dialogue between service providers and service users. Improve communications (newsletters, workshops) with citizens 1) to explain what the municipality is doing and 2) to better understand how municipal services are assessed by the citizens.

Advice 2.6.2: Give citizens the opportunity to present their views by developing citizen satisfaction data through citizen surveys on the quality of municipal services. Encourage citizens to share their views on the quality of municipal services and to adopt problem-solving attitudes.

Involve employees in participation and interaction

Advice 2.6.3: Convince administrators and councilors that citizen participation will result in long-term and intangible benefits. Their design and implementation must be carefully tailored to individual municipalities.

Advice 2.6.4: Involve public employees by providing incentives, training, and quality process teams to change culture: remove fears from public employees and make them understand that citizens' involvement can help them to accomplish their tasks and that they can be done more efficiently.

Combine management and citizens in performance measurement

Advice 2.6.5: Overcome many of the political, organizational and operational problems by adopting a participatory management style. Combine management and citizens' approaches in the measurement of performance processes. Performance management calls for professional public officials, based not only on technical values rooted in substantive expertise, but also on democratic values such as participation and openness.

Advice 2.6.6: Ensure that the measures are useful for cross-comparison or benchmarking, notwithstanding the fact that every local government may be unique in terms of size, population, problems and resources. Standardize performance indicators that can be used in cross-comparisons, but be careful in the selection of performance indicators used in other local governments.

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Bas Denters

Chapter 3: Participation and Democratic Accountability: Making a Difference for the Citizens

with the assistance of Daniel Klimovsky and based on contributions by Giulio Citroni, Colin Copus, Jochen Franzke, Jana Gasparikova, Miro Hacek, Angel Iglesias, Michael Illner, Maija Karjalainen, Norbert Kersting, Daniel Klimovsky, Jelizaveta Krenjova, Andreas Ladner, Anders Lidström, Poul Erik Mouritzen, Lawrence E. Rose, Theodore N. Tsekos Angelika Vetter, Eran Vigoda-Gadot

3.1 Introduction

These are troubled times for democracy. Even though still hardly anyone challenges the desirability of democratic governance as such, enthusiasm for the democratic creed appears to be waning. There is widespread disenchantment with contemporary democratic practices. The representative democratic systems that are prevalent in most European nations are being challenged. Previously strong links – via mass-parties and popular elections -- between political representatives and the represented have been weakened by declining party membership, 'Parteiverdrossenheit' and ever lower turnout rates in elections.

Since the late Robert Dahl now more than 50 years ago wrote his thought-provoking article *The City in the Future of Democracy* (Dahl 1967), the local tier of governments has been widely considered a cornerstone of the democratic edifice. Its proximity to citizens would provide an effective antidote to a growing sense of political alienation and powerlessness amongst citizens and would allow for direct, more meaningful forms of participation of citizens in public affairs. It is no surprise that over the past decades all over Europe, cities, towns and villages became the locus of reforms aimed at revitalizing local democracy.

Evidence-base for the lessons and advice

In the remainder of this chapter, we will zoom in on the experiences with specific democratic reforms across European countries and cities. In Table

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4 you will find an overview of the empirical basis for the lessons and recommendations formulated in the various sections of this chapter. On the basis of this, we will formulate lessons and recommendations that are relevant for the formulation of a more concrete local democratic reform agenda.

We do so in modesty, because systematic, comparative research on the effects of democratic reforms is mostly limited to case studies that often defy easy generalization. Because, in the context of our research, we had to rely on previously conducted research by the project partners, there is also an inevitable bias in the reforms covered in this contribution. For this reason, we ignore important local democratic innovations, like local referendums and initiatives and the new modes of digital democracy.

Moreover, we also need to be modest because our research primarily covers local democratic reforms that are initiated by higher tiers of government, and especially by central government through national legislation or national policies. But of course, there is also a multitude of locally initiated reforms. These locally initiated projects have only occasionally attracted scholarly attention, and therefore the experiences from such reforms are grossly underrepresented in this chapter. Notwithstanding these limitations, our research learns important lessons.

≡ Table 4: Overview of the evidence-base for lessons and advice formulated in chapter 3

Section	Countries (additional references)
3.2	Denmark, Netherlands, Norway Switzerland
3.3	Norway, Sweden; Denmark Iceland; Finland; Netherlands), UK, Ireland, Spain, Portugal; France; Belgium; Greece; Italy, Germany; Switzerland; Austria; Latvia; Estonia; Czech Republic; Lithuania; Poland; Hungary; Slovakia; Slovenia; Croatia; Bulgaria; Romania (Vetter et al. 2016) Czech Republic, England, Slovenia, Spain, Sweden (Copus et al. 2016)
3.4	Spain, Slovakia, Estonia, Germany (Kersting et al. 2016) Finland (Karjalainen 2015)
3.5	Israel, Norway, Italy and Hungary, United Kingdom, Germany, France, Italy, Greece, Croatia, Poland and Turkey
3.6	Belgium, Bulgaria, Denmark, Finland, France, Germany, Greece, Hungary, Italy, Norway, Austria, Poland, Portugal, Romania, Slovakia, Spain, Czech Republic, United Kingdom, Sweden (Denters/Klok 2013) the Netherlands (Denters 2016b)
3.7	the Netherlands (Denters 2016b)
3.8	the Netherlands (Denters 2016a; based on similar approach developed in UK and USA)

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A final limitation of our research pertains to the evaluation of the reforms. How successful were efforts to reform local governments? The success of democratic reforms might be defined in a number of ways. One conception of success is the politico-administrative success of a policy: is a reform proposal politically accepted and has it actually been implemented? Here, success pertains to the results of the politico-administrative process. Most of our studies focus on the success of reforms in this limited sense. Far less is known about another, admittedly more interesting conception of success: the actual impact of reforms on the quality of local democracy. Unfortunately, evaluations of the results of reform policies in these terms are rare and this chapter will only occasionally discuss the actual impact of implemented reforms.

3.2 Citizens' views

Do citizens appreciate such efforts at democratic reforms? Do they value representative democracy and more extensive opportunities to participate in politics relative to other values, like effectiveness and efficiency? Surprisingly little is known about this. Of course, we know, for example from the Eurobarometer or the World Values Study, to what extent citizens in different European countries consider it important that people get a greater say in important government decisions. But the endorsement of this democratic value is rather general. First, it does not tell us through which channels citizens would like to make themselves heard. Second, the statement refers to 'government' in general and is not specific about the level of government. So it does not tell us how important citizens think it is to have a greater say in important *local government* decisions.

Research in Switzerland, Norway, Denmark and the Netherlands sheds some light on such questions. In this research, citizens were asked about their appreciation of different components of what might be considered *good local governance* (Denters et al. 2016). These questions related to both effectiveness/efficiency and to democracy and participation. The research also asked how satisfied citizens were about both these aspects of the quality of local governance. Of course, the four countries in which this research was conducted are small, prosperous states in Northern Europe, but the research findings there also have implications outside this specific context.

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This research indicates that in all these four countries, a Singaporean conception of good (local) governance – dominated by the values of effectiveness and efficiency – is not widely endorsed. Effectiveness and efficiency are important, but not all important! The dominant political culture in these countries combines functional and democratic values. This research also found that citizens in these four countries value both elements of representative democracy and participatory democracy.

The aforementioned research also indicates that both across and within countries, there are important differences of emphasis. Depending on different national and local traditions, effectiveness and efficiency may be considered more important in some places than in others. And likewise, in some countries or localities, citizens may differ in their appreciation of representative and participatory democracy. But such important differentiations should not distract from the fact that local governments in all four countries have to be 'jacks of all trades': they have to meet citizens' demands for effective policies and cheap, high-quality services and facilities, but at that same time they have to provide a well-functioning, responsive, representative democratic system with adequate opportunities for direct citizen involvement. It is therefore no wonder that in the light of all these different demands, despite reasonable satisfaction with the functional and the democratic performance of local governments, there is plenty of room for improvement.

Lesson 3.2.1: Effectiveness and efficiency are considered important for good local governance, but citizens also value democratic elements highly.

Lesson 3.2.2: Effectiveness, efficiency and democracy are valued differently by citizens depending on national and local traditions.

Lesson 3.2.3: Local governments have to meet citizens' demands for effective and efficient service delivery as well as for democratic participation and direct involvement. There is room for improvement to avoid trade-offs.

Advice 3.2.1: Be aware that European peoples appreciate balanced reform packages. Effectiveness and efficiency are top of citizens' priority lists, but this by no means implies that democracy and participation can be ignored. Reforms aimed at improving effectiveness and efficiency should be combined with better representation and more opportunities for meaningful direct citizen involvement in local governance.

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Advice 3.2.2: Take into account that different segments of the public may have different expectations concerning the content of reforms. Citizens in some municipalities may ask for more meaningful channels for citizen participation, whereas, in other places, there may be a demand for more openness, transparency and responsiveness from councillors. Adapt reforms to national, regional, and local differences according to the weight the public attaches to different aspects of the democratic quality of governance.

Advice 3.2.3: Use multifaceted instruments to monitor how *your own* citizens' evaluate the quality of *their* local governance. These instruments should combine aspects of functional performance, democratic representation and responsiveness, and satisfaction with the availability and effectiveness of opportunities for citizen participation.

Advice 3.2.4: Avoid conceit and self-congratulation. Even if your municipality does well in many or most respects, there is always plenty of room for improving the quality of local governance (effectiveness and/or efficiency and/or quality of democracy). Therefore – using the result of a differentiated monitoring instrument (previous recommendation) – decide which reforms can improve the quality of governance in *your* municipality.

Advice 3.2.5: Adapt your reform strategy to local needs and demands. There is no single 'best way' to improve local governance. Hence, avoid copying and pasting fashionable 'best-practices' from elsewhere. Democratic reform strategies should be adapted to local variations in political traditions and dominant political values and if possible should also be sensitive to the needs and demands of local minorities.

3.3 Changing the rules of the game: access to information, directly elected mayors, and referendums

Many European democracies are confronted with problems of legitimacy: declining trust in political institutions, increasing levels of political alienation and powerlessness, declining voter turnout, rising votes for extremist parties, and rising protests. This challenge to democracy is not only a result of the recent financial crisis and the current wave of migration to Europe. It is also related to more long-term trends, like transnationalization and the growing complexity of governance. These processes tend to reduce individual citizens' chances of effectively influencing political decisions at the same time as emancipated citizens are demanding a greater say. The coincidence of decreasing opportunities and increasing demands for effective participation give rise to widespread feelings of political powerlessness and dissatisfaction.

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These challenges have incited a call for democratic reforms, particularly at the local level of governance, where the contact between government and the governed is closest and where it may be easiest to implement reforms. A widening of the range of opportunities for citizens' influence on local decision-making might compensate for a loss of influence at higher levels of government. In recent decades, many countries have made efforts to increase the transparency of local government and open up additional channels for citizens' influence on local decisions. In our research, we have focused on three such reforms: a) implementing the right of free access to information, b) allowing the direct election of mayors, and c) introducing the possibility of binding local referenda for citizens to directly control local decision-making by expressing their opinions apart from in local council elections (Vetter et al. 2016). On the basis of an expert survey conducted in all member states of the EU with a population of more than one million, plus Switzerland, Norway and Iceland, we have charted patterns of local government reforms in these three domains in the period from 1990 to 2014. To what extent were such reforms implemented in various countries? As for the introduction of elected mayors, a more detailed analysis in five countries (England, Spain, Slovenia, the Czech Republic and Sweden) is provided in a second study (Copus et al 2016).

Lessons and Policy Advice

Our results indicate that there is an overall trend in European local government towards giving citizens more information and more say in local policymaking. However, change is not a universal phenomenon and the degree of change is different across countries. There are clear politico-geographical patterns observable, reflecting common political traditions, shared historical events or socio-economic conditions. Changes are most distinctive in many post-communist countries. Only in two 'Western' local government systems is change quite obvious: Germany and the UK. On the other hand, in most Northern (with the exception of Iceland and Belgium) and Southern European countries (with the exception of Greece and France) changes were less radical. Most of these changes were made in the domain of free access to information. With regard to the more far-reaching reforms, like the introduction of directly elected mayors and, even more so, the implementation of binding referenda, there is more reluctance. This reluctance reflects two types of uncertainty. First of all, there is uncertainty about the acceptance of reform proposals. At least in some countries, these democratic reforms would have led to major

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changes in the division of local power and many times such changes would also have required constitutional change. Second, especially for more drastic reforms, there is also uncertainty about the effects of reforms. Free access to information – as a modest reform – probably involves a lesser degree of uncertainty and is therefore more likely to be implemented. The evidence from England, Spain, Slovenia, the Czech Republic and Sweden shows that the (possible) introduction of directly elected mayors meets with considerable resistance. This resistance is nourished by the fear that a directly elected mayor will radically change existing power relations in local politics. It might pose threats to the domination of local politics by traditional, national political parties and the power of councils and councillors. It may take political crises (like in Germany and Italy) to overcome such institutional resistance (Copus et al. 2016).

Lesson 3.3.1: There is an overall trend in European local government towards giving citizens more information and more say in local policymaking with most significant changes in the post-communist countries and less radical changes in the Northern and Southern European countries (with some exceptions).

Lesson 3.3.2: Most changes are related to the free access to information, whereas far-reaching reforms (e.g. the introduction of directly elected mayors, binding referenda) are less frequent, because of the uncertainty about the acceptance of respective reform proposals and the reform effects.

Lesson 3.3.3: In some countries, the resistance vis-à-vis the introduction of directly elected mayors is nourished by the fear that a directly elected mayor will radically change existing power relations in local politics, e.g. question national political parties' domination of local politics.

Advice 3.3.1: Consider to what extent major institutional democratic reforms are likely to be blocked by constitutional provisions that are hard to change and institutional forces that are difficult to overcome. Where such institutional barriers are likely to occur, it may be more effective to aim at modest piecemeal reforms that do not require constitutional change, and are therefore more likely to be implemented, than more radical reforms that are unlikely to be accepted by the required absolute majorities.

Advice 3.3.2: Recognize the implications of our limited knowledge about the effectiveness of democratic reforms and do not expect fast changes in political legitimacy. Refrain from raising unwarranted high hopes regarding such reforms.

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Advice 3.3.3: Because of the as yet unknown effects of democratic reforms, modest piecemeal reforms in a few localities may be a more promising reform strategy than 'Great Leaps Forward'.

Advice 3.3.4: Consider the experiences with such a reform in countries/municipalities where they were previously implemented, especially if these previous adopters of reforms are rather similar (in political traditions, shared history, or socio-economic conditions; cf. lesson 1) to your own jurisdiction. This will allow you to get a better a priori understanding of the possible understanding of the consequences of reforms.

Advice 3.3.5: Consider new democratic reforms in the domain of free-access-to-information and transparency reforms. Because of new digital technologies and the 'big data' revolution, standards of transparency and free access may have to be redefined and new tools to meet these standards will have to be designed and implemented. Moreover, historical evidence demonstrates that in this relatively uncontested domain it appears to be easy to implement democratic reforms (quick wins).

3.4 Participatory reforms

The use of participatory innovations has expanded vastly around the world. These new channels for participation have become popular as add-ons to established channels – like hearings and interactive governance – through which citizens can make themselves heard in between elections. These innovations – such as deliberative mini-publics, participatory budgeting and direct legislation – are typically introduced as local initiatives. Systematic research into the adoption and the impact of such local reforms is rare. Proponents of participatory reforms claim that these reforms can strengthen democracy in different ways. So far, empirical studies have focused on how many people participate through these new channels and on the representativeness of participation. But what is the effect of the availability of participatory innovations on citizens' actual influence over political decisions and on their evaluations of government?

A comparative analysis of case studies from Spain, Slovakia, Estonia, and Germany shows that so-called deliberative modes of democratic governance do not always practice what is being preached. New modes of online participation are often nothing more than electronic suggestion boxes and 'participatory budgeting' does not always offer genuine channels for deliberation, resulting in binding decisions and community development (Kersting et al. 2016).

In an interesting Finnish study, the effects of participation on citizens' views was scrutinized. The data for this study consist of 9,603 individuals

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in a representative sample of Finnish municipalities (N=34). Multilevel regression modelling was used to analyse the effect of the availability of eight different types of participatory innovations – such as participatory planning events and citizen juries – on dependent variables. In answering this question two components of perceived legitimacy were considered: procedural fairness and outcome satisfaction.

Lessons and Policy Advice

Although this research was limited to a single country, its findings nicely fit into more general and theoretically plausible patterns of findings about the impact of participation on active citizens. On this basis, we have formulated two lessons and a number of recommendations:

Lesson 3.4.1: Research indicates that the mere number of participatory innovations does not increase perceived legitimacy, but deliberative innovations in particular seem to do so.

Lesson 3.4.2: The effect is, however, moderated by how aware citizens are of local decision-making and their opportunities to influence decisions.

Advice 3.4.1: Do not consider the introduction of new participatory instruments as an easy fix. Participatory governance should not become a race for the number of instruments, even if participation has become a buzzword.

Advice 3.4.2: Certain types of participatory instruments that enable communication between the citizens and listening to opposing views do, however, have a positive effect on procedural fairness and satisfaction with policy outcomes. Therefore, perceived legitimacy might be increased in a municipality by establishing participatory innovations that are deliberative by design.

Advice 3.4.3: Make opportunities to participate widely public and transparent, even for those who do not participate.

Advice 3.4.4: Make sure that public consultation has policy impacts and make this known to the public. Failing to do this explains why citizens become even more sceptical if new participation channels are adopted. Hence, it is important not only to stage democratic reforms, but also to take the results seriously in terms of policy decisions and their implementation.

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3.5 NPM and post-NPM reforms: Securing participation and democratic accountability in the changing world of local governance

In recent decades, the nature of local politics and administration has undergone radical changes. At the turn of the millennium, the introduction of NPM reforms considerably changed the nature of local governance. In previous chapters, we have considered how these reforms have affected the effectiveness and efficiency of local governance. Here, we consider the possible side effects of such reforms on the democratic quality of local governance. NPM reforms are manifold and pertain to innovations in public management that affect both the internal and the external management of municipalities. As for internal management, the introduction of performance management is most important. Since the late 1980s, performance management has become a bon ton in central and local government research and practice. Systems of performance management not only allow public managers to steer and control administrative organization, but they also provide the information that allows for a public debate in which citizens, local organizations and elected representatives can hold the local executive to account. Therefore, performance management has the potential to contribute to the democratic accountability of local administration to citizens and their representatives. This is especially the case because citizens today are more sophisticated than ever before. They are also better informed and have much wider access to information, data, and criticism expressed in social media platforms and with virtual group dynamics. But to what extent does performance management actually exploit this potential? So far, empirical evidence has been mixed. Recent findings from research in Israel, Norway, Italy and Hungary suggest a number of lessons (see Raadschelders/Vigoda-Gadot 2015).

External management reforms are the other side of the NPM coin. Currently, many municipalities use methods such as corporatization, concessions, outsourcing and privatization to improve the quality and reduce the costs of public services. In recent years, there has been a debate on the desirability of such external management reforms. On the one hand, in some places municipalities have tried to strengthen their role in the provision and production of services. But under the influence of the financial crisis, austerity policies seem to have reversed the post-NPM dynamics (see Citroni et al. 2016). In the context of this chapter, it is interesting to know to what extent 'external' NPM and post-NPM reforms affect the participation of users and their confidence in and satisfaction with local politicians and local services. Empirical findings collected over the course

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of the COST Action LocRef for the cases of the United Kingdom, Germany, France, Italy, Greece, Croatia, Poland and Turkey provided evidence on this question.

Lessons and Policy Advice

The countries studied here provide no unequivocal evidence that either NPM or post-NPM reforms have substantially enhanced citizens' participation and user's satisfaction and trust. Providing performance information can affect public visibility and the public debate about public performance. But this possible contribution hinges upon the role of the media and the accessibility of performance management reports. Often, complex performance management system reports make it difficult for the broader environment to grasp developments in actual performance. In the same respect, municipalities have problems communicating their efforts and good deeds to their environment. Hence, we found that a low degree of information and visibility of findings in performance management systems is likely to result in inaccurate citizen evaluations of municipality performance.

During the NPM period, business-like solutions such as corporatization, concessions, asset privatizations and outsourcing were adopted. These reforms consider users chiefly as customers and not as stakeholders. In this context, attempts to privatize local utilities have paid no attention to transparency, nor to the participation of users and citizens. Both corporatization under public ownership and re-municipalization permitted, in certain cases, the establishment of forms of indirect citizen participation and control through audit and consultation bodies. During (post-NPM) re-municipalization projects – mainly for reasons of political legitimacy – a participative approach was taken. As a complement to the corporate management system, voluntary open participatory bodies were established. In practice, these procedures attracted a limited number of participants, while the overall process essentially remained invisible to the general public. In Germany, citizens' cooperatives have been implemented to enhance participation. As a component of austerity, strategies – such as the British 'Big Society' – express a participatory ambition. Here, the aim of reducing the role of the central state goes hand in hand with an effort to empower citizens and local communities. Nonetheless, as centralization continues and spending cuts remain the norm, these policies face the risk of being reduced to pure rhetoric. In countries like Greece and Turkey, but also in many Western and Eastern European countries, no fully fledged NPM-reforms have been implemented. In Southern Europe,

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efforts to strengthen citizen participation in the early eighties – e.g. by introducing 'commissions of social control' and citizens' panels – were stifled by a lack of social trust and a weak civil society. Even though there is quite extensive use of (participatory) social economy enterprises and of voluntary work in social programmes, this situation has persisted in recent years. In some Eastern European countries, by contrast, transition from a system of hyper-centralized, planned and controlled service provision to a market-oriented model created opportunities for participatory initiatives and allowed citizens to establish associations to organize the delivery of mainly social services. However, for the most part, in these countries citizens were in fact not really involved in public service provision and production.

Lesson 3.5.1: In many European countries, no full-fledged (Anglo-Saxon type) NPM reforms have been implemented.

Lesson 3.5.2: NPM-inspired concepts of privatization and outsourcing perceive users as customers and not as stakeholders, which is why less attention is paid to transparency and participation.

Lesson 3.5.3: There is no unequivocal evidence that NPM or post-NPM reforms have substantially enhanced citizens' participation, user's satisfaction or trust.

Lesson 3.5.4: Post-NPM developments, such as public corporatization and re-municipalization, have permitted new forms of indirect citizen participation and control through audit and consultation bodies. However, in practice, these procedures have attracted only a limited number of participants.

Lesson 3.5.5: In some cases, the effort to empower citizens and local communities was combined with austerity strategies, centralization and spending cuts, which entails the risk of user participation being reduced to pure rhetoric.

Lesson 3.5.6: Providing performance information to the citizens can affect the public debate and the citizens' evaluations of local performance. Yet, this requires public access to performance management reports, simplified reporting systems, and the willingness as well as capability of municipalities to communicate performance information in a reasonable way.

Advice 3.5.1: Do involve citizens as co-producers and stakeholders when jointly providing public services. Do not reduce them to a role of mere customers and make sure that their input and concerns are seriously taken into account in strategic decisions on services.

Advice 3.5.2: Provide your citizens and users with access to all information that is necessary for the evaluation of and – if applicable – co-decision-making on public services.

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Advice 3.5.3: Apply the free information policies on services not only to public (in-house) service provision, but also to NPM-related corporatization, concessions, asset privatizations and outsourcing. Use your power as a principal to ensure that quasi-public and private agencies are forced to allow participation and provide adequate information to users.

Advice 3.5.4: Present results of performance management to citizens on a regular basis, in a simplified manner, and as a basis for a public debate that includes citizens and their elected representatives. Reduce the complexity of performance management reports and make them publicly available.

Advice 3.5.5: Use local media as an interface for sharing performance information with citizens. Employ attractive forms of information dissemination in a way that is inviting, interesting and understandable. Internal learning should not be the only purpose of a performance management system.

Advice 3.5.6: Use ICT and new social media for the purpose of online monitoring, e-consultation and e-surveys in combination with meaningful channels for public participation and control to improve the quality of services, users' satisfaction and citizens' trust.

Advice 3.5.7: Be aware that instruments (citizens' panels, user councils, client cooperatives, commissions and similar bodies) that may be effective in some countries may not work in countries and regions where social and political trust are low and where civil society is weak.

Another observation connected with NPM and post-NPM reforms is the relocation of local public decision-making from town halls to collaborative governance that crosses the public-private divide, specifically in the following two cases:

– *Public-private partnerships, outsourcing and privatization*: where quasi-governmental agencies (operating at arms-length) and private companies – alone or together with municipalities – are providing local public services and management of public facilities based on contractual arrangements and subsidization.
– *Community governance*: where local government either works together with individuals, civic organizations and companies in co-productions and partnerships or facilitates forms of community or neighbourhood self-governance.

This leads to recommendations that predominantly address the role of municipal councils directly elected by the citizenry and which represent the people. In this capacity, the council and its members have a special responsibility to secure the democratic quality of systems of local governance. In general terms, we recommend you to:

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Advice 3.5.8: Put the reform of the traditional council-centred models of control and accountability (CA) on your agenda and stage experiments with new CA-regimes in the context of privatization and community governance.

Advice 3.5.9: Consider the need for a multiplicity of CA-arrangements in the light of the different functions that these will have to fulfil, and also because the importance of such functions varies per task.

Advice 3.5.10: Given the work-pressure on councillors and the increasing skills and awareness of citizens, consider empowering citizen organizations to rearrange local CA-regimes. Citizens could be involved, inter alia, in expert/user councils, as accountants, in visitations and accreditation systems.

3.6 Citizen participation in the context of amalgamation reforms: the role of Intra-Municipal Units (IMUs)

In this section, we consider the implications of territorial reforms for the democratic quality of local governance. In response to such reforms – either in the form of municipal amalgamations or through intensification of inter-municipal cooperation (see further below) – it is widely recognized that new modes of civic participation and new arrangements for securing accountability are due. In the second half of the 20th century, amalgamation reforms were typically concentrated in a number of countries in North-West Europe. But in recent years, amalgamation reforms have also been implemented in Southern Europe, e.g. in Portugal and Greece. In Germany, where many 'Länder' were also reluctant to implement amalgamation reforms, we also observe that amalgamations of local authorities at municipal and county levels have been prepared (e.g. in Thuringia and Brandenburg).

There is a heated scholarly debate on the effects of such amalgamation reforms, both in terms of their implications for the effectiveness and efficiency of governance and their impact on local democracy. With regard to its democratic effects, several studies conclude that municipal amalgamations may result in a visible decline in participation (e.g. lower voter turnout; fewer candidates for local council mandates) and the quality of political representation (e.g. reduction in local mandates per inhabitant; longer distances for councillors to contact the citizens, less-informed councillors, more influence of local bureaucracy). Other studies also point at a reverse effect: bigger municipalities may attract more competent candidates for local mandates and local elections may be more competitive.

Ultimately, amalgamation reforms require a political decision in which a choice is to be made about potentially conflicting goals. Citizen

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support for these reforms – and the legitimacy of the newly established municipalities – depends on the carefulness with which these political decisions are made. This is particularly relevant when amalgamations are imposed, and local citizens do not have the final say via a referendum. Careful preparation includes the consideration of alternatives for amalgamations in the form of inter-municipal cooperation. Of course, careful preparation of the reforms also implies the need for an active information policy and the creation of opportunities for public dialogue parallel to the parliamentary decision-making process.

Moreover, once a choice is made in favour of amalgamations, measures might be considered to compensate for a possible loss of opportunities for effective citizen participation and responsiveness. In the light of possible negative effects, several countries have tried to combine amalgamation reforms with subsidiary measures to counteract possible negative effects in terms of declining rates of political participation and citizen involvement. To this end, some German 'Länder', for example, have experimented with a special type of first-tier municipalities ('Verbandsgemeinde'), where smaller municipalities ('Ortsgemeinden') remain politically independent, but their resources are centralized in bigger municipalities (e.g. Sachsen-Anhalt). In a similar vein, in other places there have been experiments with intra-municipal decentralization.

Many European countries have implemented forms of intra-municipal decentralization. These reforms were mainly implemented to bring local government closer to its citizens. This argument was particularly important in big (urban) municipalities and in countries with large-scale amalgamations (e.g. in Sweden, Belgium and the Netherlands). But how do such democratically inspired reforms impact upon the quality of local governance, especially in terms of offering meaningful channels for participation and the municipality's capacity for responding to the needs and demands of citizens?

There is only limited research on this question available, and the evidence thus far is suggestive rather than conclusive. Denters and Klok (2013) - in a recent survey amongst European academic local government experts - looked into the current state of intra-municipal units (IMUs) in 19 European countries with more than five million inhabitants.

Lessons and Policy Advice

In many countries, there are such IMUs. They typically have a rather broad range of tasks and responsibilities in two domains: 1) neighborhood and sports facilities as well as socio-cultural activities for the young and

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the elderly; 2) neighborhood physical infrastructure (buildings, greens), planning and the care for the livability, cleanliness and safety of neighborhoods. In general, the country experts in the 17 countries with IMUs rated both the democratic effects of the IMUs (e.g. in terms of their effects on the political involvement of citizens and their responsiveness to citizens' demands) and the IMUs' effects on the effectiveness and the efficiency as rather poor (with scores around 5 on a ten-point scale). A number of five country case studies suggests that results were somewhat more favorable in countries where IMUs combine:

– solid democratic legitimation (through direct elections and assembly democracy, as in English parish councils)
– a strong institutional position (in terms of multiple tasks and degree of autonomy) and
– institutional longevity.

Here, the case of English parish councils is particularly interesting because their firm historical roots and small scale allow them to function as a vehicle for community governance and active citizenship (government 'by' the people rather than 'for' the people).

Lesson 3.6.1: IMUs play an important role in many countries and they assume a significant number of local functions (e.g. sports facilities, socio-cultural activities, planning, and safety of neighborhoods).

Lesson 3.6.2: The democratic and performance effects of the IMUs are, however, rated as rather poor.

Lesson 3.6.3: Under certain conditions, the evaluation of IMUs is more favorable, especially if they combine solid democratic legitimation, a strong functional profile, and a high degree of autonomy.

Advice 3.6.1: Consider the option of introducing IMUs in amalgamated (or large) municipalities, especially in neighborhoods or settlements that have their own (historical) identity and correspond to existing social communities (rather than subdividing the jurisdiction on the basis of administrative logic and numerical criteria). In such a context, IMUs can develop into democratically meaningful and effective/efficient small-scale units in the context of large municipalities.

Advice 3.6.2: When introducing IMUs, be prepared to provide these new units with the institutional conditions for success: (a) solid democratic legitimation, (b) and a meaningful range of responsibilities.

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Advice 3.6.3: After having introduced IMUs, be prepared to accept that it may take considerable time for such institutions to take firm root and develop their own identity and prove themselves.

3.7 Participation and democratic accountability in inter-municipal cooperation (IMC)

In most European countries the democratic control and accountability of IMC is concentrated in the hands of the directly elected municipal councils. This system is flawed. First, democratically, channels for citizen control are rather indirect: citizens elect councillors; these councillors then elect and control the members of an IMC council, who in their turn hold the IMC executive to account. Second, this system is probably better geared to the protection of local autonomy than to the representation of the interests of regional citizens. Third, in the prevalent system, the position of the popularly elected municipal councillors is weak because they are typically ill-equipped to exercise effective control over IMCs. Fourth, accountability is impeded because it is unclear – in this complex multi-actor setting – who is responsible for decisions and their outcomes (problem of many hands). This is a problem from a democratic perspective. But in such a system, there are also no clear incentives for effectiveness and efficiency, because it is unclear who should be praised in case of success and who is to blame in case of failure. Finally, the system is often costly (high transaction costs) and ineffective (lack of decisiveness and deadlocks in decision-making). Against this backdrop, it is no surprise that there has been a call for new forms of democratic control and accountability on IMCs. This call becomes louder when the functional scope of IMCs broadens, and more (and politically more salient) tasks are transferred to IMCs.

Lessons and Policy Advice

Currently, there is hardly any systematic empirical evidence about which of these new mechanisms do and do not work. But nevertheless – on the basis of a growing base of literature (Denters 2016b) – we can already draw some lessons and recommendations for the design of such new IMC accountability regimes. One general lesson to be learned from IMC is that local political decisions have been increasingly relocated from traditional public decision-making to collaborative governance in multi-agency networks that go beyond traditional jurisdictional boundaries (both vertical,

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across levels of government, and horizontal, between different local governments). Against this backdrop, there is an emerging consensus on the need to experiment with and carefully evaluate new modes of participation and democratic control of IMCs, particularly where IMC affects highly salient domains and strategic regional decisions.

Lesson 3.7.1: Accountability regimes in public governance have to perform a number of important functions: (a) securing democratic legitimation and citizen control; (b) protecting against arbitrariness and abuse of power; and (c) improving effectiveness and efficiency. In the IMC context, d) the protection of local autonomy is another concern.

Lesson 3.7.2: In the light of these different functions, alternative accountability mechanisms have their specific weaknesses and strengths. A particular mechanism, e.g. the prevalent council-centred system, may be better at protecting municipal autonomy than representing the interests of the citizens in the region as a whole.

Lesson 3.7.3: The salience of these functions differs between different tasks: democratic control may not be important for refuse collection, but might be highly salient in environmental and planning policy. Moreover, for many tasks, more than one function may be important, which calls for a combination of various accountability mechanisms.

Lesson 3.7.4: In combination, these principles imply that newly emerging IMC accountability regimes are likely to constitute an ecology of arrangements, where provisions can differ across domains, and where for particular tasks different accountability mechanisms may have to be combined (e.g. to guarantee regional democratic control, municipal autonomy and effectiveness) at the same time.

Advice 3.7.1: Consider experimenting with new modes of democratic control of IMCs, particularly where IMC affects highly salient domains and strategic regional decisions. Moreover, such experiments should be carefully evaluated and the results should be shared with the local government community.

Advice 3.7.2: Consider setting up an (ad hoc) regional assembly of councillors that decides on the adoption of new arrangements for establishing democratic control. After all, these councillors, as directly elected representatives of the people councils, have the legitimation to design new forms of democratic control in the region where they operate.

Advice 3.7.3: Try to be creative in developing experiments and consider unconventional solutions. In IMCs, for example, direct participation and citizen control might allow for a better expression of the needs and demands of regional citizens. Moreover, direct democratic legitimation of such inter-municipal decisions might also help in overcoming the deadlocks in the current system of vol-

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untary cooperation with strong institutional guarantees, thus protecting local autonomy (de jure or de facto veto power for all municipalities in the region). This would also reduce the transaction costs and enhance the decisiveness of IMCs.

3.8 How to improve the use of new and existing channels ■

Since the 1960s, ever new channels for citizen participation in local politics and governance have been introduced. In addition to the right to vote in elections, citizens in most countries have a wide range of ways to engage in public affairs and to voice their opinions and demands regarding (important) government decisions and the delivery of public services: the introduction of 'access-to-information-policies', public hearings, consumer surveys and client councils, interactive governance, e-democracy, referendums and other forms of direct democracy, direct election of mayors and other executives, forms of deliberative democracy (citizen juries and forums, mini-publics), and most recently community initiatives (rights to challenge and neighbourhood rights). Many of these new channels for active citizenship are created at the local level. Most participatory politics is LOCAL politics. In terms of thinking about democratic reforms, most attention has been given to the design and implementation of new forms of participation. Much less attention has been devoted to less spectacular but perhaps even more important reforms that aim at the broader use of existing channels for participation. To develop policies and instruments that stimulate and facilitate citizen participation, it is important to know why some people participate and others don't.

Lessons and Policy Advice

There is a vast array of literature on the factors that stimulate and hamper citizens' use of participatory channels. We can conveniently summarize the factors that encourage and discourage participation in five broad categories:

– **A**mbitions: the motivation of people to become active. These motives can be either *public* and pertain to the desire to influence public decisions, the quality of life, the quality of governance etc. in one's city or neighbourhood, or *personal* (e.g. securing individual benefits, e.g. a housing permit, or the opportunity to meet people or the satisfaction gained from simply doing one's neighbourly or civic duty)

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– **C**ontacts: people's relational social capital. Inclusion in social networks is increasingly recognized as an important resource for individual and collective forms of political participation.
– **T**alents and time: pertain to the personal resources that are necessary to facilitate participation. Here 'talents' (just like in the biblical parable) stand for both monetary (and physical) capital and human capital (knowledge and skills). Finally, time is also an important and, for many people, is becoming an increasingly scarce personal resource.

These three clusters of factors pertain to characteristics of potential participants. But it is also widely recognized that participation can be stimulated or hampered by features of the politico-administrative context (see Bouckaert and Kuhlmann 2016). Here, two components can be distinguished:

– **I**nstitutions: participation may be hindered or facilitated by the formal and informal rules of the participation game. These rules not only determine the structure of available participatory opportunities, but also their accessibility, scope and potential effectiveness.
– **E**mpathy and responsiveness: in addition to the structural component (I-factor), the organizational culture in governmental organizations (both political and administrative) is important both in stimulating or hindering participation and in affecting the chances of *successful* participation.

These five factors - which can be conveniently summarized in the acronym ACTIE (Denters 2016a)[2] – provide a comprehensive and practically useful tool to help us systematically think about possible measures to promote the (effective) use of existing channels for citizen participation (and the design of new channels).

2 The ACTIE framework was initially developed in the context of the 'Citizens making their Neighborhood'- project (together with Dutch colleagues: Judith Bakker, Imrat Verhoeven and Evelien Tonkens) and builds upon previous work by Verba c.s. and Lowndes c.s. After its initial development the instrument was further refined and recently published in Denters (2016).

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Lesson 3.8.1: Five broad categories of factors can be distinguished that encourage and discourage participation, and which can be summarized in the ACTIE framework.

Lesson 3.8.2: The motivations and ambitions of people – be they public or personal ones - to become active are crucial for the process and outcome of participation.

Lesson 3.8.3: Social capital is an increasingly important resource for individual and collective forms of political participation.

Lesson 3.8.4: Personal resources are an important precondition with which to facilitate participation. Monetary and human capital, as well as time capacities as an increasingly scarce resource, are necessary factors in driving participatory processes.

Lesson 3.8.5: Formal and informal institutions may hinder or facilitate the participation game by way of structuring the participatory opportunities and determining their accessibility, scope and effectiveness.

Lesson 3.8.6: The organizational culture in governmental organizations can stimulate or hinder participation and thus influence the chances of *successful* participation.

Advice 3.8.1: In thinking about democratic reforms, do not only consider the introduction of ever more new channels for participation, but also, and perhaps even primarily, increasing the use and the effectiveness of already existing channels.

Advice 3.8.2: Use the ACTIE framework to systematically think about ways to promote and facilitate various forms of citizen participation. By carefully considering the personal motives (A-factor) and resources (C- and T-factor) of different groups of potential participants, you can develop a differentiated strategy of mobilization and facilitation that avoids the mobilization of the 'usual suspects' (prosperous, highly educated and middle-aged men) only.

Advice 3.8.3: Rethink established rules and organizational practices (I-factor) and the organizational culture in local public sector organizations (E-factor). Facilitating citizen participation is not only about enticing and helping citizens to engage in local government, but it is also about making your own organization 'citizen-friendly'.

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Christian Schwab, Geert Bouckaert and Sabine Kuhlmann

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-

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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

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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

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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 legitimation, 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

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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

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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

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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

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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

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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

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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

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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.

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Appendix

Table 5: LocRef members with countries and institutions*

Name	Country	Institution
Evis Gjebrea	AL	European University of Tirana
Isabell Egger-Peitler	AU	Vienna University of Economics and Business
Stephan Leixnering	AU	Vienna University of Economics and Business
Renate Meyer	AU	Vienna University of Economics and Business
Tobias Polzer	AU	Vienna University of Economics and Business
Benedikt Speer	AU	Carinthia University of Applied Sciences
Kathrin Stainer-Haemmerle	AU	Carinthia University of Applied Sciences
Kathrin Winkler	AU	Carinthia University of Applied Sciences
Pieter Bleyen	BE	KU Leuven
Geert Bouckaert	BE	KU Leuven
Elke Demeulenaere	BE	KU Leuven
Bart Depeuter	BE	KU Leuven
Sofie Hennau	BE	University of Hasselt
Astrid Molenveld	BE	KU Leuven
Thibaut Renson	BE	Ghent University
Johannes Rodenbach	BE	Ghent University
Thomas A. Soetaert	BE	Ghent University
Jesse Stroobants	BE	KU Leuven
Evrim Tan	BE	KU Leuven
Nicolas Van de Voorde	BE	Ghent University
Wouter Van Dooren	BE	Antwerpen
Bram Verschuere	BE	Ghent University
Ellen Wayenberg	BE	Ghent University
Jan Wynen	BE	KU Leuven
Ismet Kumalic	BHG	American University in Bosnia and Herzegovina, Sarajevo
Claire Kaiser	CH	University of Bern
David Kaufmann	CH	University of Bern
Andreas Ladner	CH	University of Lausanne
Eva Lieberherr	CH	University of Bern

* members of the Management Committee of LocRef are highlighted in **bold**

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Name	Country	Institution
Lukas Reichmuth	CH	University of Bern
Reto Steiner	CH	University of Bern
Kalliopi Agapiou-Josephides	CY	University of Cyprus, Nicosia
Andreas Kirlappos	CY	University of Cyprus, Nicosia
Josef Bernard	CZ	Czech Academy of Sciences, Prague
Juraj Hanuliak	CZ	Palacký University, Olomouc
Jakob Hurrle	CZ	Charles University in Prague
Michal Illner	CZ	Czech Academy of Sciences, Prague
Ilona Kruntorádová	CZ	Charles University in Prague
Michal Kuděla	CZ	Palacký University, Olomouc
Jakub Lysek	CZ	Palacký University, Olomouc
Roman Matoušek	CZ	Charles University in Prague
Beata Meričková	CZ	Masaryk University, Brno
Karolina Musilová	CZ	Charles University in Prague
Kateřina Ptáčková	CZ	Charles University in Prague
Jana Soukopová	CZ	Masaryk University, Brno
Hartmut Bauer	DE	University of Potsdam
Janina Blome	DE	Münster University
Jörg Bogumil	DE	Ruhr-University Bochum
Frank Bönker	DE	Leipzig University
Thomas Danken	DE	University of Potsdam
Katrin Dribbisch	DE	University of Potsdam
Caroline Fischer	DE	University of Potsdam
Jochen Franzke	DE	University of Potsdam
Emanuele Frezza	DE	University of Potsdam
Franz Füg	DE	Leibniz Institute for Research on Society and Space, Berlin
Panagiotis Getimis	DE	Technical University of Darmstadt
Kai Harbrich	DE	University of Potsdam
Carsten Herzberg	DE	University of Potsdam
Miria Jelen	DE	University of Potsdam
Caroline Kärger	DE	University of Duisburg-Essen
Norbert Kersting	DE	Münster University
Tanja Klenk	DE	University of Potsdam
Tobias Krause	DE	University of Potsdam
Bernhard Krieger	DE	University of Potsdam

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Name	Country	Institution
Nicole Küchler-Stahn	DE	Frankfurt University of Applied Sciences
Sabine Kuhlmann	DE	University of Potsdam
Minh-Nguyet Le	DE	University of Potsdam
Jens Libbe	DE	German Institute for Urban Affairs, Berlin
Friedrich Alexander Markmann	DE	University of Potsdam
Anne-Kathrin Meier	DE	University of Potsdam
Michael Platzek	DE	University of Potsdam
Isabella Proeller	DE	University of Potsdam
Paula Quentin	DE	Technical University of Dortmund
Christoph Reichard	DE	University of Potsdam
Renate Reiter	DE	University of Hagen
Uwe Remer-Bollow	DE	University of Stuttgart
Philipp Richter	DE	University of Potsdam
Tobias Ritter	DE	German University of Administrative Sciences, Speyer
Marco Salm	DE	German University of Administrative Sciences, Speyer
Max Oliver Schmidt	DE	University of Potsdam
Moritz Schnittger	DE	University of Potsdam
Christian Schwab	DE	University of Potsdam
Marc Seuberlich	DE	Ruhr-University Bochum
John Siegel	DE	Hamburg University of Applied Sciences
Jacob Spanke	DE	University of Potsdam
Philipp Stolzenberg	DE	Technical University of Darmstadt
Basanta Thapa	DE	University of Potsdam
Annette Toeller	DE	University of Hagen
Angelika Vetter	DE	University of Stuttgart
Dominik Vogel	DE	University of Potsdam
Marie-Helen Vogt	DE	University of Potsdam
Anne-Kathrin Wenzel	DE	University of Potsdam
Hellmut Wollmann	DE	Humboldt University of Berlin
Annette Zimmer	DE	University of Münster
Martin Bækgaard	DK	Aarhus University
Niels Ejersbo	DK	University of Southern Denmark
Lars Skov Henriksen	DK	Aalborg University
Marius Ibsen	DK	University of Southern Denmark

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Name	Country	Institution
Poul Erik Mouritzen	DK	University of Southern Denmark
Kati Keel	EE	Tallinn University of Technology
Jelitzaveta Krenjova	EE	Tallinn University of Technology
Tiina Randma-Liiv	EE	Tallinn University of Technology
Ringa Raudla	EE	Tallinn University of Technology
Ralf-Martin Soe	EE	Tallinn University of Technology
Kaide Tammel	EE	Tallinn University of Technology
Merit Tartar	EE	Institute of Baltic Studies, Tartu
Germà Bel	ES	University of Barcelona
Ana Cirera León	ES	Instituto de Investigación y Análisis Ágora (IIAA), Seville
Angel Iglesias	ES	Technical University of Madrid
Nadia Khalil	ES	Autonomous University of Madrid
Patricia Madrigal	ES	King Juan Carlos University, Madrid
Jaume Magre Ferran	ES	University of Barcelona
Carmen Navarro	ES	Autonomous University of Madrid
Marina Otero	ES	Instituto de Investigación y Análisis Ágora (IIAA), Seville
Esther Pano Puey	ES	University of Barcelona
Arturo Rodríguez	ES	Autonomous University of Madrid
Jordi Rosell	ES	University of Barcelona
Diego Sanjurjo	ES	Autonomous University of Madrid
Rubén Tamboleo García	ES	Complutense University of Madrid
Diana E. Valero López	ES	University of Valencia
Lorena Vasquez	ES	Autonomous University of Madrid
Jenni Airaksinen	FI	University of Tampere
Anniina Autero	FI	University of Tampere
Kristiina Engblom-Pelkkala	FI	University of Tampere
Jan Erik Johanson	FI	University of Tampere
Maija Karjalainen	FI	University of Turku
Pekka Kettunen	FI	Åbo Akademi University, Turku
Anna-Aurora Kork	FI	University of Tampere
Maija Mänttäri-van der Kuip	FI	University of Jyväskylä
Paula Rossi	FI	University of Tampere
Torsten Seidel	FI	University of Tampere
Lotta-Maria Sinervo	FI	University of Tampere

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Jarmo Vakkuri	FI	University of Tampere
Abeer F. Al-Mashni	FR	Pantheon-Sorbonne University, Paris
Rosalyn Allemand	FR	University of Lorraine, Metz
Pierre Bauby	FR	Pantheon-Sorbonne University, Paris
Nelly Demonfort	FR	University of Nantes
Magali Dreyfus	FR	University of Lille
Jacques Fialaire	FR	University of Nantes
Charline Fouchet	FR	Aix-Marseille University
Marcel Guenoun	FR	Aix-Marseille University
Vasiliki Kalimeri	FR	Pantheon-Sorbonne University, Paris
Jana Kapickova	FR	University of Paris-Est
Maria Lampadaki	FR	Pantheon-Sorbonne University, Paris
Joyce Liddle	FR	Aix-Marseille University
Gérard Marcou	FR	Pantheon-Sorbonne University, Paris
Isabelle Muller-Quoy	FR	University of Picardie Jules Verne, Amiens
Alexandre Munoz	FR	Aix-Marseille University
Mihaela Similie	FR	Sciences Po, Paris
Bruno Tiberghien	FR	Aix-Marseille University
Emil Turc	FR	Aix-Marseille University
Claudine Viard	FR	Cergy-Pontoise University
Sevasti Chondrou	GR	National and Kapodistrian University of Athens
Georgios Despotidis	GR	University of Birmingham
Evi Georgaki	GR	Athens University of Economics and Business
Nikolaos Hlepas	GR	National and Kapodistrian University of Athens
Manto Lampropoulou	GR	Greek Ministry of Interior
Ioannis Manolis	GR	National and Kapodistrian University of Athens
Giorgio Oikonomou	GR	National and Kapodistrian University of Athens
Amalia Papageorgiou	GR	National and Kapodistrian University of Athens
Maria Petraki	GR	National and Kapodistrian University of Athens
Sifis Plimakis	GR	National Centre for Public Performance
Angeliki Sarri	GR	National and Kapodistrian University of Athens
Maria Tolika	GR	Aristotle University of Thessaloniki
Athanasia Triantafyllopoulou	GR	University of Patras
Theodore N. Tsekos	GR	University of Peloponnese, Kalamata
Dionysios Vorisis	GR	National and Kapodistrian University of Athens
Kristy Vougiouklaki	GR	National and Kapodistrian University of Athens

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Petra Đurman	HR	University of Zagreb
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Romea Manojlović	HR	University of Zagreb
Annamarija Musa	HR	University of Zagreb
Sasa Poljanec-Boric	HR	University of Zagreb
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Olof Juliusdottir	IC	University of Iceland
Magnus Arni Magnusson	IC	Bifröst University
Itai Beeri	IE	University of Haifa
Noam Cohen	IE	University of Haifa
Amir Hefetz	IE	University of Haifa
Maoz Rosenthal	IE	Interdisciplinary Center Herzliya
Gal Talit	IE	University of Haifa
Anna Uster	IE	University of Haifa
Eran Vigoda-Gadot	IE	University of Haifa
Martin Okolikj	IRL	University College Dublin
Geraldine Robbins	IRL	NUI Galway
Sina Shahab	IRL	University College Dublin
Gerard Turley	IRL	NUI Galway
Desiree Campagna	IT	University of Padua

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Andrea Lippi	IT	University of Florence
Francesco Longo	IT	Bocconi University, Milan
Mariano Marotta	IT	University of Calabria
Riccardo Mussari	IT	University of Siena
Vania Palmieri	IT	University of Siena
Stefania Profeti	IT	University of Bologna
Daniela Sorrentino	IT	University of Siena
Andrea Terlizzi	IT	Scuola Normale Superiore, Florence
Alfredo Tranfaglia	IT	University of Siena
Jiro Uno (external expert)	JP	Sapporo University
Egidijus Barcevičius	LI	Public Policy and Management Institute, Vilnius
Sabina Bankauskaitė	LI	Vilnius University
Vitalis Nakrosis	LI	Vilnius University
Ieva Žindžiūtė	LI	Vytautas Magnus University Kaunas
Ieva Daniela Beinaroviča	LV	University of Latvia
Druvis Kleins	LV	University of Latvia
Maiga Kruzmetra	LV	Latvia University of Agriculture
Iveta Reinholde	LV	University of Latvia, Riga
Baiba Rivza	LV	Latvia University of Agriculture
Taco Brandsen	NL	Radboud University Nijmegen
Wout Broekema	NL	Leiden University
Bas Denters	NL	University of Twente
Marlies Honingh	NL	Radboud University Nijmegen
Jan Porth	NL	Leiden University
Jelmer Schalk	NL	Leiden University
Trui Steen	NL	Leiden University
Carola van Eijk	NL	Leiden University
Zhongyuan Wang	NL	Leiden University

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Karl Hagen Bjurstrøm	NO	University of Oslo
Qun Cui	NO	University of Oslo
Vilde Hernes	NO	University of Oslo
Linda Hye	NO	University of Agder
Jan Erling Klausen	NO	University of Oslo
Martin Sollund Krane	NO	University of Tromsø
Christine Martens	NO	Norwegian Social Research Institute
Helge Renaa	NO	Norwegian Institute of Urban and Regional Research
Lawrence E. Rose	NO	University of Oslo
Karl Henrik Sivesind	NO	Institute for Social Research, Oslo
Harald Torsteinsen	NO	University of Tromsø
Håkon Dalby Trætteberg	NO	Institute for Social Research, Oslo
Kristian Tronstad	NO	Norwegian Institute of Urban and Regional Research
Signy Irene Vabo	NO	University of Oslo
Edyta Bąkowska	PL	Adam Mickiewicz University in Poznań
Adam Gendźwiłł	PL	University of Warsaw
Joanna Krukowska	PL	University of Warsaw
Anna Kurniewicz	PL	University of Warsaw
Marta Lackowska	PL	University of Warsaw
Julita Łukomska	PL	University of Warsaw
Łukasz Mikuła	PL	Adam Mickiewicz University in Poznań
Andrzej Pawluczuk	PL	Bialystok University of Technology
Alexandra Picej	PL	University of Warsaw
Pawel Swianiewicz	PL	University of Warsaw
Natalia Szajewska	PL	University of Warsaw
Katarzyna Szmigiel-Rawska	PL	University of Warsaw
Marzena Walaszek	PL	Adam Mickiewicz University in Poznań
Waldemar Wilk	PL	University of Warsaw
Michał Wójcicki	PL	Adam Mickiewicz University in Poznań
Joana Dos Santos Ferreira	PT	University of Aveiro
Filipe Ferraz Esteves de Araújo	PT	University of Minho
Miguel Angelo Rodrigues	PT	University of Minho
Patricia Silva	PT	University of Aveiro

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Name	Country	Institution
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Filipe Teles	PT	University of Aveiro
Calin Hintea	RO	Babeș-Bolyai University, Cluj-Napoca
Constantin Marius Profiroiu	RO	Bucharest University of Economic Studies
Septimiu-Rares Szabo	RO	Bucharest University of Economic Studies
Sergei Sivaev (external expert)	RU	Institute for Urban Economics, Moscow
Vicki Johansson	SE	University of Gothenburg
David Karlsson	SE	University of Gothenburg
Anders Lidström	SE	Umeå University
Stig Montin	SE	University of Gothenburg
Sara Moricz	SE	Lund University
Daniel Rauhut	SE	University West, Trollhättan
Katarina Roos	SE	Umeå University
Johanna Selin	SE	University of Gothenburg
Louise Skoog	SE	University of Gothenburg
Jana Gašparíková	SK	University of Žilina
Daniel Klimovsky	SK	Comenius University in Bratislava
Milena Majorošová	SK	Slovak University of Agriculture, Nitra
Juraj Nemec	SK	Matej Bel University, Banská Bystrica
Irena Bačlija Brajnik	SL	University of Ljubljana
Miro Haček	SL	University of Ljubljana
Simona Kukovič	SL	University of Ljubljana
Primos Pevcin	SL	University of Ljubljana
Ulas Bayraktar	TR	Mersin University
Yüksel Demirkaya	TR	Marmara University
Yeşeren Eliçin	TR	Galatasaray University
Cagla Tansu	TR	Galatasaray University
Ali Cenap Yologlu	TR	Mersin University
Pobsook Chamchong	UK	University of Birmingham
Colin Copus	UK	De Montfort University, Leicester
Dennis De Widt	UK	Queen Mary University London
Peter Eckersley	UK	Newcastle University
Thomas Kehoe	UK	Durham University
Harold Kolawole	UK	De Montford University, Leicester
Martin Laffin	UK	Queen Mary University of London
Emanuele Lobina	UK	University of Greenwich

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Name	Country	Institution
Muiris MacCarthaigh	UK	Queen's University Belfast
Eleanor Mackillop	UK	De Montfort University, Leicester
Riyadh Mansoor	UK	De Montford University, Leicester
Anja McCarthy	UK	Newcastle University
John McEldowney	UK	University of Warwick
Diana Carolina Morales Arcila	UK	Newcastle University
Dimitra Panagiotatou	UK	Queen Mary University of London
Carl Purcell	UK	Durham University
Tutik Rachmawati	UK	University of Birmingham
Denisse Rodriguez Olivari	UK	King's College London
Catherine Saltis	UK	De Montfort University, Leicester
Jane Scullion	UK	De Montfort University, Leicester
Rachel Wall	UK	De Montfort University, Leicester
Kurt Thurmaier (external expert)	USA	NIU
Mildred Warner (external expert)	USA	Cornell University
Lisheng Dong (external expert)	VRC	Chinese Academy of Social Sciences, Beijing

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Editors

Christian Schwab
Research Assistant
Political Science, Administration and Organization
University of Potsdam, Germany

Geert Bouckaert
Full Professor
President of the International Institute of Administrative Sciences (IIAS)
Faculty of Social Sciences
KU Leuven Public Governance Institute, Belgium

Sabine Kuhlmann
Full Professor
Vice-President of the European Group for Public Administration (EGPA)
and of the International Institute of Administrative Sciences (IIAS)
Political Science, Administration and Organization
University of Potsdam, Germany

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Authors

Bas Denters
Full Professor
Professor of Public Governance
Faculty of Behavioural, Management and Social Sciences (BMS)
University of Twente, the Netherlands

Andreas Ladner
Full Professor
Swiss Graduate School of Public Administration
Faculty of Law, Criminal Justice and Public Administration
University of Lausanne, Switzerland

Trui Steen
Full Professor
Professor of Public Governance and Coproduction of Public Services
Faculty of Social Sciences
KU Leuven Public Governance Institute, Belgium

Filipe Teles
Assistant Professor
Research Unit on Governance, Competitiveness and Public Policies
Department of Social, Political and Territorial Sciences
University of Aveiro, Portugal

Harald Torsteinsen
Full Professor
Professor of Political Science
Institute for Sociology, Political Science and Planning
University of Tromsø (UIT), Norway

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