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EVALUATING REFORMS OF LOCAL PUBLIC AND SOCIAL SERVICES IN EUROPE

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BETTER RESULTS

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WOLLMANN, GÉRARD MARCOU

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Ivan Koprić · Hellmut Wollmann
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Evaluating Reforms of Local Public and Social Services in Europe

More Evidence for Better Results

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Editors

Ivan Koprić
Administrative Science and Local
Government
University of Zagreb
Zagreb, Croatia

Hellmut Wollmann
Institute for Social Sciences
Humboldt University of Berlin
Berlin, Germany

Gérard Marcou
GRALE (Groupement de Recherche
sur l'Administration Locale en
Europe)
University Paris 1 Panthéon-Sorbonne
Paris, France

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For Professor Marcou

During the preparation of this volume our dear friend, co-chair of Working Group I and co-editor of the book, Professor Emeritus Gérard Marcou, passed away on 24 October 2016, during an international conference held in Bogota, Columbia. His last paper, written in co-authorship with Anamarija Musa, had already been written and was included in the volume.

We as the co-editors, as well as all the other members of Working Group who cooperated with Professor Marcou within the COST LocRef Action, mourn the loss, remembering the cooperation with a scholar, a colleague and a friend whose death was untimely and came unexpectedly.

Although his sudden death struck us at a sensitive stage of book preparation, we decided to continue our work. We dedicate the book to the memory of Professor Gérard Marcou, our co-editor, co-chair, colleague and dear friend.

Ivan Koprčić and Hellmut Wollmann

PREFACE

This book is a result of the collective work of a group of international researchers who have co-operated within Working Group 1 (WG1) of the COST¹ Action “Local Public Sector Reforms: An International Comparison LocRef (IS 1207)” which was launched in spring 2013. professor Sabine Kuhlmann of the University of Potsdam, Germany, is the Chair and professor Geert Bouckaert of the University of Leuven, Belgium, Vice-Chair of the mentioned COST Action.

WG1 is chaired by Professor Ivan Koprić from the University of Zagreb, Croatia, and co-chaired by Professor Emeritus Hellmut Wollmann, Humboldt University, Germany, and professor Gérard Marcou, University Paris 1 Panthéon-Sorbonne, France. WG1 studies reforms of local-level public and social services throughout Europe from a cross-country comparative perspective. The work of WG1 has been organised in two phases, focusing on changes in the provision of public and social services especially at the municipal level and on evaluation of reforms of local public and social services in contemporary Europe.

This book follows the theoretical and methodological pattern, the logic and the considerations of the previous book, *Public and Social Services in Europe: From Public and Municipal to Private Sector Provision* (Palgrave Macmillan, 2016), which was prepared within the same COST Action LocRef (IS 1207) and edited by the same editors (Hellmut Wollmann, Ivan Koprić and Gérard Marcou). The members of WG1 met four times to elaborate, discuss and prepare the concept, structure, approach and chapters of this book. The initial workshop was held in

Dubrovnik, Croatia (5–6 May 2015), and the following meetings were held in Istanbul, Turkey (22–23 October 2015), Bern, Switzerland (30–31 March 2016), and Zagreb, Croatia (27–28 June 2016).

The second phase of WG1 work resulted in accumulated information, data and knowledge about the evaluation of changes in local service provision and evaluation of reforms to local services across Europe organised in 18 chapters. A variety of local services and European countries are covered. We are grateful to the chapter authors for participating in our collective efforts to rekindle research, scientific, practical, policy, professional and educational interest in evaluation studies and to confirm the high value of such studies for policy improvements in the field of local service reforms.

Preparation of the book was technically supported by a team of young researchers from the Chair of Administrative Science, Faculty of Law, in Zagreb. Headed by Assistant Professor Goranka Lalić Novak, they invested considerable effort in technical editing of the manuscripts. In addition, Assistant Professor Teo Giljević from the same Chair prepared the index and additional lists for the book. We owe them particular gratitude.

We especially thank our publisher, Palgrave Macmillan, and the two co-editors, Professors Taco Brandsen and Robert Fouchet, who decided to include this book in the series “Governance and Public Management.” We are also grateful to anonymous reviewers for their support and useful suggestions.

We also wish to thank Christian Schwab, the Academic Project Coordinator and Secretary of the COST Action LocRef (IS 1207) for his timely, efficient and kind support during the second phase of WG1 work.

Zagreb, Croatia
Berlin, Germany
Paris, France

Ivan Koprić
Hellmut Wollmann
Gérard Marcou

NOTE

1. European Cooperation in Science and Technology, <http://www.cost.eu/>.

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EDITORS AND CONTRIBUTORS

ABOUT THE EDITORS

Ivan Koprić, Ph.D. born 6 January 1965, Professor of Administrative Science and Local Government at the University of Zagreb, Croatia; editor-in-chief of the international scientific journal *Croatian and Comparative Public Administration*; author and editor of numerous books and articles. Recent books: *Public and Social Services in Europe: From Public and Municipal to Private Sector Provision*, Palgrave Macmillan, 2016 (with H. Wollmann and G. Marcou), *European Administrative Space*, NISPAcee, 2017 (with P. Kovač), and (in Croatian, published by the Institute of Public Administration) *Citizens, Public Administration, and Local Government*, 2017 (ed.), *Performance and Quality Management in Local Government and Public Administration*, 2016 (ed.).

Dr. Hellmut Wollmann, Jr. born 4 December 1936, Emeritus Professor of public administration at Freie Universität Berlin (1974–1993) and Humboldt-Universität zu Berlin (1993–2001). Kennedy Memorial Fellow at Harvard (1970–1971). Visiting professor at numerous universities (among others Tokyo, Beijing, Moscow, Firenze, Göteborg etc.). Chairman (1976–1993) of IPSA Research Committee on Local Government, co-founder and President (1999–2001) of European Evaluation Society. Books: *From Public and Municipal to Private Sector Provision*, Palgrave Macmillan 2016 (co-editor), *Introduction into*

Comparative Administration, Edward Elgar 2014 (co-authored with Sabine Kuhlmann), Provision of Public Services in Europe, Edward Elgar 2010 (co-editor), Evaluation in Public Sector Reform (ed.) 2003 Edward Elgar.

Dr. Gérard Marcou, Jr. born 15 November 1947, Professor of Public Law at the University Paris 1 Panthéon-Sorbonne, Director of GRALE. Visiting professor in numerous universities and institutes (Barcelona, Roma, Napoli, Milano, Beijing, Buenos Aires etc.). Publications: From Public and Municipal to Private Sector Provision, 2016 (co-editor), Provision of Public Services in Europe, Edward Elgar (co-editor), Les compétences des collectivités locales. L'étendue et la nature des compétences des collectivités locales dans les Etats membres du Conseil de l'Europe, Council of Europe, 2008; L'accès aux emplois publics, Paris, Lextenso "Système", 2014; Les collectivités territoriales et la politique du logement, 2014, Paris, L'Harmattan (co-editor).

CONTRIBUTORS

José M. Alonso Faculty of Business and Economic Sciences, University of Cantabria, Cantabria, Spain

Pierre Bauby RAP, Paris, France

Germà Bel University of Barcelona, Barcelona, Spain

Frank Bönker Saxonian University of Co-operative Education, Riesa Campus, Riesa, Germany

Giulio Citroni Department of Political and Social Sciences, University of Calabria, Rende (CS), Italy

Judith Clifton Faculty of Business and Economic Sciences, University of Cantabria, Cantabria, Spain

Daniel Díaz-Fuentes Faculty of Business and Economic Sciences, University of Cantabria, Cantabria, Spain

Vedran Đulabić Faculty of Law, University of Zagreb, Zagreb, Croatia

Jasmina Džinić University of Zagreb, Zagreb, Croatia

Yeseren Elicin Galatasaray University, Istanbul, Turkey

Maria Tullia Galanti Department of Social and Political Sciences, University of Milan, Milan, Italy

Marieke van Genugten Institute for Management Research, Radboud University, Nijmegen, The Netherlands

Marco Di Giulio Department of Management, Economics and Industrial Engineering, Politecnico di Milano, Milan, Italy

Tamás M. Horváth MTA-DE Public Service Research Group, Debrecen, Hungary

Kurt Houlberg KORA, The Danish Institute for Local and Regional Government Research, Copenhagen, Denmark

Vicki Johansson School of Public Administration, University of Gothenburg, Gothenburg, Sweden

Martin Laffin School of Business and Management, University of London, London, UK

Lena Lindgren School of Public Administration, University of Gothenburg, Gothenburg, Sweden

Andrea Lippi Department of Political and Social Sciences, University of Florence, Florence, Italy

Romea Manojlović University of Zagreb, Zagreb, Croatia

Beata Mikušová Meričková Matej Bel University, Banská Bystrica, Slovakia

Łukasz Mikuła Institute of Socio-Economic Geography and Spatial Management, Adam Mickiewicz University, Poznań, Poland

Łukasz Mikuła Adam Mickiewicz University, Poznań, Poland

Stig Montin School of Public Administration, University of Gothenburg, Gothenburg, Sweden

Anamarija Musa Faculty of Law, University of Zagreb, Zagreb, Croatia

Carla Puiggrós Mussons Fundació Carles Pi I Sunyer, Barcelona, Spain

Juraj Nemec Masaryk University, Brno, Czech Republic

Ole Helby Petersen Department of Social Sciences and Business,
Roskilde University, Roskilde, Denmark

Primož Pevcin Faculty of Administration, University of Ljubljana,
Ljubljana, Slovenia

Stefania Profeti Department of Political and Social Sciences, University
of Bologna, Bologna, Italy

Esther Pano Puey Faculty of Law, University of Barcelona/Fundació
Carles Pi I Sunyer, Barcelona, Spain

Iztok Rakar Faculty of Administration, University of Ljubljana,
Ljubljana, Slovenia

Mihaela M. Similie RAP, Paris, France

Jana Soukopová Masaryk University, Brno, Czech Republic

Harald Torsteinsen Department of Social Sciences, University of
Tromsø, Campus Harstad, Norway

Athanasia Triantafyllopoulou Technological Education Institute of
Peloponnese, Kalamata, Greece

Theodore N. Tsekos Technological Education Institute of
Peloponnese, Kalamata, Greece

Marzena Walaszek Adam Mickiewicz University, Poznań, Poland

ABBREVIATIONS

AATO	Autorità d'Ambito Territoriale Ottimale
ACCA	Association of Chartered Certified Accountants
ACs	Autonomous Communities (Spain)
BMFSFJ	Federal Ministry of Family Affairs, Senior People, Women and Young People (Germany)
BV	Best Value
CAA	Comprehensive Area
CCT	Assessment Compulsory Competitive Tendering
CEE	Central and Eastern European
CEMR	Council of European Municipalities and Regions
CEO	Chief executive officer
CIPFA	The Chartered Institute of Public Finance and Accountancy
COE	Council of Europe
CPA	Comprehensive Performance Assessment
CQC	Care Quality Commission
CZSO	Czech Statistical Office
DDAF	Directions départementales de l'agriculture et de la forêt
DEA	Data Envelopment Analysis
DGCCRF	Direction générale de la concurrence, du commerce et de la répression des fraudes
DG	Directorate General
ECA	European Court of Auditors
ECD	Evaluation Capacity Development
EC	European Commission
ECJ	European Court of Justice
EIA	Environmental Impact Assessment

EP	European Parliament
ERDF	European Regional Development Fund
ESF	European Social Fund
FE	Fixed Effects
FNCCR	The Fédération nationale des collectivités concédantes et régies
FTE	Full-Time Equivalent
GLM	Greek Liberties Monitor
HHI	Herfindahl-Hirschman Index
IA	Impact Assessment
IGD	Institut de la gestion déléguée
IHSC	Inspectorate of Health and Welfare (Sweden)
ISO	International Organization for Standardization
KGSt	Municipal Community Office for Administrative Management (Germany)
KOYDES	National Project for Rural development (Turkey)
LGA	Local Government Association
LPU	Local Public Utilities
MAs	Managing Authorities
MbO	Management by Objectives
MDK	Federal Ministry of Health (Germany)
MoU	Memoranda of Understanding (Greece)
MSW	Municipal Solid Waste
NAE	National Agency for Education (Sweden)
NBHW	Swedish National Board of Health and Welfare
NMM	New Management Models
NOTRe	Nouvelle organisation territoriale de la République
NPM	New Public Management
NSRF	National Strategic Reference Framework
OECD	Organization for Economic Cooperation and Development
Ofsted	Office for Standards in Education
OLS	Ordinary Least Squares
ONEMA	Office national de l'eau et des milieux aquatiques
OPs	Operational Programmes
PADS	Public Administration Development Strategy (Croatia)
PFI	Private Finance Initiative
PIFC	Public Internal Financial Control
PISA	Programme for the International Student Assessment
PPP	Public Private Partnership
PTE	Program Theory Evaluation
QII	Quality Improvement Instruments
RIA	Regulatory impact assessment
ROPs	Regional Operational Programmes

SALAR	Swedish Association of Local Authorities and Regions
SEA	Strategic Impact Assessment
SERMAS	Madrid Regional Health Service
SGB	Social Welfare Code (Germany)
SLI	Sector Led Improvement
SNC	System of National Cooperation (Hungary)
SPA	Special Provincial Administration
SPDE	Syndicat professionnel des distributeurs d'eau
SRADDET	Regional Schemes for Sustainable Development and Territorial Equality
SSI	Social Services Inspectorate
TA	Technical Assistance
TFGR	Task Force for Greece
TGM	Traditional Governance Models
TQM	Total Quality Management
UNDP	United Nations Development Programme
WB	World Bank
ZGJS	Service of General Economic Interest Act (Slovenia)

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Evaluating Reforms of Local Public and Social Services in Europe

Ivan Koprić and Hellmut Wollmann

INTRODUCTION

The evaluation of local public and social services reforms in Europe has become rather important in the past few decades. The reasons are complex, ranging from the increased frequency of these reforms, influenced by the New Public Management (NPM) doctrine and serious austerity policy in many European countries to the widespread wishes of many countries to increase service quality, strengthen citizens' satisfaction, and reduce the costs of public services, especially at the local, i.e. sub-national levels. A search for reasonable efficiency and effectiveness of local governments remains on the agenda despite a value-driven sway between political and strategic choices. These prominent value orientations are now firmly wreathed not only in the fundamental principles of

I. Koprić (✉)

Faculty of Law, University of Zagreb, Zagreb, Croatia

e-mail: ivan.kopric@pravo.hr

H. Wollmann

Institute of Social Sciences, Humboldt Universität Berlin, Berlin, Germany

e-mail: hellmut.wollmann@rz.hu.berlin.de

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good European governance (Koprić 2017a) but also in national strategies and reform policies.

Evaluation studies that examine the successfulness of local service regimes and real effects of local services reforms in different countries show a wide variety of orientations. Regardless of the orientations, they are neither equally distributed through Europe nor equally refined. While in certain parts of Europe decision-makers at the state and sub-national levels may well benefit from scientifically and methodologically well grounded, thoroughly tailored, detailed, refined, technically precise and useful evaluation studies, the culture of evaluation is almost non-existent in others. Once again, Europe seems to be split by the north-west–south-east divide despite certain harmonisation influences. One of them comes from the European Union (EU) whose bodies and experts perform extensive evaluations and promote the evaluative approach in the member states when the money is spent on the EU policies implementation and programmes and projects financed through EU funds.

The evaluation of local services regimes and reforms in Europe, which is the focal theme of this volume, comes after the publication of a comparative volume which mapped the trends and trajectories of local services reforms and was published in 2016 (Wollmann et al. 2016). The previous book took into account the initial situation of public/municipal sector provision and subsequent NPM overturn with inclination towards the private sector provision since the 1980s. However, the book's focus was on the newest developments, directing it to the examination of the recently claimed remunicipalisation trend (cf. Wollmann and Marcou 2010).

The mapping carried out in the previous volume revealed that local service delivery reforms and changes in service delivery regimes in Europe have not been influenced exclusively by the NPM doctrine and severe austerity policy after the burst of the global financial crisis of 2007/2008. Other influences are also important, ranging from national traditions and particular circumstances, specific political concepts in some countries and fresh, post-NPM doctrinal influences, to the EU law and decisions of the European Court of Justice, to a variety of wishes to increase the quality and reduce the costs of services especially at sub-national levels. Only complex diagnoses can explain the differences of local services delivery in various parts of Europe (Wollmann et al. 2016).

This volume has retained a reasonably similar basic theoretical framework to the one in the previous book together with the elements of

evaluative Europe-wide comparison. The motivation for this is both theoretical and practice oriented, with the purpose of enabling a more refined theoretical analysis based on richer empirical material, providing for deeper and better insights, offering usable knowledge for evidence-based policy-making, feeding evaluation-based learning, and perfecting future evaluations. The focus on public and social services, delivery regimes and their reforms at the local and regional levels has been preserved precisely for the sake of a rigorous but still productive comparison in a contemporary European context.

THE NEED FOR EVALUATING REFORMS OF LOCAL SERVICES IN EUROPE

A comparative examination reveals a prominent *evaluation gap* in the current European literature on local public sector delivery reforms and a lack of cross-sectoral comparisons of different local services regimes in contemporary, rapidly changing economic and societal environment. This “evaluation gap” can be observed and analysed in several ways.

First, numerous evaluative studies in some countries, prepared according to the highest scientific, methodological, and technical standards, stand against “evaluation silence” in other countries. Interestingly, these dark evaluation spots may also be found in the countries that absorb large amounts of the EU financial allocations for development, reduction of regional disparities, and other purposes, in spite of all the Union’s efforts to promote and strengthen the evaluation culture whenever its financial interests are concerned.

Second, the cross-sectoral evaluation, the evaluation of more significant changes of local service regime, and the evaluation of local service delivery reforms are not very common. A similar situation was observed regarding the evaluation of general public sector and public management reforms some time ago (Wollmann 2001, 2003b). Aspiration for a precise data-driven analysis of success within the narrow borders of separately treated local services might easily neglect the wider picture and more broadly defined factors, processes, actors, triggers, and drivers influencing sectoral, multi-sectoral, or country-wide reforms. For the sake of mutual enrichment, it is necessary to compound classic evaluation studies dealing with evaluation of particular local services, evaluation of broadly defined local service delivery changes, and decentralisation, modernisation, and other reforms in national and European contexts.

Third, some local services, sectors, dimensions, and impacts of service provision are better covered by evaluation studies than others. There is a decreasing interest in those local services for which data are not systematically collected and easily accessible. Thus, the most important services provided at the local and regional levels, such as water and energy supply or hospitals and education, which have voluminous financial implications and effects, are better covered than others. If service provision in a country is more fragmented, due to a huge number of local governments and/or service providers, data collection is complex and evaluation requires greater effort. This is more frequently the case in certain basic local services than in services at the urban or regional levels. More complex and general evaluations of local services regimes and reforms are not well represented. In addition, evaluation studies focused on outcomes, service quality, and deep systemic and cultural changes are much more rarely performed than those dealing with input and output changes. The available data are either scarce or completely lacking, thus hindering evaluation (cf. Wollmann and Bönker *in this volume*).

Finally, the application of program theory in evaluation of local service delivery and in assessment of decentralisation is neither common nor widespread in Europe. Program theory evaluation is applicable to the evaluation of modernisation, decentralisation, and other reform policies frequently initiated by central governments without explication of their goals, basic presumptions about how they will work, or other elements of reform theories. Recent calls for evidence-based evaluation of decentralisation results, effects, and impacts show the importance of propelling the application of such an evaluation approach (cf. Koprić and Džinić 2016; Koprić 2017b).

This volume addresses, responds to, and attempts to fill the gap. It employs evaluative approach to examine the contemporary institutional reforms and administrative modernisation efforts at the local levels in Europe (Kuhlmann and Wollmann 2011, 480; Kuhlmann et al. 2008). The analytical framework begins with a basic distinction between the three “loops” of evaluation, institutional, performance, and outcome evaluation (Kuhlmann and Wollmann 2011, 480). It tries to point out the three types of changes which have resulted from the modernisation of local service regimes and other service delivery reforms.

First, there are *institutional* changes, which are direct and immediate effects of these reforms, followed by those that have occurred during certain longer reform periods. If successful, they may innovate the local service provision regime in a country.

Second, there is a group of changes in *performance* within certain institutional settings. They can be input and output changes. Input changes are connected with financial, material, human, and other resources used for a local service delivery. Output changes are normally caught by the variety of quantity, quality, and effectiveness indicators showing immediate service results, produced and delivered public services, or direct effects of service regime reforms in a national institutional setting (cf. Koprić 2010, 10–11).

Third, *outcome* changes are those system, behavioural, and cultural shifts and consequences that are brought about, usually in long term, by local service regime reforms. These include the changes in management style and practice, the alterations of role perception, attitudes and behaviour of the local administrative staff, citizens' satisfaction with services and subsequent legitimacy effects, the transformations of citizens and users' expectations of local abilities and capacities for service delivery, business environment effects, etc. From the point of intended policy goals, some of these changes refer to the attainments of local public sector reforms. However, unintended and negative effects of such reforms that can make room for, or even trigger off, further developments and changes should not be neglected.

Three types of evaluations—institutional, performance, and outcome evaluations—are employed in this volume when dealing with:

- a. The evaluation of changes and reform measures in delivery of particular local, urban, and regional public and social services inspired by the New Public Management doctrine, austerity policies, and other contemporary reform ideas in the national and European contexts,
- b. The evaluation of comprehensive reforms in the field at both macro (i.e. national) and micro levels (i.e. local governments),
- c. Analyses of more general issues of evaluating changes in the delivery of local services.

The evaluative approach of this volume relies on the comparative method in European context, covering both West and East European countries, including “representative” countries for all groups of countries with similar national traditions: England, the Netherlands, Sweden, Norway, Denmark, Germany, France, Spain, Italy, Greece, Poland, the Czech Republic, Slovakia, Slovenia, Hungary, Croatia, and Turkey. By dealing

with transitional (transformational) countries in Central, Eastern, and South-Eastern Europe, as well as with two non-EU countries (Norway and Turkey), the book offers a rather wide sample of countries.

The book covers utilities and similar local services together with local social services following, at the local level, differentiation between services of general economic interest and social services of general interest introduced by the European Union (cf. Wollmann et al. 2016). It comprises evaluation chapters on the following services: waste management, water supply, public transport, road and park services, health care, education, eldercare, and other personal social services.

Two groups of changes are evaluated in this volume. The first group relates to the changes of service delivery regimes. Such regimes consist of several organisational, legal, technological, managerial, and other components interconnected, structured, and coordinated in different ways (cf. Chang and Chen 2016). Local service delivery may be, for example, provided by a variety of institutional forms, such as municipal corporation, outsourcing, market competition, etc. (cf. Grossi and Reichard 2016). Some countries prefer intermunicipal cooperation in service delivery while others rely on special districts for particular services. Service delivery can be regulated to a different degree, and regulations may be accompanied by specifications of users' rights in the service charters. The influence of EU law is different in different sectors. These changes of service regime have been motivated by and could lead to the relevant value changes. It is well known that even smaller changes in service delivery regimes can cause observable effects on relevant values such as cost-efficiency, input/output ratio, productivity, effectiveness, and others.

Not only service delivery regimes and their variations are covered in the book, but also more ambitious, robust modernisation, decentralisation, managerial, and other substantive reforms in the field of local service delivery. It has been established that only deeper governance, managerial and administrative modifications that bring about significant institutional innovations into the administrative system of a country may be called reforms (Koprić 2017c). Current modernisation reforms based on the NPM and post-NPM logics which have tackled local service delivery are subjected to research scrutiny in the book. Their successfulness, guiding goals and expectations, and subsequent effects are thoroughly investigated. For example, some countries strengthen the role of regions, cities, and metropolises in the delivery of certain services while others opt for market solutions. Some central governments impose strict rules about

local service provision while others stress savings and cost-efficiency, etc. Taking into consideration the wider reforms that have a long-term perspective, the volume is able to reveal a part of contextual and causal influences in certain service sectors, national administrative systems, and European governance and institutional setting.

The book contains several chapters on more general issues of evaluating local services delivery reforms, such as approaches to evaluation of local service delivery, regulatory impact assessment at sub-national levels, effects of local agentification, factors determining the efficiency of local service delivery, impact of decentralisation on local management modernisation, the role of evaluation vis-à-vis political partisan concepts in shifts of local performance regimes, etc.

Furthermore, comparative analyses of these reforms are an important source of information necessary for experiential learning. Although national and sectoral specificities are unavoidable, cross-country and cross-sectoral comparisons which follow standardized analytical paths produce useful policy knowledge. The results of this book may help to single out local reform policies that are potentially transferable, in terms of both content and strategies, to future reform processes. The book is therefore of interest not only to scientists and researchers but also to practitioners.

It elicits and systematises lessons learned from successful and unsuccessful changes of local public and social service delivery regimes. Such policy knowledge, based on experiential learning can be, in the next step, easily employed in designing policy proposals for successful local service delivery reforms, thus providing solid grounds for evidence-based policy-making for European practitioners with regard to local public service reforms (cf. Koprić *in this volume*).

APPLYING THE LOGIC OF EVALUATION STUDIES TO RESEARCHING THE CHANGES IN DELIVERY OF LOCAL SERVICES

This volume is at the nexus between local services research and evaluation research, and offers easily applicable knowledge based on evidence from numerous European countries. It applies the logic of evaluation studies to the research of variations of local public and social services delivery regimes, and of more ambitious decentralisation, modernisation, and other reforms at the local levels.

It builds upon voluminous, differentiated, theoretically and methodologically refined body of knowledge about evaluation in public policy and administration fields. There is, for example, the *Encyclopedia of Evaluation* (Mathinson 2005) which systematically and exhaustively covers all components of evaluation, from concepts and methodology to ethical issues and utilisation. However, it does not deal with local public services and their delivery changes and reforms. The publication titled *Evaluating Public Policies: Latest Developments and Controversies* (Fouquet 2013) was published in French and focused on general evaluative issues, not on evaluating local public sector reforms and assessing the effects of changes in delivery of local services.

The book titled *Evaluation in Public Sector Reform* (Wollmann 2003a) can be mentioned as an example of evaluative approach to public sector reforms. However, it covers reforms of the public sector (not only local public sector) in some previous periods. Scholarly journals *Evaluation Review* (established in 1976), *Evaluation* (launched in 1995), and several others publish abundant series of evaluation studies (cf. Bel *in this volume*). Handbooks on public policy usually contain chapters on evaluation, evaluation researches, and evaluation studies.

Various approaches to evaluation may be employed in evaluation of local services regime changes and reforms, similar to those in evaluation practice elsewhere in the public sector, adapted to the sectoral specificities (cf. Bel; and Wollmann and Bönker *in this volume*). The distinction between the goal-oriented approach, the theory-based approach, and the responsive and participatory approach is a possible window for entering into a vast and complex wonderland of evaluation practices. Each approach should ideally offer responses to four basic dimensions of evaluation: knowledge, value, and utilisation dimensions, and to a question about the evaluand, a basic “unit” subjected to evaluation (Dahler-Larsen 2005).

Goal-oriented approaches assess a policy, a programme, or any other activity against the officially set goals. These approaches play an important role in establishing outputs and outcomes of formal activities as objectively as possible. They may foster accountability within the governance machinery and improve principal-agent relationships in organisational arrangements and delivery of public services. The critical point is choice, or rather, the construction of appropriate indicators for measuring results (cf. Dahler-Larsen 2005).

Theory-based approaches evaluate results on the basis of “program theory” be it explicitly presented in official documents, or more frequently, reconstructed by the evaluators in an acceptable and plausible manner. Such a “theory” consists of interconnected assumptions about how a programme or a policy can really be implemented, which actions lead to which ends, what works, and how things really work. Approaches based on theories are similar to scientific identification and verification of causal, contextual, and other logics which really exist, regardless of formal, officially proclaimed intentions. The potential of such evaluations to generate policy relevant knowledge is almost obvious (cf. Dahler-Larsen 2005). Several variants of program theory evaluation can be applied, such as logic analysis (Brousselle and Champagne 2011), realistic evaluation (Pawson and Tilley 1997), or log-frame analysis (Myrick 2013).

The third group of evaluation approaches comprises several different ways of evaluative thinking whose common denominator is adaptation to contexts, flexibility, and participation of relevant stakeholders. Responsive evaluations are basically connected with the Robert Stake’s idea, promoted in education evaluations, which evaluation should respond to a conglomeration of influences different from normal choice of mostly quantitative indicators. A responsive evaluator uses standards flexibly, tries to understand and accepts qualitative insights not only quantitative indicators, and is democratically responsive to stakeholders irrespectively of their real societal power (cf. Stake 1983; Dahler-Larsen 2005). The example of such approach is, among others, culturally responsive or gender-responsive evaluations. This approach stands in contrast to standard-based evaluations (Stake 2004).

Participative approaches insist on inclusion and collaboration of all stakeholders in evaluations which provide insights into the context and communicative construction of results. The variants range from utilisation and user focused through constructivist and interactive to empowerment and democratic deliberative evaluations. Participative approaches are based on the key notion that evaluation should, from the beginning to the end of the program, policy, or measure under consideration, be an interactive, dialogue-like process in which the role of the “evaluatee” is at par with the evaluator. Performing evaluation in such a manner facilitates and substantiates the evaluation process and ensures the utilisation and use of the evaluation results (cf. Dahler-Larsen 2005; Beywl 1999; Balthasar 2012; Patton 1997; Fetterman et al. 1996, etc.).

The two subgroups, responsive and participatory evaluations, are connected because participatory evaluations are also responsive, although responsive evaluation need not be participative at the same time (Dahler-Larsen 2005).

Evaluation can have descriptive and explanatory functions. On the one hand, results, effects, and impacts have to be identified, described, documented, and systematised. Classical strand of evaluation practice is directed at empirical recognition whether official goals of a policy, a programme, or a measure has been realised, and which other, unintended, side effects have occurred. Identification of beneficial, expected results is in the limelight of this approach, while detrimental side effects are normally of secondary significance. The descriptive approach is not oriented to asking why all this has happened or identifying the chains of causal relations, although it is usually analytical and data driven.

On the other hand, results need to be explained in order to elicit and cumulate policy-usable and transferable knowledge. Explanatory evaluation searches for answers to causal question of why the identified effects have come about. Evaluators are expected to mobilize their social science theoretical and methodological repertoire (Wollmann 2007). Such approach may be time consuming and effort demanding but offers better prospects for long-term accumulation of policy-usable knowledge.

Depending on the phase in the policy cycle in which they occur, ex post, ex ante, and ongoing evaluation can be distinguished (cf. Wollmann 2016). Ex post is the classical variant of evaluation. It seeks to assess the goal realisation of a policy, a programme, or a measure after their implementation. Ex ante evaluation tries to assess the potential and foreseeable results and impacts of a policy, a programme, or a measure which is only in the planning stage. On-going evaluation has the task to identify the interim results and effects of a policy, a programme, or a measure during the implementation. On-going evaluation is part of a feedback loop, ensuring fresh information to policy makers about the results of the previous implementation efforts in the course of implementation. It enables modifications and improvements of a policy, a programme, or a measure before their implementation is finalised. Because of that, on-going evaluation has a significant potential for improving goal attainment.

The two forms of ongoing evaluation whose usage is promoted by the NPM doctrinal influence are monitoring and benchmarking. Monitoring can be defined as an ongoing evaluative procedure whose purpose is to identify, measure, and discuss the results and effects of a policy, a

programme, or a measure, preferably on a regular basis. Benchmarking is a systematic comparison of results, effects, and performance of various service providers to enable identification of best practice, mutual learning, and delivery improvement (cf. Kuhlmann 2010; Wollman and Bönker *in this volume*).

Summative, formative, and developmental evaluations may be distinguished according to the openness of a programme and evaluator's active role. Summative evaluation identifies effects against the set goals while formative can contribute to improvement of the evaluated programme or policy. Developmental evaluation facilitates the development of an initiative in which evaluator participates by facilitation or even full membership of a team designing the programme or policy (cf. Patton 1994).

Not all of the outlined types of evaluation and evaluation approaches have been implemented in this volume, but their potential for the future research of local service delivery ought to be at least generally recognised.

ASSESSING AND SUPPORTING SUCCESS OF LOCAL SERVICES REFORMS

Overall assessment of local services reforms and regime changes requires guidance by the set of evaluation questions which establish a particular evaluation pattern. In this volume, the patterns are constructed for evaluating the changes of local service delivery regimes and for assessing modernisation, decentralisation, managerial, and other reforms.

The relevant evaluation questions offered in the book are primarily the following:

- What reform effects have resulted from the modernisation policies and change efforts in local service delivery? Has the intended institutional change been achieved? Have the expected results of institutional changes been accomplished?
- Have they been successful against their proclaimed goals, on which basis, and why? If there are not any precise officially stated goals, which goals have actually driven the reforms?
- Which expectations of various actors, users, and citizens, nurtured by the delivery regime changes and reforms, can be identified, and have they been met? What is the role of users in evaluation of local services?

- Which officially imposed or scientifically identified indicators are used for evaluation purposes?
- Are there data bases with reliable data necessary for answering evaluation questions?
- What have been the positive/intended and negative/unintended consequences or side effects of local public services reforms on the performance, the relevant stakeholders, and the civil society in a wider context?
- Are there any other assessment methods in use in a particular country or sector, beside classical evaluations?

Several chapters, especially those on Italy, Croatia, Hungary, and Turkey apply the adapted logic of program theory evaluation to more ambitious modernisation, decentralisation, and other reforms, and require additional, specific evaluation questions. The identification of reform goals is an especially sensitive part of such an evaluation exercise, indicating that it is of particular importance to answer the questions like: Who set the reform goals and with what intentions? Whose expectations are we taking into consideration when constructing the reform theory elements? Which indicators may be used for assessing the successfulness of these reforms? Whose assessments of goals implementation are taken as relevant, and how have they been collected, analysed, and/or statistically elaborated? Some additional important, questions are the following: Which components set the underlining theory of a reform? How has this theory been identified? Which data have been used for its testing?

Institutional, input, and output changes, and far-reaching system and cultural changes brought about by local public sector reforms are described and systematised in, and analysed by this volume in order to answer the evaluation questions. Further research and examination are implemented when appropriate and possible. Connections among the reform measures and effects, contingencies, particularities, contextual and causal relations, and sometimes only the hypotheses about them, are touched upon. Brief overviews of the local government systems in the analysed countries are added for better understanding of the reform and evaluation context, offering information about the territorial structure and competencies, specific insights, and the latest developments.

The purpose of such investigation and analysis is explanatory, i.e. they are performed in order to explain, to the highest possible degree, wider contextual variables, connections, influences, interdependencies, and causalities, and to get closer to a reliable, verifiable, and transferable

policy-usable body of knowledge for decision-makers. It seems likely that the explanatory purpose of evaluative studies benefits from interdisciplinary synergy and cooperation among disciplines, from economics, political science, and law to various technical disciplines dealing with basic professional areas of interest in local service delivery context.

Existing evaluation practice, different evaluative approaches in use, and overall characteristics of an evaluation culture in European countries also attract attention in the volume. In some countries, such as Turkey, Greece, or Croatia, the evaluation practice is scarce because of non-existent tradition of evaluative approach; cultural bias in favour of political strategies, considerations, and assessments; political, ideological or doctrinal aversions; lack of evaluative capacity in or outside public administration; clientelistic arrangements in local public and social services; or any other reasons. There is interesting, examination-provoking inclination of south-east European countries to evade evaluation as a method for performance scrutiny and improvement of public policies and programmes (cf. Lippi and Tsekos 2017).

In rare contrary examples, however, tenacious imposing of evaluations has recently engendered a reaction of professionals whose occupational professionalism has been diminished and trust in their professional judgments reduced (Sweden, cf. Montin et al. *in this volume*).

The evaluative practice in local services delivery field can be continuous and systematic or occasional and sector specific. Sometimes public administration is simply not able, for various reasons, to perform evaluations, but there is a possibility to outsource them to external institutes, private companies, and other subjects. Elsewhere, evaluation studies are procured by associations of municipalities or financially stronger cities.

Weak utilisation of the knowledge produced by evaluation studies is another concern, although it is considered as a component that should not be omitted, neglected, or underestimated in evaluations (Dahler-Larsen 2005). Evaluation-produced knowledge can answer the “What works?” question, which is a fundamental question of evidence-based policy-making (Davies et al. 2009; Sanderson 2002).

Evidence stands against political and ideological doctrines, stakeholders’ interest views, or professional judgments, promoting not only modernist culture of verification but also rational decision-making approach in the public sector. However, there is but fragmented insight and scarce empirical evidence about why and how (and why not) evaluation-generated knowledge has been utilized, calling for further research (Wollmann 2016).

CONCLUSION: SUMMARY AND PERSPECTIVE

This volume complements the previous comparative volume about trends and trajectories of local services reforms in 2016 (Wollmann et al. 2016) by evaluating changes in delivery of local public and social services throughout Europe. It gives an updated picture of evaluative studies of services delivery regimes and local services reforms in Europe. It also offers an overview of evaluative studies and evaluative approaches in contemporary Europe in the field of local public and social services. Furthermore, it contains several chapters on more general issues of evaluating local services delivery reforms, such as evaluation approaches, ex-ante evaluation in the contemporary European context, efficiency factors of local service delivery, effects of agencification, impact of decentralisation on local management modernisation, etc.

The book intends to help the researchers and students of local government, local public economy, public administration and policy, and many other related subjects and fields to understand the functioning of local government machinery in contemporary Europe. It also aims to rekindle the research, scientific, practical, policy, professional, and educational interest in evaluation studies and confirm their precious value for policy improvements in the field of local services reforms. Educational and in-service training institutions throughout Europe and beyond can use the book for getting a detailed insight into the successfulness of local government machinery in delivering public and social services.

The volume recognises the importance of the practitioners' role since evaluative studies are at the nexus of science and practice. Practitioners are not only important actors in evaluation of local services delivery, but also actors who are able to translate policy knowledge generated by evaluation studies into better practices to the benefit of citizens.

Many comments about the practical issues of evaluation in local, national, and European contexts and a list of lessons learned in Europe, which may be useful as transferable policy knowledge for experts and practitioners in other countries, are a result of the volume's practice-oriented sensitivity. The book wishes to support evidence-based policy-making, mutual Europe-wide learning, and knowledge utilisation of European practitioners who deal with local public and social service delivery.

Despite the initial efforts to apply the logic of evaluation research in local public sector research, this volume is meant to be a

thought-triggering endeavour. It eschews narrowly defined classical evaluation methodology and tries broad the range of different standpoints and approaches, in order to motivate future evaluative work in the niche of local services reforms.

Many directions for future scientific work about the role of evaluation in local public and social service delivery field are still open. In the light of a significant development of evaluation theory and methodology, it is necessary to invest more effort into refining their usage in the local service sector, and to make their usage massive and systematic. It should be pulled out of narrow disciplinary boundaries to the light of multidisciplinary cooperation in the disciplines of public administration and local governance.

The effectiveness of the influence exerted by the European Union in the field of local services evaluation remains to be seen. National and regional evaluation societies have been established following the increasing need for evaluations connected with access to the EU funds. Evaluations within the EU and various institutional networks related to the Union are also very prominent. However, better and more intense communication and cooperation between the-access-to-EU-funds-motivated project, programme, and policy evaluation practice and academia is needed. Having in mind that many evaluation studies are performed by private companies and various non-academic institutions, experiential learning and theory enrichment have to span the academia, the official bodies, and the private and other non-academic subjects engaged in the field.

Although the NPM doctrinal influence has significantly added to the proliferation of evaluation studies and research, this volume shows that cultivating evaluation practice and strengthening evaluation culture is a noteworthy future task in many European countries. Barriers to that goal are, for example, widespread public and political negligence, deviating strategic decisions, and even willful ignorance of relevant actors (cf. Stoker and Evans 2016). Revealing fallacies of and overcoming serious obstacles to evidence-based policy-making in the field of local service delivery hidden behind the political will of local politicians are key parts of such a cultural shift. Giving priority to systematic and continuous policy learning prior to changing political judgments, willful ignorance or persistent negligence is of crucial significance.

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AUTHORS' BIOGRAPHY

Ivan Koprić Ph.D., born 6 January 1965, Professor of Administrative Science and Local Government at the University of Zagreb, Croatia; editor-in-chief of the international scientific journal *Croatian and Comparative Public Administration*; president of the Institute of Public Administration in Zagreb, Croatia; author and editor of numerous books and articles. Recent books: *Public and Social Services in Europe: From Public and Municipal to Private Sector Provision*, Palgrave Macmillan, 2016 (with H. Wollmann and G. Marcou), *European Administrative Space*, NISPAcee, 2017 (with P. Kovač), and (in Croatian, published in Zagreb by the Institute of Public Administration) *Citizens, Public Administration, and Local Government*, 2017 (ed.), *Performance and Quality Management in Local Government and Public Administration*, 2016 (ed.).

Hellmut Wollmann Dr. jur., born 4 December 1936, Emeritus Professor of public administration at Freie Universität Berlin (1974–1993) and Humboldt-Universität zu Berlin (1993–2001). Kennedy Memorial Fellow at Harvard (1970–1971). Visiting professor at numerous universities (among others Tokyo, Beijing, Moscow, Firenze, Göteborg etc.). Chairman (1976–1993) of IPSA Research Committee on Local Government, co-founder and President (1999–2001) of European Evaluation Society. Books: *From Public and Municipal to Private Sector Provision*, Palgrave Macmillan 2016 (co-editor), *Introduction into Comparative Administration*, Edward Elgar 2014 (co-authored with Sabine Kuhlmann), *Provision of Public Services in Europe*, Edward Elgar 2010 (co-editor), *Evaluation in Public Sector Reform* (ed.) 2003 Edward Elgar.

Regulatory Impact Assessment and Sub-national Governments

Gérard Marcou and Anamarija Musa

INTRODUCTION

Regulatory impact assessment (RIA) is, in some ways, the reformulation of an old and rather trivial question that any government body or ruler has in mind before issuing a new regulation: What is its purpose? What are the expected results? How to achieve compliance with this regulation?

These simple questions turned into a critical review of public policies in the United States (US) in the late 1960s, when the development of federal programmes began to raise concerns over the economic burden they represented. This gave an impulse to public policy analysis, regulation being part of the set of instruments used by the government (Mény and Thoenig 1989, 13), followed by the economic analysis of law in which regulation is viewed as part of the costs that a business has to bear. The very beginning of RIA as a distinct public policy started under the Thatcher government in the United Kingdom (UK) and the Reagan

G. Marcou
University Paris I Panthéon-Sorbonne, Paris, France

A. Musa (✉)
Faculty of Law, University of Zagreb, Zagreb, Croatia
e-mail: amusa@pravo.hr

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administration in the USA with the purpose of identifying the costs of regulation for the business sector and devising measures to alleviate this burden on enterprises and increase their competitiveness (Kirkpatrick and Parker 2007).

Over time, both academic research and policy papers have been devoted to what has been labelled “regulatory policy”. The initial unilateral approach of regulation as a “burden” has been offset by the consideration of the benefits that regulation can bring to society as a whole. The policy focus was shifted from “less regulation” to “better regulation” and RIA could even be integrated in to the “sustainable development approach” of public policies. All the impacts of regulation on economic, social, and environmental development should be assessed and weighed against each other (Kirkpatrick and Parker 2007). Nevertheless, to talk seriously about impact assessment an institutional basis is necessary, in particular in the form of a mandatory procedure (Dunlop and Radaelli 2016).

The Organisation for Economic Cooperation and Development (OECD) has played a key role in supporting RIA. In 1995, the OECD’s *Recommendation on improving the quality of government regulation* recommended integrating RIA in the development review and reform of regulations (OECD 1995). Subsequently, with the 2001 Mandelkern Report, the European Union (EU) decided to adopt its own policy framework to promote RIA, leading to numerous policy documents and programmes. The *Regulatory policy outlook 2015* found that, in 2014, 33 out of 34 OECD member states and the EU had an explicit “whole-of-government policy of regulatory quality”, including in particular *ex ante* impact assessment of regulation (OECD 2015, 26–27).

RIA is an instrument which helps to inform decision-making by assessing the costs, benefits, and risks for important public goods and targeted groups. It is

a systematic, mandatory, and consistent assessment of aspects of social, economic, or environmental impacts such as benefits and/or costs; (2) affecting interests external to the government; (3) of proposed regulations and other kinds of legal and policy instruments; (4) to (i) inform policy decisions before a regulation, legal instrument, or policy is adopted; or (ii) assess external impacts of regulatory and administrative practices; or (iii) assess the accuracy of an earlier assessment. (Radaelli 2009, 25)

With the generalisation of RIA, however, there has been a dilution of the concept, in relation to the diversity of institutional and political contexts, making the assessment of its implication almost impossible.

After decades of widespread practice, RIA still raises questions on conceptual ambiguities affecting its results. Therefore, it is worth first evaluating RIA by reviewing the conceptual challenges and confronting its purposes and results. The second task is to shed light on an obscure area in the academic literature—the relationship between RIA and local government. We can pick up some hints in a few policy papers but there is no in-depth analysis of this relationship. Given the regulatory role of sub-national levels of government, it is necessary to evaluate the role of RIA at sub-national levels, including its limits or, more precisely, what can reasonably be expected from it.

LIMITS OF RIA IN REGULATORY GOVERNANCE

Conceptual Ambiguities

RIA, Policy Impact Assessment and Regulatory Quality

Regulation is usually part of a policy programme implemented by government in order to attain specific targets. Thus, it is an action whose impacts, perceived or actual, can be assessed. Classical writings on public policy analysis distinguish so-called regulatory policies, whereas policy assessment has to refer to policy goals. The literature and policy papers are inclined to fuse regulatory and policy assessment, however (see Dunlop and Radaelli 2016, 4). As a consequence, regulations are treated in policy impact assessments as tools, not as norms. This is in particular the case for EU policies, which are generally implemented through directives or regulations.

There is nevertheless a legal approach to RIA, which is concerned with legal consistency, regulatory instability and uncertainty, and normative inflation. In particular, the increasing number of norms to be complied with has been raising concerns about the efficiency of regulation. Thus, simplification strategies are recommended in order to alleviate the regulation burden, assess the necessity of new regulations, and eliminate obsolete regulations through regulatory performance reviews. On the other hand, in regulatory state (Majone 1996) there is a growing need

for governments to regulate more in order to answer the problems on their agenda (Conseil d'Etat 2016, 49–52).

The common principles for better regulation listed by the Mandelkern Report have specific legal meaning (necessity, proportionality, subsidiarity, transparency, responsibility, simplicity). Furthermore, RIA can be worked out as the procedural moment, framed by the law of policy-making and decision-making process. This involves the integration of RIA in to the decision-making procedure, the determination of the method to be used and evaluation criteria, the consultation process and how the results of consultation have to be used to improve initial drafts (see Mandelkern 2001; OECD 2015, 25). However, the limitation of RIA is that it is a tool for decision-making which cannot limit the decision-making powers of competent authorities. For example, the European Court of Justice ruled that an Impact Assessment (IA) is not binding for the powers of the European Parliament or the Council (ECJ *Afton Chemical*, C-343/09, 8 July 2010).

RIA and Evaluation

The relationship between RIA and evaluation is not unambiguous. They partially overlap and both include *ex ante* and *ex post* dimensions; however, their focuses and rationales differ. In general, evaluation is considered as a part of a policy cycle with a purpose to assess whether the policy goals have been met. “Evaluation may be understood as an analytical tool and procedure which aims, first, at attaining relevant information on the performance (process) and results of public policies, programs and measures and, second, at making available (‘feeding back’) such information to the political and administrative actors concerned (as well as to the general public at large)” (Wollmann 2005, 2). Depending on the possibility to influence a concrete policy programme, evaluation can be performed *ex ante*, *ex post*, or parallel with the policy implementation (Wollmann 2007, 393–394). There is a dominance of the *ex post* evaluation enabling evidence-based policy-making that is focused on the effectiveness and efficiency of policy-making (and thus legislating), built upon the scientific evidence of the success of existing policies and using expert knowledge (Howlett 2009). RIA can be performed both *ex ante* and *ex post*, but in practice, the *ex ante* type prevails as a first step in the legislative or other decision-making action (e.g. developing strategies, urban planning, awarding concessions, etc.).

Both approaches use similar criteria: economic, environmental, and social impacts, outcomes and/or results, among others. Policy evaluation takes into account other effects that can be observed, such as social acceptance or effects on political legitimacy, but these can only be vaguely assumed by RIA. Moreover, *ex post* evaluation may help in the detection of unintended consequences (Kuhlmann and Wollmann 2011), offering a valuable insight into the second cycle of legislating policy. By comparing *ex ante* RIA and *ex post* evaluation (as dominant types), the most important distinction, besides the temporal one, relates to the learning capacity in the latter—the evidence of real-world implications gathered through the evaluation process can help with better regulating in the next cycle. On the other hand, *ex ante* RIA remains largely in the area of probability, and cannot rely on evidence.

The evaluation too has become a part of regulatory policy. According to the Expert Report on the implementation of *ex post* evaluations (Prognos 2013), they are “part of the standard repertoire of regulatory policy activities” in the UK, Canada, Sweden, Switzerland, and the EU, using similar organisation, evaluation criteria and tools, but also displaying differences in the quality control of procedures and the use of evaluation results. In some countries, such as Sweden and Switzerland, the obligation to evaluate existing legislation is determined legally, up to the constitutional level. Sunset clauses are also used as a form of obligatory norm evaluation in some countries, such as the US or the UK, whereby the statute can be amended or renewed only upon an evaluation, otherwise it simply ceases to exist.

The extensive use of RIA has created great expectations in terms of assessing the real implications of legislation and policy. For example, in 2010 the EU upgraded its 2002 Better Regulation to Smart Regulation policy (EC 2010), extending the regulatory efforts to the enforcement, evaluation, and revision of legislation (EC 2015). The principle “evaluate first” was introduced making the evaluation of existing legislation and lessons learned from past experience necessary for the formulation of new legislation. It was expected that the evaluation of effectiveness and efficiency of the EU legislation would improve the quality of decisions and regulation and lead to the reduction in administrative burdens. The inclusion of sunset clauses requiring an evaluation of the functioning of European executive agencies also points to the wave of the evaluation. Still, the more systematic evaluation of legislation has only recently become more prominent—more than half of 83 evaluation documents

in the European Commission database were published in 2016. Some of the reasons for the reluctance to engage in evaluation may be found in the amount and the complexity of legislation, and there is less interest in evaluation than in transposition, especially if policy has no budgetary effects (Delahais 2014).

Purposes and Results

At first glance, RIA is deemed to *improve the quality of regulation* involved in policy implementation. Its initial purpose in the early 1980s, however, was bound up with deregulation policies and the objective to give businesses more market freedom and increase competitiveness. The emphasis has shifted onto different priorities over time, depending on the country, raising doubts as to the supposed factual evidence given by RIA for decision-making. The determination of this emphasis is in itself a political choice—policy goals have to be determined first. For example, at the EU level, sustainable development and competitiveness were main priorities in the integrated RIA of the first stage (2002–2005), but after 2005 the emphasis shifted to employment and growth.

A less obvious purpose of RIA is *to control* public administration. In the USA, it was aimed at giving the US president stronger control over federal agencies, meaning that “regulatory review was and remains a mechanism that allows for centralised executive oversight of the bureaucracy across the entire spectrum of domestic policy in the USA” (West 2016, 322). This explains why in the USA RIA has developed for regulations of federal executive agencies and not for primary legislation voted by Congress or for executive orders of the president. A similar function of RIA can be observed at the EU level. Whereas the Commission has developed its own practice and methodology for RIA and has been eager to keep control of this procedure, the European Parliament (EP) has been involved in RIA from 2011, urged by the reports and decisions of other EU institutions. The EP’s new Directorate of Impact Assessments and European Added Value, established in 2011, checks RIAs transmitted with Commission’s proposals, assesses their quality and relevance, and takes a position on the consistency between the draft proposal and the content of RIA and, above all, it checks the compliance of the Commission’s proposals with parliamentary guidelines. But the Council is still reluctant to engage in transparent RIA on its amendments (Renda 2014, 99).

Since the goal of RIA is to improve regulation, diminish its economic weight and increase its efficiency, it is legitimate to ask about *the results* of RIA. Unfortunately, the answer to this question is rather disappointing. It is possible to have a financial or economic estimate of the impact of regulation, even only partial and approximate, but this does not say anything about the consequences for the final decision. And if RIA has an impact on the final decision, then the main difficulty is to assess the real results of RIA. As pointed out by Dunlop and Radaelli (2016), “causal relationships between IA and final outcomes are complex”; there might be several principles referred to, and it is difficult to demonstrate economic benefits. It is even more difficult when nonquantifiable variables are to be taken into account. As a matter of fact, there is a little evidence of any economic benefits of RIA. Data presented to establish productivity or performance gains resulting from RIA are largely associative and provide little evidence of causality (Kirkpatrick and Parker 2007, 10).

Another example points to the disputable results of RIA—the questionable performance of the instrument in certain contexts. In Central and Eastern European countries, the development of RIA was different than in other EU and OECD countries, as shown by Staroňová (2010). First, RIA was adopted prior to the development of the regulatory policy programmes, so the better regulation rhetoric of the political elites was largely absent. Second, these countries have mostly not set up strong centres of government that could coordinate the efforts of line ministries, leading to problems of coordination and capacity. Consequently, the effects of the RIA have been modest. Given the absence of a broader policy framework and the lack of central steering, the introduction of RIA was mainly seen as a formal administrative measure introduced in the process of the EU accession under conditionality (Musa 2015). These findings correspond with the conclusions of research into RIA in 26 European countries (De Francesco et al. 2012): the high appeal of RIA as regulatory innovation is not followed by equal (and successful) implementation, with political factors and economic resources being critical in the phases of setting up the RIA system, while the administrative capacity and demand from pressure groups affects later implementation of RIA.

Finally, the added value brought by RIA is not economic in nature but political: through the process ascribed to RIA stakeholders are involved in consultations, government officials have to justify their options, and the bureaucratic *fait accompli* may be avoided. This is not

a minor benefit, but nobody can demonstrate that it improves economic performance in general. However, the principle of proportionality should not be forgotten. There is a growing criticism in the USA of excessive use of RIA, given the burden, costs, and delays it imposes on administration. Commentators believe that excessive use of RIA brings a risk of “ossification” of rule-making, driving agencies to develop escape strategies (Strauss 2016).

IMPACT ASSESSMENT AT SUB-NATIONAL LEVELS

Sub-national Government Levels in RIA Literature

The general approach of both the academic literature and policy documents on regulatory policy is that they ignore sub-national governments. They do not totally rule them out, however, viewing them mainly as targets of regulatory activity, circumventing the elaboration of regulatory problems specific to sub-national government levels.

The 2005 OECD *Guiding principles*, which first put forward the idea of the “whole-of-government approach”, refer briefly to sub-national levels: “Regulatory quality is a defining measure of government effectiveness on the national and sub-national levels” (OECD 2005: 3). The 2015 OECD *Regulatory Policy Outlook* supports the orientation towards a “whole-of-government” approach to regulatory policy, and this should include sub-national governments. However, they are mentioned only once, in the context of “stakeholder engagement”: “countries report a variety of consulted groups, including social partners, local authorities, business associations, environment groups”. The Mandelkern Report (2001) considers local governments as regulatory targets, just like businesses or citizens. Similarly, the World Bank database of Global Indicators of Regulatory Governance out of 255 documents on RIA worldwide returns only one item for “local” (the French screening template for measures concerning local authorities) and only one item for “regional” (Russian Guide on RIA at the regional level).

Two international documents offer an exception in this general picture. The World Bank report from 2006, *Simplification of business regulations at the sub-national levels*, considers the impact on businesses of regulations issued by local authorities, but reflects a very narrow point of view—exclusively in terms of the economic burden for businesses (The World Bank 2006). The other exception is the 2009 OECD report (Rodrigo et al. 2009)

focusing on costs as generated by multilevel governance and the development of regulatory policy across governmental levels, putting emphasis on coordination. The OECD report underestimates the regulatory powers of local governments, however, ignoring the fact that local governments are not just executive administrations of central government but also have autonomy in those areas which they are entitled to regulate, such as urban planning and traffic regulation.

It is obvious that if the RIA were to be extended to sub-national levels, federal governments or governments with regional autonomy would likely be the first concerned. Thus we can observe a transfer of RIA on that regional government level in federal governments and governments with regional autonomies. Some sub-national governments (mainly regions) in European countries, such as Piemonte in Italy or Catalonia in Spain, have introduced better regulation strategies, aiming at the implementation of RIA among others (García Villarreal 2010). The regional laws refer explicitly to *ex ante* and *ex post* assessments and to regulatory quality, linking assessments with consultation procedures, and hence with democratic rule-making. In Germany, each *Land* is empowered to implement its own regulatory policy; very often such policies can hardly be distinguished from more general policies of the *Land* government on administrative reforms. However, *Länder* have usually organised the follow-up of the implementation of regional legislation and this has sometimes been extended to *ex ante* assessment. Numerous *Länder* have established special offices to assess the quality of draft laws and regulations (OECD 2010, 148–154). However, it is recognised that RIA is not practised in all regions and not in a systematic way (OECD 2012, 113) and that it is still “in its infancy” at sub-national government level (OECD 2010, 143–144).

In the EU, the Commission adopted the guidance on Assessment of Territorial Impacts in 2013, as a first step in making a greater effort to assess the impact of the EU legislation on local governments. The document is related exclusively to cohesion policy, however, since it is applied to legislation having asymmetrical effects (impacting some local/regional units, or creating disparities). The disregard for the role of local governments in the EU multilevel regulatory governance, and the Commission’s treatment of local governments as stakeholders vis-à-vis EU regulation, has resulted in the response of the Council of European Municipalities and Regions (CEMR). The CEMR thus urges the Commission to apply the multilevel governance ethos in its better

regulation policy, to introduce RIA for all legislative and non-legislative measures, since they affect local units by introducing costs, administrative and regulatory burdens, and to ensure that the procedures defined by Protocol 2 on subsidiarity are fully applied (CEMR 2014). The CEMR's request is that local and regulatory authorities should be considered the same way as national governments—as partners in policy-making and implementation, and not as pure stakeholders.

Sub-national Government and Regulation

There are two reasons for the lack of interest in sub-national governments in the RIA literature. First, the bulk of regulation is issued by central government, in the form of primary or secondary legislation, and this regulation has the most impact on citizens, businesses, and sub-national governments themselves, in particular local governments. Remarkably, in European countries, RIA development was applied first to primary legislation, in sharp contrast to the USA. Even in European federal countries or countries with strong regional autonomy, national legislation is of paramount importance, in number as in scope. The second reason is the lack of capacity. Not only the quality of both the primary and secondary legislation of sub-national authorities can be questioned, but the lack of administrative and financial capacity is even more salient to carry out or monitor impact assessments.

The issue of sub-national regulation is coming to the fore because of new institutional developments. Decentralisation policies have increased the powers of sub-national governments, and brought new sources of regulation. To some extent, governance has to face contradictory claims: to alleviate the burden of regulation, and hence to diminish the volume of regulation and to pay more attention to differentiated expectations of local units, leading to the devolution of regulatory powers, and raising questions of coordination. The recent report of the French Council of State (2016) addresses the issue of the impact of decentralisation policies on regulatory policy. The report points to the illusion that problems can be solved by issuing new legislation, as a prompt and visible answer. However, local governments are claiming more regulatory powers, bringing about more fragmentation, and raising the question of the impact of regulatory activity. The French report refers to the countries with federal or regional organisation, stressing the tendency to increased regulatory costs in these countries, as a consequence of the dispersion

of regulatory powers (2016, 49). Examples of these problems can be seen in diverging building codes of German *Länder*, despite periodical updating of a national regulation model (Jäde and Hornfeck 2013) and in diversity of regional planning regulation of Italian regions (Cabiddu 2014). However, there is no evidence for the claims that these costs are offset by greater diversity of responses and flexibility (OECD 2010).

In France, local governments have long criticised the burden of regulation imposed on them by the national government. Finally, the National Council of Norm Assessment was established in 2013, with representatives of central and local governments, in order to review all drafts that could involve additional costs on local government. Local councillors may refer to the Council to draw attention to a specific regulation or make a proposal. A recent circular of the prime minister (May 2016) provides for a unique assessment sheet for all impacts on citizens, businesses, and local authorities. These bodies enable a greater awareness of regulatory impacts and have a preventive influence on administrations. But the recent report gives no hint of regulations having been abandoned following a negative assessment (Conseil national d'Evaluation des Normes 2016).

Impact Assessment Obligations of Sub-national Governments

Sub-national governments already have the obligation to submit specific impact assessments required by the EU or national legislation. The major area of such obligations for sub-national governments in the EU countries relates to the environmental impact and dates back to 1985 when the first Environmental Impact Assessment Directive was adopted (now EIA Directive 2011/92/EU, 2014/52/EU) requiring the environmental IA of public and private projects (such as infrastructure, industrial, agriculture, energy projects) which are likely to have significant effects on the environment. A newer and broader obligation is regulated by Strategic Impact Assessment Directive (SEA, EC/2001/42) requiring all public plans and programmes adopted by any governmental level and required by regulatory provisions in various fields (e.g. transport, energy, agriculture, urban planning or land use, agriculture, waste or water management) to be subjected to an assessment as far as they may have a significant impact on the environment. To that extent, regional and local governments are subject to the duty to realise such IAs for practically all planning documents and most public projects they adopt. In France, for

example, regional schemes for sustainable development planning and territorial equality (SRADDET) include a regulatory part with binding provisions for lower level planning documents, making all urban planning documents subject to EIA. Also, from 2015 regional councils received full competence for regulation of local economic development support, and they adopt a specific scheme for this purpose (Marcou 2015: 887). These regulations are supposed to implement a regional economic development scheme, and hence to assess their expected results.

Another example is outsourcing policy. The EU Directive EU/2014/23 on the award of concession contracts recognises the self-government principle exercised by national, regional, and local authorities that may decide freely on the choice of provision for public works or service delivery, including deciding to do it by their own means or through an in-house contract. Thus, local authorities are supposed to assess the impact of each type of provision with regard to the service to be delivered, the costs for users and for their budget, depending on the contemplated arrangements. This is more explicit in the French ordinance of 29 January 2016 for the transposition of the EU directive into French law: the provision mode chosen by the authority is deemed to achieve a high degree of quality, safety, accessibility, equality of treatment of the service or of the work delivered, and to promote universal access to users and users' rights to the public service. Furthermore, the nature and the scope of the needs to be covered have to be determined before the consultation for the tender. This assessment has to take into account sustainable development objectives in their economic, social, and environmental dimensions.

CONCLUSIONS

The evaluation of RIA as an instrument of regulatory policy can be performed at the institutional, performance and outcome level, as in the case of any institutional policy (Kuhlmann and Wollmann 2011). As shown above, RIA has become a well-*institutionalised* practice in many countries and in the EU, advocated by international organisations as a means to improve the regulatory environment and quality of legislation in terms of process and outcomes. In many cases, it is a formal obligation too, backed up with a more or less complex institutional setting. In recent years, RIA has been supplemented by ex post evaluation of regulation. In terms of *performance*, the literature and policy reports indicate

that the success of RIA varies in relation to political and economic factors, especially political support and administrative capacity (see Radaelli 2009). Its formal adoption is not always followed by substantial implementation. In other words, there are different kinds of RIA. In terms of *outcomes*, it is hard to assess whether the implementation of RIA under the above circumstances has led to better regulation which eventually achieved the desired policy goals. The scope of application of RIA, the institutionalisation of practice and the inclusion of businesses and citizens in consultative procedures could confirm that legislation at least in process terms could be of higher quality. Whether it brings quality is another issue, which requires more comprehensive analysis, such as is offered by the OECD tools for evaluation of regulatory policy. Notwithstanding, RIA represents a costly and demanding activity, with high transaction costs in terms of the immediate material and personnel costs of introducing RIA, as well as the costs of continuously initiating, coordinating, and controlling it (Kuhlmann and Wollmann 2011, 483).

Despite their strengthened role in issuing regulations, sub-national governments are practically absent from the academic and policy literature on RIA. The distinctiveness of sub-national governments is that they are both targets and sources of regulations, and decentralisation policies tend to increase the importance of the latter. *As targets* of regulation, it is without any doubt necessary to involve sub-national governments in the impact assessments of national and EU regulation, especially those that effect the provision of local public services. The assessment of the burden of new regulations can hardly give grounds for the overturn of a decision, however, since some cost has to be assumed in any event.

Should the obligation to implement RIA be extended to sub-national governments *as sources* of regulation? The lack of capacity to carry out RIA, especially at the municipal level, calls for caution. Considering the lessons that can be drawn from the RIA implementation at the national level, it is unlikely that sub-national governments would perform better if RIAs were made obligatory, nor should they be. Sub-national governments are already obliged to provide impact assessments for some of their functions, such as environmental issues or awarding contracts. Thus, instead of insisting on the introduction of RIA for any piece of regulation, they should rather improve the level of openness of their decision-making procedures on issues having a direct impact on the local community, in order to obtain diverse feedback from citizens and

business. At the city level, it is easy to imagine the kind of decisions for which such procedures can be useful: the tariff policy for local public services, changing the traffic plan in the city, public order regulations et cetera. The tradition of impact assessment including public inquiries and hearings on environmental issues and planning at the local level is promising. This does not mean that local governments having greater scope of regulatory powers and the capacity to do so should not engage in the implementation of RIA, however, especially at the regional level or in urban conglomerations. Thus, RIA could be integrated into decision-making procedures for most important decisions having clear impacts on citizens and businesses. Improvement of decision-making could also be expected by using *ex post* evaluation of local policies and regulation.

In sum, at the local level, RIA should not be treated as an additional duty or procedure, but simply as a matter of good practice in the relationships between local self-government bodies and the citizens and businesses. In any case, it should not be used to hide political choices or insulate them with arguments of so-called factual evidence.

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G erard Marcou Dr jur., born 15 November 1947, Professor of Public Law at the University Paris 1 Panth on-Sorbonne, Director of GRALE. Visiting professor in numerous universities and institutes (Barcelona, Roma, Napoli, Milano, Beijing, Buenos Aires etc.). Publications: From Public and Municipal to Private Sector Provision, 2016 (co-editor), Provision of Public Services in Europe, Edward Elgar (co-editor), Les comp tences des collectivit s locales. L' tendue et la nature des comp tences des collectivit s locales dans les Etats membres du Conseil de l'Europe, Council of Europe, 2008; L'acc s aux emplois publics, Paris, Lextenso "Syst me", 2014; Les collectivit s territoriales et la politique du logement, 2014, Paris, L'Harmattan (co-editor).

Anamarija Musa Dr Iur., born 21 May 1974, Assistant Professor of Administrative Science and Senior Research Associate at the Faculty of Law, University of Zagreb, Croatia. She is also serving as the first Information Commissioner of the Republic of Croatia (2013–present) in charge for the protection and the promotion of the right of access to information and transparency and participation in the public sector. She is the (co)author of numerous scientific articles, book chapters, and conference papers on administrative reform, transparency, public agencies, Europeanisation, local government, and e-government.

Less Plato and More Aristotle: Empirical Evaluation of Public Policies in Local Services

Germà Bel

INTRODUCTION: WHY EMPIRICAL EVALUATION OF PUBLIC POLICIES?

Policy analysis and evaluation is a scholarly discipline as well as a professional area that has gained increasing relevance in the last few decades. Consequently, several journals have achieved relevant impact and influence in the fields of public policy and public administration. For instance, the *Journal of Policy Analysis and Management*, flagship of the US Association for Public Policy Analysis and Management, has specialised in publishing empirical evaluation of public policies, and has

Presentation and discussion of methodologies based on conversations with Daniel Albalade (Universitat de Barcelona), who has also provided useful comments to this paper. I have benefited from suggestions received when presenting the content of this paper in meetings of COST Action: IS1207 in Dubrovnik (May 2015) and Zagreb (June 2016).

G. Bel (✉)
University of Barcelona, Barcelona, Spain
e-mail: gbel@ub.edu

become a leading journal in the field for scholars working in public policy and public administration, and also for economists (a field in which the leading journals have increased significantly the number of articles that evaluate policies and measures). Furthermore, other influential journals in public policy and public administration have paid more attention to publishing empirical evaluations. In the USA this is the case, for instance, of *Journal of Public Administration Research and Theory*, *Public Administration Review*, and *International Public Management Journal*. In Europe, we can find this in journals such as *Public Administration*, *Environment and Planning C: Government and Policy*, and *Local Government Studies*.

There is a sharp divide, however, in the use of empirical methods for evaluations of the effects of public policies between different areas of the world. When observing the geographical origin of the evaluative studies that use empirical-based methodologies, a large majority of them have been conducted in Anglo-Saxon countries. Within continental Europe, the particular relevance of empirical studies can also be observed as they are conducted in the Scandinavian countries, the Netherlands and, to a lesser extent, in Switzerland. In contrast, empirical methodologies have been less frequently used in central and southern Europe.

Thus, a north–south European divide seems to exist with regard to the use of empirical methods in the analysis and evaluation of public policies. Different propensity for the adoption of empirical methodologies does not only happen in public policy and public administration, but it exists also in many other areas of knowledge within social sciences, such as economics, political science, and geography. This may well reflect the influence of different classical philosophical traditions and their respective projections in the development of views and approaches to scientific knowledge. Plato's view in *The Republic* that 'good decisions are based on knowledge and not on numbers' seems to have been more influential in central and southern Europe, whereas Aristotle's position in *Oikonomia* that experience, the observation of nature, is the base upon which we build our ideas seems to be more influential in northern Europe and the Anglo-Saxon countries.

Rationalism versus empiricism has been a long-lasting duality in the development of philosophy and also of science, particularly in Europe. This has influenced the views with which human actions and also government policies have to be evaluated. In this regard, in Immanuel Kant's world, good intention is what matters, without regard to the results.¹ On

the contrary, one of the most influential philosophers and economists of the nineteenth century, John Stuart Mill, set forth the logic of ‘consequentialism’. In Mill’s (1848) world, a policy can be analysed without regard to moral categories but with focus on its consequences. That is to say, when evaluating an action or a policy, what matters is not to evaluate the intention of the agent/government but the results of the action/policy. Unsurprisingly, the evaluation of the results of policies (the effect) is much more dependent on empirical information and analysis than the analysis of the intention of the policies (the rationale).²

The influence of rationalism was important in the views of the last major school of economic thought that developed in continental Europe, the Austrian school of economics, whose main representatives are Friedrich Hayek and, especially, Ludwig Von Mises.³ Mises proposed praxeology as the methodology to be applied in economics, and the social sciences at large. In Mises’s world, the theoretical principles are imaginary constructs that are self-evident, and

the imaginary constructions of praxeology can never be confronted with any experience of things external and can never be appraised from the point of view of such experience ... In confronting the imaginary constructions with reality we cannot raise the question of whether they correspond to experience and depict adequately the empirical data. We must ask whether the assumptions of our construction are identical with the conditions of those actions which we want to conceive. (Von Mises 1949, p. 238)

Indeed, empirical evaluation of results of public policies is absolutely superfluous in this world.

Idealism has reached extreme forms in the analysis of economics and public policy, and in the debate on government versus market. As stated in the Economic Report of the President⁴ sent to the US Congress in February 1997, supporters of state intervention compare real failures of the market with an idealised view of the state, which would have available unlimited information and purely beneficial objectives. Contrarily, opponents of government frequently hold the opposite fallacy, comparing the properties of an ideal market with the real behaviour of government, which has limited information and frequently distorted objectives. Neither the government nor the market can meet the standards of perfection. Therefore, ‘[a] more useful approach is to compare real markets with real policy effects, to understand when and where lines between the

public and the private sectors should be drawn' (Council of Economic Advisers 1997, p. 196).

It is easy to find John Stuart Mill's imprint in these reflections above. In his *On Liberty*, Mill proposed to emphasise the objective of a 'better' world rather than a 'perfect' world. Consequently, in Mill's view, truth in the practical questions of life is strongly related to the conciliation and combination of opposed views (Mill 1859). Indeed, in an intrinsically imperfect world, governments, and markets are imperfect institutions. To compare real markets with real policy effects requires analysis and evaluation of their respective outcomes. In this world, which closely resembles the one in which we live, empirical evaluation of public policies and measures plays a key role to advance knowledge on the real effects of policies, and to contribute to a better judgement of their influence on social welfare. Thus, it is key to good governance.

In the following sections, several methodologies for empirical-based evaluation of public policies are briefly presented and discussed, and examples of studies that used those methodologies are provided. The methodologies presented are particularly useful to evaluate policies related to local services delivery. The studies included as examples were conducted on local services delivery and urban policies generally. Concluding remarks follow.

EVIDENCE-BASED METHODOLOGIES FOR EMPIRICAL EVALUATION

Evaluation of public policies pays attention to outcomes ('consequences') rather than to drivers ('intentions'), but 'consequences' have been relatively under-researched as compared with 'intentions'. On one hand, this is because Plato's followers in public policy believe that what matters is to apply the 'convenient' policy; hence they are not greatly concerned about either results or measurement of them. On the other hand, and as mentioned above, gathering data to analyse the consequences of a policy is usually more demanding than gathering data to analyse the drivers of that policy. Indeed, data availability is one of the key factors regarding the ambition and robustness with which empirical evaluation can be undertaken. Another key factor is having available a sound theoretical background that guides the empirical strategy and the interpretation of the results, particularly to assess causality. Next I discuss different empirical-based methodologies, depending on the quantity and richness of data required or available. I also provide examples of studies

using these methodologies, related whenever possible to local government reforms, policies, and measures.

Case Study and Comparative Policy Analysis

Quite often the data available to evaluate a specific policy or a specific measure is very limited. Still, it is possible to conduct an empirical-based evaluation of that policy by conducting a case study, that is, a detailed and careful study of a specific policy in a specific place.

In order for a case study to be relevant,⁵ we need first to define the research question, preferably based on solid theoretical grounds, and to select the case to be analysed. The quality of a case study depends on providing enough information to identify the geographical, institutional, and political contexts. Then, the policy must be identified; we need to discuss why the policy was adopted and how it was implemented. The next step is providing as much information on the results of the policy as is available. With all that information at hand, we can analyse whether the objectives of the policy were successfully achieved (or not), and to what degree. Table 1 presents a case study on reform of local services.

The main advantage of a case study is that it is a useful methodology to understand how policies are implemented and how they work. Because it is related to a particular policy in a specific place, however, the possibility of generalising the results is extremely limited. An even more important limitation, in my view, is that case studies can be prone to selection of cases intended to endorse aprioristic beliefs held by the analyst or the scholar.

An interesting variation of the case study is comparative policy analysis. By means of comparing different cases of public policy, for instance, similar policies or measures implemented in different places, we can obtain a better understanding of the outcomes of the policies, and the reasons why similar policies can yield different results when applied to different environments. Table 2 presents a study comparing solid waste collection in the Netherlands and Spain.

Conventional Multivariate Analysis

When it is possible to gather information on many relatively comparable units, we can try to analyse and explain the differences in outcomes. In our specific case, when a policy has been implemented in several

Table 1 Case study on solid waste collection and street cleaning reform in Barcelona

Study	Bel, Germà and Warner, Mildred (2009). Managing competition in city services: The case of Barcelona. <i>Journal of Urban Affairs</i> , 31(5), 521–535
Research question	Is competitive public-private management useful to promote innovation and quality in city services?
Selection of the case	The city of Barcelona, where the city government had reformed the solid waste service, and where one of the authors is based, and has relatively easy access to data for the study (geographical, institutional, political and service-related)
Policy (why)	The city wanted to improve the quality of the solid waste service, promoting environmentally friendly practices (e.g. recycling), and coordination of solid waste collection and street cleaning
Policy (how)	The city government reformed the solid waste service, splitting the city into four areas, and contracting for each area solid waste collection and street cleaning both together. No firm could be awarded the contract in more than two areas. One private firm obtained two contracts and two private firms obtained one contract each
Evidence	Data on institutional and socioeconomic variables, data on quantities of solid waste collected, on selective collection (intended for recycling) and data on financial costs. Also, data from surrounding municipalities, for comparison. All data were official and publicly available
Results	The percentage of selective collection increased, as well as the citizens' satisfaction with the waste service and street cleaning. In this regard, the results of the reform meet the objective for which it was undertaken. Financial costs increased as well
Observation	One recommendation from the analysis was to limit to one area for each firm the contracts in future concession rounds, in order to increase competition. The city of Barcelona introduced this limitation in the next concession tendering process

Source Author's analyses

jurisdictions but has not been implemented in others, we can use that diversity to evaluate the outcome of the policy.

The key issue in conducting multivariate empirical analysis is to build a data base as wide as possible. Of course, we need data related to the policy implementation (for instance, privatisation of a local service) and the outcomes (for instance, cost of the service). Furthermore, data must be gathered for several environmental variables to control for the effects. This is important because ideally we would like to control for all factors

Table 2 Comparative policy analysis of reform in the solid waste sector in the Netherlands and Spain

Study	Bel, Germà, Dijkgraaf, Elbert, Fageda, Xavier and Gradus, Raymond (2010). Similar problems, different solutions: Comparing refuse collection in the Netherlands and Spain. <i>Public Administration</i> , 88(2), 479–495
Research question	Spain and the Netherlands gave priority to different strategies of reform to improve the efficiency of the solid waste service. Why was the choice of strategies divergent and what were the results?
Selection of the case	Municipalities in the Netherlands and Spain gave priority to different strategies to increase efficiency. The authors were based in both countries, and have relatively easy access to data for the study (geographical, institutional, political and service-related)
Policy (why)	The driver of the reforms in both cases was to increase efficiency in the solid waste service
Policy (how)	Municipalities in Spain put more emphasis on privatisation and inter-municipal cooperation, whereas municipalities in the Netherlands gave more priority to increasing competition for the contract
Evidence	For both countries, data on municipal structure, empowerment of local governments, frequency of delivery forms (private, public, bureaucracy etc.), sector's market structure, inter-municipal cooperation etc. Most data were official and publicly available, although surveys by the authors were used to obtain data on production form and cooperation in Spain
Results	Because of the reform strategies, the weight of private delivery and of inter-municipal cooperation increased more significantly in Spain. Competition increased more in the Netherlands, as shown by the comparison of market concentration indexes
Observation	The smaller average size of Spanish municipalities seemed to be a key factor in the relevance of cooperation in Spain. In the case of the Netherlands, more activism of public firms to obtain contracts in other municipalities different from that of the owner of the firm, as well as the incompatibility of cooperation and private production, were key in the smaller increase in privatisation and better results on competition

Source Author's analyses

that can influence the result, so that we can isolate the effect of the policy that we seek to evaluate.

Having a strong focus on the empirical strategy and implementation does not imply, of course, that theoretical foundations can be neglected. A solid theoretical background is needed to build the models that will

later be estimated by means of econometric techniques.⁶ It is necessary also to help to interpret the results, particularly regarding causal effects between the explanatory variables (and particularly the one that reflects the policy) and the explained variables (outcomes). Table 3 presents an evaluation of the costs of public and private production of a solid waste management service.

Like any other methodology, multivariate analysis has advantages and limitations. When it comes to evaluation of public policies, where causality is a key issue, an important problem is the possibility that the policy was implemented in some places and not in others depending on the specific conditions of the unit of observation (municipalities in the case above). For instance, it might well be that municipalities that privatised were those where costs were higher for idiosyncratic reasons. If this was the case, then finding that there are now similar costs between public and private production could actually mean that privatisation generated cost savings. This is the problem of endogeneity (or reverse causation). It is usually dealt with by means of instrumental variables. Table 4 presents an example of an evaluation of the effects of inter-municipal cooperation on costs, taking into account the factors driving the decision to engage in cooperation.

Empirical Evaluation Using Counterfactuals: Quasi-Experiments and Experiments

Another important problem related to multivariate analysis is that the changes we find in outcomes can be partially or wholly attributable to the dynamics of the units treated with the policy, rather than effects of the policy or measure implemented. The methodology of differences in differences has been widely used in recent years to confront this problem. This method uses as counterfactual the follow up of the level of outcome of nonparticipants. It relies on a comparison of participants and nonparticipants before and after the intervention. Differences in differences typically uses panel data, and allows for control of some simultaneous factors that have influence on outcomes by using a control group.

It is important to ensure that both groups had similar trends before treatment (and would have similar without treatment), because a key assumption of differences in differences is that the temporal effect in the two groups (treated units and not treated units) is the same in the absence of intervention. In this regard, it is important to test for the equality between average changes in the two groups in the pre-treatment period.

Table 3 Conventional multivariate analysis

Study	Bel, Germà and Costas, Antón (2006). Do public sector reforms get rusty? Local privatization in Spain. <i>Journal of Policy Reform</i> , 9(1), 1–24
Research question	What are the effects on costs of privatisation of delivery of local services?
Policy selected	The policy selected is the reform of solid waste collection service in Catalonia, where more than 900 municipalities exist, and these are fully responsible for the service. The authors are based in the region for which the study is conducted, which makes it easier to gain access to data. When delivered by a private firm, the service is paid for directly by the municipalities to the firm, so that information on costs can be obtained from the municipality. This is important, as private firms are reluctant to provide information on costs of the service
Policy (why)	In the two last decades of the twentieth century, many municipalities in many countries chose to de-bureaucratise public local services. One of the most relevant drivers of de-bureaucratisation was to increase efficiency and obtain cost savings
Policy (how)	In Spain, as in other countries, privatisation has been the reform most frequently implemented to de-bureaucratise services at local level. In the case selected, municipalities of Catalonia, the frequency of privatisation increased, and more than 80% of the solid waste service in the region was (and is) produced by private firms
Evidence	Data on municipal costs for the service in a representative sample of the municipalities of the region. Data on environmental variables (organisational, geographical, socio-economic etc.). Ordinary Least Squares regression is used to estimate the relationship between private production and costs
Results	No systematic difference in cost is found between municipalities with public production and those with private production. Further analysis finds that degradation overtime of competition for the contract, and the application of alternative reforms are consistent with the lack of cost savings from private production across municipalities
Observation	While previous empirical evidence (1970s and 1980s) suggested cost saving would ensue from privatisation of local solid waste services, most empirical evidence in the following decades failed to find systematic differences of costs between public and private production (see Bel et al. 2010)

Source Author's analyses

To evaluate the impact of the policy, first, we need to calculate the average difference in outcomes separately for participants and nonparticipants over the periods. Second, we must take an additional difference

Table 4 Multivariate analysis using instrumental variables

Study	Bel, Germà, Fageda, Xavier and Mur, Melania (2014). Does cooperation reduce service delivery costs? Evidence from residential solid waste services. <i>Journal of Public Administration Research and Theory</i> , 24(1), 85–107
Research question	What are the effects on costs of inter-municipal cooperation in delivery of local services?
Policy selected	The case selected is solid waste collection service in the region of Aragon (Spain), where most municipalities are of very small dimension. One of the authors is based in the region for which the study is conducted, which makes easier to gain access to data. Municipalities pay for the service no matter whether it is delivered by means of cooperation or on individual basis. Therefore, the information can be obtained from the municipalities
Policy (why)	Delivering the service by means of inter-municipal cooperation has gained relevance in recent decades, as an alternative to other production choices aimed to improve the scale of operations and save costs. In Spain, cooperation is compatible with contracting to private firms (whereas in some countries cooperation is not compatible with privatisation)
Policy (how)	The region of Aragon has been very active in creating new jurisdictions (counties), to which municipalities are assigned. Counties engage in joint governance of local services. Municipalities are free to delegate services to the county, or to keep individual production. The frequency of inter-municipal cooperation in services such as solid waste collection has significantly increased after that administrative reform was implemented, and now a large majority of Aragonese municipalities cooperate to deliver the service of solid waste collection
Evidence	Data on municipal costs for the service in a representative sample of the municipalities of the region. Data on environmental variables (organisational, geographical, socio-economic, political etc.). A two-stage procedure is used to analyse the effects of cooperation on costs. In stage one, the factors that explain the decision to cooperate are analysed. In stage two, the equation to explain costs is estimated using the two-stage least squares, where the values for the explanatory variable ‘cooperation’ are those obtained from the estimation in the first stage
Results	Municipalities that cooperate have lower costs for the solid waste service, controlling for form of production (instrumental variables)

Source Author’s analyses

Table 5 Impact evaluation using differences in differences

Study	Bel, Germà and Rosell, Jordi (2013). Effects of the 80 km/h and variable speed limit on air pollution in the metropolitan area of Barcelona. <i>Transportation Research D: Transport and Environment</i> , 23, 90–97
Research question	What are the effects on pollutant emissions of fixed speed limits and variable speed limits?
Policy selected	The government of Catalonia implemented several measures to reduce pollution in the region. The most significant measure was establishing speed limits in the metropolitan area of Barcelona
Policy (why)	Concentrations of several pollutants (such as NO _x , PM _{2.5} and PM ₁₀) in the metropolitan area of Barcelona were above the limits that the European Union considers as harmful for health. <i>Ex ante</i> engineering simulations indicated that the level of those pollutants would decrease if a fixed speed limit of 80 km/h was imposed
Policy (how)	In 2008 a fixed speed limit (80 km/h) was imposed on several roads entering the city of Barcelona. Later, in 2009, variable speed limits were introduced in several roads entering Barcelona. Speed limits were not imposed on other similar roads in the metropolitan area of Barcelona
Evidence	Data on NO _x , PM _{2.5} and PM ₁₀ from 2006 to 2010 from different measurement stations in the metropolitan area of Barcelona. Data on traffic, and on several weather conditions (rainfall, humidity, wind, temperature and atmospheric pressure). Data was obtained from measuring stations related to the roads on which the speed limits were imposed, and related to similar roads where speed limits were left unchanged
Results	Fixed speed limits increased the concentrations of NO _x and PM ₁₀ , whereas variable speed limits decreased the concentration of those pollutants
Observations	Technological change in environmental efficiency of vehicles between the time in which the measure was planned and when it was implemented might help to understand the unexpected results obtained for fixed limits. The mitigation of congestion associated with variable speed limits might explain the better results with variable speed limits

Source Author's analyses

between the average changes in outcomes for these two groups. Table 5 presents an example of impact evaluation using differences in differences.

Differences in differences is the most widely used quasi-experimental method, because a part of the research design involves the selection of a control group with units to which the policy was not applied. Other

less frequent quasi-experimental methodologies exist, such as regression discontinuity. We will not present these in detail because the objective of this text is to focus on the most commonly used methodologies; the conventional ones as well as the emerging ones.

That said, it is worth using the remainder of this paper briefly to present a methodology that might gain influence in the evaluation of public policies in the near future—experiments. This methodology is the one that most closely resembles the methodology used in life sciences. Within social sciences, experiments have been used frequently in areas such as social psychology. Within public policy and public administration, an experiment would consist in selecting a group of individuals or communities (units) that have very similar traits, so that these units are strongly homogeneous. Then that group would be divided in two, and the policy would be applied to the units in one group (these units would be ‘treated’), but not to the units in the other subgroup (‘untreated’). Thereafter, the differences after the application of the policy would be used to measure the impact.

At present, it is not easy to be sure about what role experiments will play in evaluation of public policies, for several reasons. On the technical side, it is difficult to conduct experiments, particularly outside a laboratory. On the political side, it might not be viable to apply a policy to a group of individuals (communities), but not apply it to a very similar group. Furthermore, the design of the experiment raises important ethics-related questions in research on public policy (particularly, when the research is conducted on the delivery of personal services, rather than on institutional design). What is clear, though, is that reflection and discussion on these problems—thus, on the limits to conducting experiments in public policy—will be a relevant subject in the future.

TO CONCLUDE: LESS PLATO AND MORE ARISTOTLE

Using evidence-based methodologies to evaluate the impact of public policies and measures has gained relevance in the last decades. The methodologies that can be used to conduct such evaluations are of different types, depending on the available data and the problems related to the design of the empirical strategy.

Empirical evaluation of public policies often needs to deal with important problems. The most persistent one is making sure that the effect we observe is caused by the policy or the measure, rather than by changes

over time in other environmental conditions (geography, institutions, policy, socioeconomic conditions, etc.). To deal with these problems, there has been a continuous improvement of the empirical techniques, and the next step will be characterised by discussion on undertaking real experiments in public policy, its advantages, as well as its shortcomings and related problems.

While empirical evaluation is subject to limitations in social science, it is a more sound scientific approach than no evaluation at all. What really affects the living conditions and welfare of citizens is the real effects of policies, and not the intention with which those policies were designed and applied. And as communities become more socially developed, conscious citizens give more relevance to results than to preaching. This is precisely the reason why we need less Plato and more Aristotle in research on public policy, as well as in politics from which public policies emerge.

NOTES

1. Kant (1871) himself was aware of the need to reconcile rationalism and empiricism, as suggested in his *Critique of Pure Reason*. However, this suggestion had limited impact in the subsequent development of philosophy (Von Wallwitz 2013).
2. Note, however, that much progress has been achieved in the empirical analysis of factors that explain the adoption of public policies. See, for instance, Bel and Fageda (2009) on local government reforms in the delivery of public services.
3. Note, however, that Von Mises did not share Kant's view that intentions are what matters, but held that accomplishment is what is most important in reality (Von Mises 1949, 841).
4. The *Economic Report of the President* is written by the Council of Economic Advisers. Its president in 1997 was Joseph Stiglitz.
5. Yin (1984) provides a very useful guide on case study design and methods.
6. A comprehensive approach to evaluation of the impact of public policies can be found in Khandker et al. (2010).

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AUTHOR BIOGRAPHY

Germà Bel is Professor of Economics at Universitat de Barcelona (Spain) and researcher ICREA-Academia (2011–2015). His academic research focuses on the economics and politics of (1) public sector reform, with special attention to privatization, post-privatization, and regulation; (2) of infrastructure and transport; and (3) of local public services. See <http://www.germabel.cat>.

The Politics of Evaluation in Performance Management Regimes in English Local Government

Martin Laffin

INTRODUCTION

This chapter provides a concise history of performance management systems in English central–local government relations between 1988 and 2015.¹ The UK has a reputation as “the vanguard state of the New Public Management”, according to Hood and Dixon’s (2015, 15) evaluation of 30 years of UK central government change.² Yet UK local government has an even stronger claim than central government to be in the vanguard of the New Public Management (NPM) internationally, given its experience of performance management regimes. In contrast to central government, UK local government has been subject to much more developed performance management regimes as successive Westminster governments have given greater urgency to local government than to Whitehall reform. Thus, local authorities have been subject to more extensive and continuous reorganisations

M. Laffin (✉)

School of Business and Management, University of London, London, UK
e-mail: m.laffin@qmul.ac.uk

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and reforms than Whitehall departments. Of course, local government is particularly important in the UK because it delivers a high proportion of public services ranging through (at this time) school education, adult and children's social services, social housing allocations, building control and land-use planning, and environmental services amongst others. English local government has endured four major performance regimes, with central government seeking to drive local performance improvement and, it will be argued, ensure local politicians remain constrained by well-prescribed performance frameworks. The regimes include: (1) Compulsory Competitive Tendering (CCT) and Performance Indicators, (2) Best Value (BV), (3) Comprehensive Performance Assessment (CPA) and Comprehensive Area Assessment (CAA) and (4) Sector-Led Improvement (SLI).

This chapter focuses on why new regimes were introduced, whether their introduction was supported by evaluations and the issues raised by the design and operation of the performance management regimes as methods of evaluating individual local authorities. At first glance, the evaluation of performance management regimes might appear a purely technical matter of assessing outcomes against the stated objectives. In reality, as will be seen, the complexities and, often implicit, value judgements underpinning these regimes mean that the "effectiveness" of particular regimes has been contested. This chapter, too, questions any easy assumption that the transitions between these regimes necessarily followed an endogenous, managerial rationale such as that from NPM to post-NPM. Such managerial rationales had only a limited role. Undoubtedly, some managerial learning in performance management techniques has occurred, but the more powerful drivers of change are to be found in the politics of central-local relations and the politics of inter-party competition and intra-party factionalism. Finally, this chapter draws four lessons for the UK and internationally on: (1) the difficulties of identifying "objective" or agreed performance measures in a highly politicised and contested context; (2) whether, and how, performance regimes can be enforced; (3) whether it is possible to avoid over-centralisation in balancing national performance standards against local accountability and initiative; and (4) the legitimacy and accountability of the central agency responsible for overseeing the implementation of the performance regimes by local authorities.

CONSERVATIVES AND COMPULSORY COMPETITIVE TENDERING (CCT)

The Conservative government (1979–1997), under Margaret Thatcher (Prime Minister, 1979–1990) presided over a considerable extension of central controls, especially once the Labour Party came to dominate the major urban authorities, most notably in London. It abolished the left-wing, Labour-controlled Greater London Council and the other five metropolitan counties (the creations of previous Conservative administrations) for partisan reasons with no evaluation of their performance (O’Leary 1987). It also introduced tight central control of local taxation through rate-capping (ultimately leading to central government acquiring the powers to approve each authority’s spending). Finally, it was a local government policy, the botched introduction of the poll tax to replace rates (the local property tax), which led to Thatcher’s political demise (Butler et al. 1994). The Conservative government also introduced three major local government management initiatives. First, Compulsory Competitive Tendering (CCT) in the 1980s and 1990s required local authorities to procure increasingly larger proportions of their services through competitive bidding rather than through in-house provision. Conservative ministers saw CCT as a key part of their strategy to control inflationary wage levels within the public sector during a period of rapid inflation and, in so doing, confront the producerist interests of overbearing public sector unions (Walsh 1995) and the professions. Not least, Conservative ministers sought to damage Labour’s election chances nationally by labelling Labour local government as “loony left” and irredeemably compromised by its union links (Lansley et al. 1989). Many Labour-controlled authorities sought to evade the CCT legislation (Entwistle and Laffin 2005, 205) and rate-capping (limiting local property tax increases) which further polarised central–local relations. On the left, CCT was recognised as threatening trade union power and public sector pay bargaining, and the links between the Labour Party and public sector unions (Laffin 1989). The union argument was that the savings created by CCT mostly reflected cuts in employees’ pay and conditions rather than increases in efficiency (Wilson and Game 2011).

Second, the Audit Commission was established in 1983 as a centrally located enforcement agency (Campbell-Smith 2008). It was a public

corporation at arms' length from central government but it was not as independent as the National Audit Office, its central government equivalent, which reported to Parliament not the government of the day. The Audit Commission had a wider remit than just financial audit. Michael Heseltine, the minister responsible for inventing the Commission, stressed its critical role in wresting back control over a (largely Labour) local government which had become "a barely controllable free-wheeling employment machine which for year after year had been run largely for the benefit of the machine-minders" (quoted in Campbell-Smith 2008, 36). Even so, the Commission worked outside the direct control of ministers and was occasionally critical of the government.

Third, the Conservative government introduced statutory performance indicators for local government and a range of new (or reformed) inspectorates relating to local government services. For example, the Social Services Inspectorate (SSI) was created in 1985 and the Office for Standards in Education (Ofsted) in 1992. These new inspectorates meant that central spending on regulation inside government more than doubled between 1976 and 1996 (estimate by Hood et al. 1999).

LABOUR: FROM BEST VALUE TO COMPREHENSIVE AREA ASSESSMENT

The new Labour government (1997–2010) expanded the welfare state after years of slow growth and underinvestment in the Conservative years. But the Labour government followed a centrally directed rather than the earlier, post-war high-discretion, professional-driven model of welfare administration. It embarked on a substantial programme to improve public investment in public services and to "modernise" public management. Thus, Labour ministers necessarily were acutely aware that they had to discipline local government politically and managerially, and that its performance was critical to achieving public service improvement (Stoker 2004, 82; Laffin 2008). They came to power with a well-developed plan to replace CCT with a new BV regime. This plan had been formulated over the long years of opposition and, as will be shown below, reflected a Labour movement compromise as much as a managerial strategy for service improvement. By 1999, Labour ministers had replaced CCT with BV. BV obliged authorities to secure continuous improvement in how they exercised their functions. Authorities

were required to produce a BV Performance Plan indicating their performance against a set of performance indicators and to conduct reviews of their services and functions over a five-year cycle. Competition was not abandoned as a value but became one of the “four Cs” against which authorities were to evaluate themselves, and be evaluated: Challenge why, how and by whom a service is being provided; Comparison with the performance; Consult with local stakeholders in setting performance targets; and use fair and open Competition where possible. The Audit Commission was given a strengthened role to monitor performance and promote efficiency, especially in assessing compliance and ranking local authority performance in terms of service quality and improvement (for a summary of the BV regime, see Wilson and Game 2011, 378).

Ostensibly the transition of CCT into BV may appear as a story of an evolving management reform in the NPM format. Indeed, most academic accounts of BV have assessed BV within its own terms—that is, against the official aims of a performance management system designed to improve standards of service delivery in local government. Thus, government-commissioned evaluation of the pilot BV programme concluded that the framework had “the potential to drive service improvement” (Martin et al. 2001, 158). Nonetheless, other commentators also questioned whether BV could achieve its goals. Boyne (2000) posed the danger that the heavy costs of regulation might outweigh the benefits and Sanderson asked whether such a rational planning system was conducive to improving performance through evaluation and learning.

Moreover, Entwistle and Laffin’s (2005) in-depth investigation of the origins of BV reveals that BV was less a managerial-driven project than a political project to resolve the Labour Party’s local government problem. Prior to 1997 Labour councillors, activists and public sector unions strongly opposed to CCT had put intense pressure on Labour’s then opposition parliamentary leadership to commit to abolishing CCT. However, parliamentary leaders themselves were acutely aware of the how the labelling of “loony left” councils, as portrayed by the media and Conservative ministers, had become an electoral liability and contributed to Labour’s third and fourth election defeats in 1987 and 1993. At the same time, many Labour leaders in urban local government had experienced serious challenges, both through industrial relations channels and local Labour Party branches, to their policies from union activists energised by the resistance to a right-wing Conservative government. These leaders worried in private that if CCT were simply abolished, the

unions and local union activists would become further emboldened to undermine established local Labour leaders (Entwistle and Laffin 2005; Laffin 1989). From 1987, internal Labour policy teams struggled to resolve these tensions between the Parliamentary leadership and local government leaders versus the unions and party activists. The idea of BV emerged from these discussions and represented a compromise position, eliminating the “compulsory” part of CCT but substituting increased discipline through inspection and performance indicators for that of the market.

BV came to be seen as a flawed programme within a couple of years. Ministerial dissatisfaction focussed on the Audit Commission which had failed to break out of its default audit/value-for-money micro-study approach—producing detailed, and time-consuming, value-for-money analyses of particular local services. This dissatisfaction was reflected in the serious tensions which emerged between the traditional Commission staff and the new Commission appointees committed to the New Labour reform agenda (for an account of the political-bureaucratic struggle, see Campbell-Smith 2008, Chap. 12–13). The head of the prime minister’s new Delivery Unit castigated the inspectorates, particularly the Audit Commission for writing “superb investigative reports but [taking] two years to complete them. Two years!” (Barber 2007, 151). The 2001 White Paper proposing Comprehensive Performance Assessment (CPA) noted that the accumulation of central interventions and initiatives “can become counter-productive” as could also “the many overlapping performance management frameworks”. Consequently, the Government would move “away from controls over inputs, processes and local decisions ... to the assured delivery of outcomes through a national framework of standards and accountability” (2001 White Paper quoted in Wilson and Game 2011, 381). Similarly, a commissioned evaluation of BV, by a team from Cardiff University, concluded that BV had fallen short of the government’s aims, not least as most authorities had failed to review thoroughly their services and search for greater competition (Entwistle et al. 2003). The evaluators also noted that the top-down, inspection-intensive approach led many councillors and officers to question whether the costs outweighed the benefits. These issues continued to be raised throughout the history of Labour’s local government improvement programmes.

The CPA emerged from the ruins as a streamlined and extended version of BV which would assess councils as a whole (Wilson and Game 2011).

The CPA, launched in 2002, was a step change. The focus was now on the corporate governance of a council, not just the quality of particular services—notably the overall performance of its elected leaders and members, as well as its officers—and an assessment of an authority’s capacity to improve. The CPA provided “an overall measure of the performance of all local authorities, by combining (in a far from transparent formula) individual service-specific assessments with a corporate assessment which endeavoured to rate and classify the political/managerial competence of the authority” (Leach 2010, 447). Despite the tensions over what was widely seen as “a botched implementation” of the BV regime by the Commission, the Commission retained the key role of assessing local authorities and now had to rate them in one of five categories from “excellent” to “poor” in a new, “naming-and-shaming” enforcement approach. It oversaw annual assessments of all 151 upper tier and unitary local governments in England, plus less frequent CPAs in the 201 district councils. CPAs cost £28 million per annum to administer and the estimated costs of compliance varied between £25 million and £45 million annually (Martin et al. 2016). The Commission itself grew rapidly after 2003, employing over 2000 staff and with a £200 million turnover by 2010.

The Commission’s role extended beyond that of simple “auditing” to play an enforcement role to ensure that local authorities modernised in line with central government policy. Indeed many within the Commission were concerned over the tension between advising authorities on BV and local authorities’ political responsibility to the local electorate (Campbell-Smith 2008). It was widely seen as acting “on the government’s behalf to regulate elected local authorities” and reflected a “particular view of what should be good practice largely reflecting central government’s priorities”. The Commission’s approach in the CPA and CAA does raise questions about the implicit value judgements inspectors were making. Leach (2010) argues that the Audit Commission sought to impose managerial, depoliticised views with the Commission’s inspectors praising “strong leadership” without being clear about its relationship with performance and political stability.

Nonetheless, the government-commissioned, external evaluations concluded that CPA had led to significant improvement in how local authorities were managed (Martin et al. 2010). As Martin et al. (2010, 33) point out, this assessment “differs from traditional approaches to evaluation because it focusses on organisational attributes rather than the impacts of

policies, programmes or interventions”. The focus was on “internal management practices such as effective performance monitoring: clear strategies and priorities, ambitious targets for improvement—that inspectors believed to be hallmarks of well-run organizations which had the capacity to improve” (Martin et al. 2010, 33). Notably, these were predominantly processed rather than output measures.

Insofar as CPA worked, it was because it acquired the crucial support of local allies, mainly chief executives and other senior officers, rather than of the elected members. CPA worked, too, because it was backed by the Audit Commission which was an enforcement system capable of detailed monitoring and which demonstrated the effectiveness of “naming-and-shaming” “under-performing” authorities as a policy instrument. Both officers’ and political careers could be damaged by poor ratings, and some leaders as well as chief executives resigned following adverse inspections. Equally, CPA results could enhance officers’ career prospects and the period saw an escalation in chief executive salaries as councils competed for those chief officers credited with achieving higher ratings for their authority.

CPA lasted for six years until it was further widened out into Comprehensive Area Assessment (CAA) intended as “a fundamental change in our approach to the assessment of local public services” designed to reflect the way local public services “are increasingly working together” (Audit Commission 2009, 4). The government’s argument was that the CPA was working too far apart from other performance assessment and the numerous other service-specific inspection bodies and frameworks. Again, the aim was to tackle the fragmentation of local service delivery since, paradoxically, successive central government initiatives (mainly from service-based Whitehall ministers and departments) had weakened local authorities’ control over schools, social housing providers and other services. The CAA now meant that the Commission, together with *seven* other inspectorates, had to reach joint assessments of how almost all local public services, including those not delivered by local government, were working together to achieve targets for a local authority area as a whole as set out in community strategies and Local Area Agreements. It was too ambitious. One Audit Commission official summed up the challenge:

You would have 40 or 50 people in a room trying to figure out how to make this work, how to make a judgement on an area, with lots of

judgements involved – on red flags and green flags and the like. Local authorities were having to battle with Ofsted [Office for Standards in Education] and CQC [Care Quality Commission] and all these people coming into make a judgement. It was all too much. Those of us from the audit side said, “This has gone mad.” Some of the Audit Commission’s board shared the view – at least in retrospect – that CAA was overkill. Too ambitious. (quoted in Timmins and Gash 2014, 7).

THE CONSERVATIVE-LED COALITION GOVERNMENT: SECTOR-LED IMPROVEMENT

After 2010, a new politics of austerity became the dominant narrative under the new Conservative-led coalition government. In particular, the government reduced local government expenditure. Between 2009–2010 and 2014–2015, local government spending was cut by 20.4% in real terms, and allowing for population, cut by 23.4%. Overall central grants and council tax revenues had fallen by 19.9% (or 22.9% per person) in real terms (Innes and Tetlow 2015, 3). The government, at the time of writing, has also committed to further, substantial cuts of 6.7 % in real terms by 2020. Even more drastically, local authorities will be expected to support themselves entirely from locally raised money rather than central government grants by 2020 (Neville and Vina 2015).

Notably, within three months of the 2010 General Election, the incoming Secretary of State for Communities and Local Government announced the abolition of both the CAA and the Audit Commission. The abolition of CAA was foreshadowed in the Conservative Manifesto but the abolition of the Audit Commission was unexpected. The widespread assumption was that the Commission would be allowed to revert to its earlier, more tightly defined role as local government auditor and conductor of value-for-money studies. Instead, the Commission was abolished with no notice or consultation exercise, let alone an evaluation, despite its origins under a previous Conservative government. The same Secretary of State had abolished the English regional administrative institutions plus the associated housebuilding and other regional targets within the first few months of office. On these matters, the Conservative-led coalition moved straight to legislate in an absence of the “traditionally published consultative White Papers in advance of major institutional or policy changes” (Lowndes and Pratchett 2012, 26). And, in strong

contrast with the previous Labour government, the Conservatives did not attempt any systematic analysis or evaluation of their local government reforms, let alone of the arrangements which preceded them.

The ministers argued that an Audit Commission combining the roles of regulator, commissioner and provider of local government audit services, enforcing centrally determined performance targets, was too centralist and incompatible with the coalition government's new localism (CLGC 2011, para. 8), plus abolition would save £50 million a year. The Parliamentary Select Committee seriously doubted this savings claim (CLGC 2011, para. 22). Two academic experts, plus the two main accountancy professional bodies involved (ACCA and CIPFA), criticised the decision as "not evidence-led" (CLGC 2011, para. 12). The Audit Commission tried to link its continued existence to the austerity narrative arguing that it was "counter-intuitive to disband expertise on [value for money], data, analysis, governance and assessment when severe financial pressures are increasing the risk of financial or service failure in local public services" (CLGC 2011, evidence no. 166, para. 59). However, the government was not swayed. Indeed, the Commission found no support within local government. The Local Government Association (representing local authorities and now Conservative-controlled) welcomed the abolition and of the local authorities which submitted evidence to the Select Committee, none supported the Commission. Following its abolition, the Commission's remaining audit functions have been partly privatised and partly managed through a company owned and managed by the LGA but with key questions about the new lines of financial accountability left unclear (Waterman 2015).

Sector-Led Improvement (SLI) has now replaced the compulsory CAA system. SLI is a voluntary programme of peer review challenges conducted by local authority leaders, chief executives and other senior officers (Martin et al. 2013). The Conservatives had prefigured SLI in a Conservative Party Paper in 2008. The LGA had strongly supported such a move and had already run its own peer review system to assist authorities in the previous CPA and CAA processes. SLI is based on the principle that authorities (1) should be responsible for their own performance and improvement; (2) are primarily responsible to their own local communities (and not central government or the inspectorates); (3) have a collective responsibility for the performance of the sector as a whole (evidenced by sharing best practice, offering member and officer peers etc.). The LGA is to maintain an overview of the performance of the sector

to identify potential performance challenges and opportunities—and to provide the tools and support to help councils take advantage of this approach (LGA 2012). The LGA has taken a key role in organising the new regime and has built up a publicly available database to inform the peer review system.

To be sure, the SLI looks like a strong assertion of localism against almost 30 years of centralism through regulatory intensification by previous Conservative and Labour governments. However, this policy shift has been concurrent with the switch to the central imposition of severe spending cutbacks on local government. It may be no coincidence that a central government, imposing such financial austerity on local government, should seek to stress local responsibility and weaken national-level performance standards. Nonetheless, the LGA-commissioned SLI evaluation finds much to praise, within its own terms, although it includes reservations over the ill-defined mechanisms and procedures for interventions in seriously underperforming councils (Bennett et al. 2014). Other commentators have been more critical of the effectiveness of this voluntary system. Notably, Murphy and Jones (2016, 712) contrast the intervention triggers and assessment process under SLI unfavourably with those under CPA as being “more partial, opaque, voluntary and far poorer in terms of quality assurance and, more especially, accountability, transparency and public assurance”. The voluntary nature of SLI will “potentially reduce public assurance, and increase the risk that organisational failure will re-emerge within the sector in the future” (Murphy and Jones 2016, 699). They also raise the question of whether central government and councils will come to miss the Audit Commission as a source of independent advice and information.

CONCLUSION AND LESSONS

The introduction to this chapter posed the question of why performance regimes were abandoned and new regimes introduced. These changes were not primarily driven by the evolution of managerial ideas from NPM to post-NPM. Clearly, changes in governing party were critical and drove the two most significant shifts from CCT to BV, after 1997, and from CAA to SLI after 2010. These major policy shifts did not arise from systematic evaluations of the previous performance regime but largely for partisan reasons. Prior to 1997, Labour’s need to resolve the internal tensions around its national electability, plus local and national

Labour leaders' concerns over how abolishing CCT could unleash public sector union power locally, were the key policy drivers behind BV. It may be speculated, too, that performance management regimes also had the useful advantage of shaping local authorities' policy agendas. Then in 2010, the incoming Conservatives brought a politics of austerity to government plus a "Maoist"³ stance towards big government with its overblown and overbearing bureaucracies. They then abolished the institutions of central inspection with a ruthlessness only possible in Westminster systems. Over this period, governments have shown very different approaches towards evaluation, both before and after. In contrast to Conservative Maoism, Labour "managerialist" ministers supported an unusually ambitious and extensive programme of evaluations of the twenty-plus policy initiatives falling under the "local government modernisation agenda". These initiatives comprised a wider range of reforms beyond BV-CPA-CAA and included political modernisation and mayors, the Beacon Authorities Scheme and Local Public Service Agreements—and the evaluations involved many of the leading UK local government and public management academics (for an overview see Laffin 2008).

What are the lessons both for the UK and internationally? First, the further evaluators move away from detailed value-for-money assessments, the less "objective" and the more politicised the process and results of evaluations become. In the cases of CPA and CAA, as Leach (2010) argues, the Audit Commission was often making assessments which were clearly against "political" criteria and their interventions arguably strengthened the officer structure against the elected councillors. Many within the Commission itself were concerned over the years that they were often in danger of substituting their judgement, and assumptions of what was "good practice", for those of local politicians (Campbell-Smith 2008) (which also raises the interesting question of whether local politicians in other countries would be so acquiescent in such a process).

Second, the effectiveness of performance regimes depends on them having teeth and an enforcer. The external evaluations under Labour concluded positively that CPA assessments did significantly improve the management of local authorities and that the naming-and-shaming did prove an effective policy instrument as both local politicians and senior officers feared being castigated by the local press or even forced from office. But such assessments must be made by a credible and legitimate enforcement agency such as the Audit Commission was (although clearly

the Commission sometimes struggled to maintain its perceived independence). It is still too early to draw any conclusions on whether SLI can work effectively without a powerful government agency behind it, and whether the LGA can fill this role.

Third, centrally driven performance regimes tend to carry a bias towards central government policies, thus weakening local accountability and discouraging local initiative. The external evaluations suggest that many authorities did default to a reliance on “strong external pressure exerted by Government policies to motivate change” rather than responding to local interests (Martin and Bovaird 2005, 86). The Conservatives’ introduction of a locally based, peer review system was partly a response to this concern over covert centralism. It will be interesting to see if SLI does release greater local initiative. Notably, other European countries, especially some German states, are moving in the opposite direction towards more compulsory systems having become disillusioned with a voluntary approach (Kuhlmann and Jäkel 2013).

Fourth, an evaluation agency faces challenging questions of legitimacy which will be more acute the more polarised the party system or central–local relationships (although the former was more critical in England). The Audit Commission began to lose its support within local government as its inspection regime, and that of other inspectorates, were seen as increasingly oppressive and the Commission was blamed in part for the overly ambitious CAA. Unlike the central government auditing agency, the National Audit Office, it reported to the government of the day and not to Parliament. The Commission’s organisational location then limited its independence and created a drift towards it becoming too closely identified with the Labour government, and that contributed to its demise (Walker 2011).

NOTES

1. This chapter deals with England alone as, following devolution in 1999, Northern Ireland, Scotland and Wales have developed their own systems of performance management. For an overview, see Martin et al. (2013).
2. Although they find limited evidence to support any UK central government claim to an outstanding management performance (Hood and Dixon 2015, 130–136).
3. “The thing that you’ve got to remember with Michael [Gove, former Secretary for Education] is that he is basically a bit of a Maoist—he believes

that the world makes progress through a process of creative destruction!” Remark attributed to former Prime Minister David Cameron by Laws (2016), former Liberal Democrat minister in Coalition government.

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AUTHOR BIOGRAPHY

Martin Laffin is Professor of Public Management, School of Business and Management, Queen Mary University of London and was Head of School between 2011 and 2016. He served as the public sector member of the Business and Management Sub-Panel in the UK Research Excellence Framework 2014. His research has been in the fields of central–local relations, devolved public services, politician–bureaucrat relationships, professionalism in the public sector, intergovernmental relations and regional government. His present research interests include a comparative study of local government associations, the role of ideas in public management and the politics of housing. He has published in journals including *Public Administration*, *Policy and Politics*, *Environment and Planning C*, *Local Government Studies* and *Public Policy and Administration*.

Evaluating Personal Social Services in Germany

Hellmut Wollmann and Frank Bönker

INTRODUCTION

Evaluation has become an integral part of the policy process. This paper seeks to shed some light on recent trends and notorious problems in evaluation by looking at the evaluation of personal social services in Germany. Special attention is paid to two frequently observed limits to evaluation. First, most policy evaluations tend to focus on process and output rather than on the ultimate outcomes of policies. Second, as the advocates of “interactive” (Balthasar 2012), “participatory”, “user-focused” (Patton 2008) and “empowerment” (Fetterman et al. 2015) evaluation have claimed time and again, many policy evaluations neglect the involvement of service users.

H. Wollmann (✉)

Institute of Social Sciences, Humboldt Universität Berlin, Berlin, Germany
e-mail: hellmut.wollmann@rz.hu.berlin.de

F. Bönker

Saxonian University of Co-operative Education, Riesa Campus, Riesa,
Germany
e-mail: frank.boenker@ba-riesa.de

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Personal social services are especially suited for addressing these issues as the interaction between service provider and service user constitutes a crucial feature of service provision, which has been conceptualised as the “uno actu” principle (see Herder-Dornreich and Kotz 1972; Badura and Gross 1976) or “co-production” (Ostrom 1996; Evers et al. 2011). The fact that the quality of personal social services largely depends on the involvement of service users explains why outcomes are so difficult to measure. It also suggests that there is a strong case for the active involvement of service users in the evaluation of policies and services.

Two fields of services have been singled out for analysis—youth welfare services (*Jugendhilfe*) and elder care (*Altenhilfe*). In Germany, both fields underwent a fundamental restructuring in the 1990s. In youth welfare services, the 1990 Children and Youth Welfare Services Act (*Kinder- und Jugendhilfegesetz*) aimed at updating its 1961 predecessor with its strong roots in the 1920s by differentiating and “personalising” the domiciliary variants of services and by making the placement of “difficult” or “endangered” young people in homes the exception rather than the rule. In elder care, the introduction of a new long-term care insurance scheme (*Pflegeversicherung*) in 1994 substantially increased the public support available for frail elderly people, replaced the traditional privileges of the welfare associations with a more competitive system and weakened the role of local governments in elder care. In both cases, politicians, administration and researchers alike have been interested in unearthing the effects of these large-scale reforms, thus creating a fertile ground for the evaluation of public policies and public services.¹

This chapter starts with a brief overview of the provision of personal social services in Germany which aims at providing some background information on the changes to be evaluated and the institutional framework for evaluation. It then looks at the development of three forms of evaluation—monitoring, benchmarking and classical evaluation research—with a view to identifying trends and problems in evaluation. In all three cases, special attention is paid to the coverage of policy outcomes and the involvement of service users.

THE PROVISION OF PERSONAL SOCIAL SERVICES IN GERMANY

The institutional framework for the provision of social services in Germany has been characterised by two peculiarities. First, in line with the general division of labour typical of Germany’s peculiar federalism

(Kuhlmann and Wollmann 2014), policymaking and service provision have been largely separated. Whereas the general framework for service provision is set at the federal level, the implementation of this framework largely rests with the 16 states and about 8000 local authorities (which are formally part of the states). Moreover, states and local authorities alike have enjoyed a far-reaching legal discretion in implementing federal legislation.² The second peculiarity is Germany's strong tradition of "third-party government" in personal social services (Bönker and Wollmann 2000). For a long time, the most important non-state providers have been the so-called welfare associations (*Wohlfahrtsverbände*), non-profit organisations affiliated with churches and the labour movement. Since the 1990s, self-help groups and commercial providers have gained ground in service delivery.

In the field of children and youth welfare services, central government legislation was first adopted in the 1920s. Amendments in the 1950s and 1960s largely confined themselves to removing amendments from the Nazi period from the law, but left untouched the strong paternalistic and "disciplinary" orientation of the original law, as well as the incorporation of the welfare associations in policymaking and service planning. The reform legislation of 1990, which led to the creation of a new book of the Social Welfare Code (SGB), brought a number of fundamental changes (Baistow and Wilford 2000). First, it introduced legal entitlements to services that had hitherto been provided in a discretionary manner. Second, it overhauled and differentiated the available forms of "assistance to education", assigned priority to counselling and other family-assisting services and made the placing of "endangered" youth outside their families, that is, in foster families or homes, the exception rather than the rule. Third, it strengthened the participation of the service users by stipulating that "children and youth, in accordance with their state of development, have to be involved in all decisions of youth assistance relating to them" (§ 8(1) SGB VIII). Fourth, it reduced the privileges of the welfare associations in service delivery and levelled the playing field for self-help groups and commercial providers.

The new law paved the way for an expansion and restructuring of services (for trends and figures, see BMFSFJ (2013)). From 1995 to 2010, the overall spending for assistance to education rose from about € 4 billion to about € 7 billion. Most of the increase was caused by an expansion of the new family-assisting services whose share in spending increased from 16.3% in 1995 to 32.6% in 2010. The number of young

people placed in homes or foster families fell in the early 1990s and, despite some evidence for increasing juvenile disorder, stayed constant until 2005. Contrary to expectations, however, the corporatist structures proved rather resilient, and the market share of commercial providers has remained negligible (Grohs 2010).

As for elder care, there was almost no federal legislation until the 1990s. The 1961 Federal Social Assistance Act contained provisions on the eligibility to social assistance of frail people unable to finance the costs of long-term care; however, the regulation of personal social services for the elderly was left to the states and the local authorities. The introduction of a new long-term care insurance scheme, formally consisting of independent care insurance funds (*Pflegekassen*) affiliated with the public health insurance funds, in 1994 fundamentally changed the scene (Bönker et al. 2010, 110–112; Bönker et al. 2016, 77–78). By introducing new social benefits worth about € 16 billion per year, the scheme boosted the market in care services. By ending the traditional privileges of the welfare associations and by replacing the old corporatist structures with more market-like relationships, the new legislation paved the way to an increase in the role of commercial providers. The latter now represent more than two-fifths of all providers of residential and almost two-thirds of all providers of domiciliary care. Moreover, as the law made the long-term care insurance funds responsible for licensing service providers and concluding agreements on the price and quality of services, the role of the states and the local authorities in coordinating the service infrastructure has weakened.

The peculiar institutional framework for the provision of personal social services in Germany has also shaped the structures and processes of evaluation. The strong role of states and local authorities has translated into far-reaching regional and local differences in evaluation. Its effects on evaluation attempts by the federal government have been ambivalent. On the one hand, it has increased the case for centralised evaluation, as that would offer the federal government the chance of ensuring the desired implementation of the reform legislation and of influencing activities at the state and local level. On the other hand, the states have been keen to defend their turf and prevent an indirect hollowing out of their autonomy through evaluation “from above”. As EU funds have not played a major role in the field, the impact of the EU on the evaluation of personal social services in Germany has been limited.

FORMS OF EVALUATING PERSONAL SOCIAL SERVICES IN GERMANY

Evaluation can come in different forms (Wollmann 2007, 2016; Kuhlmann and Wollmann 2011). In the following, we distinguish three different approaches to evaluating personal social services: monitoring, benchmarking and classical evaluation research.

Monitoring the Development of Personal Social Services in Germany

Monitoring aims at identifying, measuring and discussing the effects of—ongoing or completed—reforms and/or the extent and quality of service provision on a regular basis. It includes the regular public compilation and provision of statistics, arguably one of the oldest forms of evaluation of all, as well as more sophisticated forms of performance measurement and the publication of regular reports covering the developments in a field. Monitoring can be organised by the administration itself or can be delegated to more or less independent organisations.

In both fields under analysis, the transformation of the policy sector has been associated with an overhaul of official statistics. As for child and youth welfare services, regular public statistics have been available since the 1920s. However, the passage of the 1990 act went hand in hand with an expansion of the available statistics (Schilling 2002). The differentiation of the services offered by the youth authorities led to a requisite differentiation of the statistical categories. In line with the overall philosophy of the new act, the focus of the statistics shifted from the documentation of administrative processes to the coverage of the service users and their take-up of services.

As for elder care, no regular public statistics existed at the national level until the 1990s. Information on the care infrastructure was collected through occasional enquiries by the central organisations of the welfare associations or the municipalities (Schöllkopf 1998). The introduction of the long-term care insurance scheme was accompanied by the creation of a new branch of statistics, the long-term care statistics (*Pflegestatistik*) (Pfaff 2000). Ever since 1999, the Federal Statistical Office (*Statistisches Bundesamt*) has been compiling data on the take-up of the different benefits and the available domiciliary and residential services. The data, which are updated every two years, are published for the national and the state level and can be retrieved from the Federal Statistical Office's database for each county (*Kreis*). As a result, they lend

themselves both to comparisons over time as well as amongst states and counties. However, they do not cover the quality of services and the policy outcomes.

In both fields, statistical monitoring has been complemented by the publication of regular official or semi-official reports on developments in the fields, including the effectiveness of public measures. Ever since the 1960s, the government has been obliged to commission a report on the situation of children and young people (*Kinder- und Jugendbericht*) by an independent expert commission, as well as to comment on this report, in each parliamentary term (§ 84 SGB VIII). Every third report has to provide a comprehensive overview of the state of child and youth welfare services in Germany. As for the elderly, a similar obligation to commission regular reports has existed since the early 1990s. In addition, the law on the new long-term care insurance scheme has obliged the federal government to provide a comprehensive report to parliament on the take-up of benefits and the financial development of the new insurance scheme every third (since 2015: every fourth) year (§ 10(4) SGB XI).³ However, the government has also used the reports to document its legal initiatives and the results of the research it has commissioned. Since its second edition, the report has also included a chapter on the control of care quality.

These reports have served as a major input to both the academic and political debates about the development of personal social services. By compiling and analysing a great mass of statistics, they have helped to monitor developments in these fields. The two reports prepared by independent commissions have brought in the results of academic research and have often taken a critical stance. A recurring theme in the reports on the situation of children and young people has been the lack of a proper evaluation of the outcomes of youth welfare services (BMFSFJ 2002, 254; BMFSFJ 2013, 335). From a different perspective, the reports have given the federal government the chance to elaborate upon its own position and have forced it to react to criticism from outside.

A regular, universal assessment of service quality has existed only in elder care. Following up on a number of central government initiatives to increase the quality of long-term care, a system of care grades (*Pflegenoten*), reminiscent of school grades, was established in 2009. Based on an agreement between the long-term care insurance funds, the local authorities and the service providers, the grades were derived from about 50 separate indicators of service quality for both residential

and domiciliary care with assessments being based on the inspections performed by the Medical Service Boards of the health insurance funds (*Medizinischer Dienst der Krankenversicherung*) without previous notice. The inspections include interviews with service users. The care grades are published on the Internet and have to be displayed by the institutions concerned in a visible place.

The care grades system was intended to give informed guidance for persons who seek residential or domiciliary care. It was also meant to sort out good performers and bad performers and thus to improve the quality of service provision. However, these goals have not been met (Sünderkamp et al. 2014). The grades have shown relatively little variation and have been surprisingly good. On the national level, residential care providers received an average grade of 1.2 (which is near the top) despite the fact that complaints in the media about the low quality of care have been mounting. One problem was the weighing of the existing multitude of criteria. It allowed certain providers to achieve top grades despite grave deficiencies in crucial areas. Moreover, the reliability of grades has suffered from small and biased samples.

Because of growing criticism, the system was suspended at the beginning of 2016. At the same time, a commission was appointed and mandated to elaborate new criteria for the future assessment of care providers. The associations of the care patients and of the care professions are equally represented on the commission, which has been hailed as a step towards more participation and transparency. At the same time, a “care quality institute” (with independent scientists) has been established to support the new commission. The commission is expected to deliver its recommendations by the end of 2017.

Benchmarking the Development of Personal Social Services in Germany

A second form of evaluation, which has featured prominently in both child and youth welfare services and elder care, has been benchmarking. It aims at comparing the performance of different authorities or service providers in a systematic manner, with a view to identifying “best practice” and to fostering mutual learning. In Germany, as in other countries, the use of benchmarking has been pushed by the advocates of New Public Management (NPM) (Kuhlmann and Jäkel 2013; Kuhlmann and Wollmann 2014, 227 ff.). Benchmarking has been a central element of the New Steering Model (NSM) (*Neues Steuerungsmodell*), a

NPM-inspired template for reforming local authorities that played a major role in local government reform in Germany from the early 1990s to the mid-2000s. Subsequently, benchmarking has also been embraced by the states and at the federal level. A 2009 amendment to the Federal Constitution (*Grundgesetz*) opened the way for the federal government and the states to conduct comparative studies “with a view to ascertaining and improving the performance of their administrations” (Article 91d).

In personal social services, benchmarking has taken different forms. First, whilst there is no nationwide obligatory benchmarking, municipalities might be subject to an obligatory benchmarking regime established by the states to which they belong. Second, states or municipalities might decide voluntarily to compare their performance with the performance of other states or municipalities. Third and finally, service providers, especially the bigger ones, might engage in benchmarking.⁴

As it stands, only some of the 16 states have established obligatory benchmarking amongst municipalities. In North Rhine-Westphalia, the most populous German state, for example, the *Gemeindeprüfungsanstalt Nordrhein-Westfalen*, a state audit board established in 2002, has done benchmarking analyses for assistance to education and assistance for all municipalities. Since the focus of the audit board has been on the cost effectiveness of the local administration and the proper use of state money by the municipalities, these analyses have focused on spending and cases handled, but have not dealt with quality issues and outcomes.

Voluntary benchmarking amongst local authorities has been a major element of the NSM. From 1996 to 2003, its main advocate, the KGSt, a consultancy with roots in the public sector, helped to establish about 150 benchmarking circles (*Vergleichsringe*) in which a total of 1600 local authorities took part (Korte 2004). In April 2016, there were 55 active benchmarking circles managed by the KGSt. Out of those, two have focussed on social assistance for frail people (*Hilfe zur Pflege*), and four have dealt with youth welfare services. In addition to the KGSt, other consultancies have organised benchmarking circles. In the case of personal social services, Cons_sens, a consultancy specialising in social policy, is worth mentioning (Hollenrieder 2004). It currently manages three benchmarking circles on assistance to education or youth services in general (see e.g. Cons_sens 2015a) and four benchmarking circles on assistance for frail people.

The various benchmarking circles have focussed on developing and analysing quantitative indicators that can be compared amongst the participating local authorities. One set of indicators has normally covered the number of users of different services and their share in the target population. A second set of indicators has included data on the spending on different services, be it in aggregated form, per individual case or per each member of the target population. Finally, some benchmarking circles have taken context factors such as the size of unemployment or the number of divorces into account, with a view to accounting for differences in the problem load. In contrast, almost no indicators of service quality and service outcomes have been developed and used.

For youth welfare services and elder care alike, much emphasis has been put on the relative weight of residential and non-residential services (see e.g. Schrapper et al. 2010; Cons_sens 2015b). This reflects the clear preference for non-residential services that can be found both in the 1990 Children and Youth Support Act and in the 1994 Act on Long-term Care Insurance and that is widely shared in the two policy fields. Here, social and fiscal considerations converge. The placement of young or frail people in homes is seen as the last resort for both human and financial reasons.

Voluntary benchmarking has featured less prominently amongst states. Arguably, the single most important exception has been the comparative analysis of education results originally initiated by the OECD, a rare case of an outcome-related benchmarking. In the case of personal social services, the states have rarely engaged in benchmarking. Interestingly, two of the three German city states (*Stadtstaaten*), Bremen and Berlin, have been the most active (cf. Senatsverwaltung für Finanzen, Berlin et al. 2008; Senatorin für Finanzen, Bremen 2009, 2014). As city states which combine authority at state and local level, they have taken part in the benchmarking circles of the big cities. Moreover, both states have struggled with massive fiscal problems and have used benchmarking as a means to overcome these problems. In some cases, they have tried to identify potential budgetary savings by comparing their own spending patterns with those in other states. In other cases, they have cited benchmarking results to back their claims that their problems are not due to excessive spending, but to structural problems beyond their control and that they thus qualify for extra fiscal support. In Berlin and Bremen alike, the initiative for benchmarking has come from the ministers of finance.

In the field of elder care, a third form of benchmarking, that is, benchmarking amongst service providers, has featured prominently. Especially, the providers of care homes have relied on comparisons with other providers, offered both by some of the central organisations of service providers and by commercial consultancies. In the case of domiciliary care, where a large number of small service providers exist, benchmarking has featured less prominently. As in the case of municipalities, most of the benchmarking amongst service providers has focused on the comparison of costs and spending. The results of the existing benchmarking studies on service providers have played an important role in the negotiations between the service providers, the care insurance funds and the municipalities on the reimbursement of elder care.

Summing up, the importance of evaluation in the form of benchmarking has grown strongly in personal social services. The rise of benchmarking has been strongly driven by the desire to economise on service provision. In contrast, service quality and service outcomes have rarely served as benchmarking criteria, not the least because they are difficult to operationalise.

Classical Evaluation Research in German Personal Social Services

In addition to monitoring and benchmarking, a great deal of classical evaluation research is done in German personal social services. The predominant form, which features prominently in both youth welfare services and elder care, is the evaluation of model projects supported by federal or state ministries. Such projects allow the federal government to shape the development of services without limiting the autonomy of states and municipalities. The Federal Ministry of Family Affairs, Senior People, Women and Young People (BMFSFJ) has run various programmes to support model projects in youth services and elder care. The Ministry of Health has provided a separate programme for elder care.

In elder care, a number of model projects have focused on service outcomes and quality. Based on a study of 46 care homes, one prominent research project has sought to develop a set of indicators of outcome quality (such as indicators for mobility or self-reliance) that can be used both for internal quality management in care homes as well as for external quality control by the MDK (Wingefeld et al. 2011).

Evaluation research has also played a major role in the reform of the definition of frailty underlying the long-term care insurance scheme. Right from the introduction of the new scheme, its criteria for defining frailty has been criticised for focusing too strongly on the ability of frail people to engage in certain activities. In 2013, a commission proposed a new system for assessing frailty. In order to test the practicability and the effects of the new system the implementation of which is scheduled for 2017, two model projects were launched. More than 4000 assessments under the new rules were made, with a view to comparing old and new assessments, identifying problems with the use of the new system and learning about the acceptance of the new system by the frail and their relatives.

In youth welfare services, the service effects have also featured prominently in model projects. In 2005, the BMFSFJ initiated a special project on the outcomes of youth welfare services (*wirkungsorientierte Jugendhilfe*). It was carried out in 11 (selected) model sites with the involvement of six local (counselling) institutions and ran from January 2006 to April 2009. An external research consortium conducted a comprehensive evaluation study which included the involvement of service users (see Albus et al. 2010). The researchers found that the eventual outcomes of the different youth welfare services are in fact strongly shaped by the actual and perceived involvement of the young.

There is also evaluation research in personal social services that is not related to model projects. As for elder care, two comprehensive evaluations of the effects of reform legislation have been commissioned by the Federal Ministry of Health, one in 1998, following the very introduction of the long-term care insurance scheme (Schneekloth and Müller 2000), and the second in 2009, following some reforms in 2008 (TNS Infratest Sozialforschung 2011). Both studies complement the analysis of the official care statistics with surveys amongst frail people as well as managers of care homes and care services. Both suggest that discontent with the benefits and the functioning of the long-term care insurance scheme has been limited. As for youth services, a number of comprehensive studies in the 1990s have tried to analyse the effectiveness of different forms of “assistance to education” on the basis by studying the trajectories of young people on the basis of official documents and interviews (Baur et al. 1998; Schmidt et al. 2002).

CONCLUDING REMARKS

Our account of evaluation in youth welfare services and elder care in Germany shows the use of a fairly broad repertoire of approaches ranging from monitoring and classic evaluation research to benchmarking. In line with international developments, benchmarking has clearly gained importance. An interesting form of evaluation, which dates back to the 1960s, is the mandatory requirement for the government to commission or to provide regular reports on developments in the field. Whilst it is difficult to assess the eventual policy impact of these reports, these requirements are likely to raise the standards of the debate and to help put problems on the agenda.

The analysis also shows that the evaluation of personal social services in Germany continues to neglect the analysis of service quality and policy and service outcomes. One major problem is the lack of easily available data for measuring these aspects. The failed attempt at establishing a system of care grades illustrates the obstacles to creating such data. Ironically, classical evaluation research still seems to hold the greatest potential for assessing service quality and policy outcomes. It is best suited for involving users and other stakeholders and allows for qualitative and quantitative analyses.

NOTES

1. Contrary to later acts in these fields, e.g. the 2012 Child Protection Act (*Kinderschutzgesetz*), however, neither of the two reform acts contained a formal obligation for the government to evaluate the effects of the new legislation.
2. The situation thus resembles that analysed in Pressman and Wildavsky (1973), the founding document of modern implementation research, an important strand of evaluation research.
3. Whereas the reports on the situation of children and young people and the elderly are commissioned by the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth, the reports on the development of the long-term care insurance scheme are prepared by the Federal Ministry of Health.
4. We would like to thank Moritz Schnitger (University of Potsdam) for sharing information on benchmarking in elder care with us.

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AUTHORS' BIOGRAPHY

Hellmut Wollmann Dr. jur., born 4 December 1936, Emeritus Professor of public administration at Freie Universität Berlin (1974–1993) and Humboldt-Universität zu Berlin (1993–2001). Kennedy Memorial Fellow at Harvard (1970–1971). Visiting professor at numerous universities (among others Tokyo, Beijing, Moscow, Firenze, Göteborg etc.). Chairman (1976–1993) of IPSA Research Committee on Local Government, co-founder and President

(1999–2001) of European Evaluation Society. Books: *From Public and Municipal to Private Sector Provision*, Palgrave Macmillan 2016 (co-editor), *Introduction into Comparative Administration*, Edward Elgar 2014 (co-authored with Sabine Kuhlmann), *Provision of Public Services in Europe*, Edward Elgar 2010 (co-editor), *Evaluation in Public Sector Reform* (ed.) 2003 Edward Elgar.

Frank Bönker Dr. phil., born 1965, is professor of economics and public management at the Saxonian University of Co-operative Education, Riesa Campus. After studying economics and political science at the Freie Universität Berlin, he worked at the Center for European Law and Policy (ZERP) at the University of Bremen and at European University Viadrina in Frankfurt (O). He has also taught at the Freie Universität Berlin, Humboldt University of Berlin, University of Leipzig and Babeş-Bolyai-University of Cluj-Napoca. His main fields of research have included welfare state reform, local social policy, post-communist economic reform and the Europeanization of East-Central Europe. Since 2007, he has served as regional coordinator for Eastern Europe in the Bertelsmann Foundation's Sustainable Governance Indicators project.

Healthcare Marketisation in Spain: The Case of Madrid's Hospitals

José M. Alonso, Judith Clifton and Daniel Díaz-Fuentes

INTRODUCTION¹

New Public Management (NPM) policies have been introduced into public health care across most countries of the Organisation for Economic Co-operation and Development (OECD) since the 1980s. These measures are in response to concerns about rising healthcare expenditure fuelled by technological and medical advances in treatment as well as an ageing population (Acerete et al. 2011; Simonet 2013).

In Spain, NPM reforms were first introduced into the healthcare system from the early 1980s, in parallel with political decentralisation. In order to frame this chapter, it is worth briefly discussing the politico-administrative context in which healthcare services operate, and the

J.M. Alonso (✉) · J. Clifton · D. Díaz-Fuentes
Faculty of Business and Economic Sciences,
University of Cantabria, Cantabria, Spain
e-mail: jmanuel.alonsoalonso@unican.es

J. Clifton
e-mail: judith.clifton@unican.es

D. Díaz-Fuentes
e-mail: daniel.diaz@unican.es

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decentralisation process which occurred over the last few decades in Spain. The Spanish politico-administrative organisation takes the form of a decentralised state. Today, Spain is organised into 17 regions known as *autonomous communities* (ACs) while the structure of public administration is based on three basic levels of independent and autonomous governments: general administration (central government), regional governments (ACs) and local authorities.

Decentralisation took place during the 1980s and 1990s, in part to lessen the burden of the traditionally highly bureaucratised Spanish public administration while rendering more accessible previously “remote” centralised national bureaucracies (Alonso et al. 2016). Over time, the ACs took gradually enhanced responsibilities for the provision of different public services, such as education, housing, planning, regional transport and infrastructure, tourism and, our primary concern here, healthcare (López-Laborda and Monasterio-Escudero 2006). In Spain, powers in healthcare management were transferred gradually across the different ACs, first to Catalonia (1981), then Andalusia (1984), the Basque Country and Valencia (1987), Galicia and Navarra (1990) and the Canary Islands (1993). The healthcare decentralisation process ended in January 2002, when the devolution of autonomy and power from the central government to all regional governments was completed (Petmesidou and Guillén 2008). Hence, although the central government retained some competences in formulating health strategies and coordination, since 2003 health planning, provision of health care and hospital budget allocation have been the responsibilities of the ACs (Cappellaro et al. 2009).

An important consequence of the healthcare decentralisation process is that Spanish ACs gained increased autonomy on decisions to introduce or reinforce NPM into healthcare, including the adoption of new hospital management models, such as different forms of Public Private Partnership (PPP) (Petmesidou and Guillén 2008). Since then, regional governments in Spain have increasingly introduced NPM reforms into healthcare, particularly in Catalonia and Madrid (Gallo and Gené-Badia 2013). Those NPM-style reforms explicitly encouraged the introduction of new governance models into public hospitals, such as public or private foundations, consortiums, public enterprises and PPP models. Gradually, new hospital management models have been introduced across many Spanish regions, particularly in Catalonia, Valencia and Madrid. This,

however, sparked a vigorous, ideologically charged debate about the benefits and drawbacks of such a policy.

This chapter focuses on the reform of hospitals belonging to the Madrid Regional Health Service (*Servicio Madrileño de Salud*, SERMAS).² Emulating healthcare reforms in the United Kingdom (UK), Madrid vigorously implemented the use of new hospital management formulas, through the implementation of purchaser/provider split, use of PPPs, contracting out and the introduction of competition between hospitals. This vigorous introduction of new governance models into Madrid hospitals provides a useful set up for comparing outcomes of organisations characterised by different management forms. Madrid is, to the best of our knowledge, one of the few places in the world, where so many different management models coexist. It is worth emphasising that, although public policy evaluation has gradually become consolidated in Spain, particularly through the creation of the Spanish Agency for the Evaluation of Public Policies (Alonso et al. 2014), there are still few studies addressing the consequences of implementing NPM policies in healthcare.

The implementation of new hospital governance models in Madrid was justified on the grounds that the introduction of private sector management criteria into traditional methods of public administration would increase efficiency and improve quality (Law 12/2001). Based on the public choice and property rights theories, advocates of NPM-style reform suggest that the performance of health services may improve as previously protected in-house activities are exposed to market discipline and competition. Opponents of marketisation, in contrast, suggest that the profit imperative may damage service quality. Economic theory, therefore, can provide a valuable framework for assessing the impact of implementing new hospital governance models, but theoretical predictions are mixed, which may help to explain the ongoing debate about the pros and cons of implementing such a policy. Indeed, the implementation of healthcare reform in Spain, and particularly in Madrid, has proved controversial and witnessed widespread protest by citizens and healthcare professionals (Warner and Clifton 2014). In particular, the attempt to contract out clinical services delivery in six public hospitals sparked popular criticism (Legido-Quigley et al. 2013). A popular movement formed by doctors, nursing staff and citizens—the so-called “white tide” due to their uniforms—took to the streets in Madrid several times

from November 2012. The message of these professionals was directly against the marketisation of public health: they protested “We are up for sale!” and “Health is not for sale!” while sheets were hung out of hospital windows painted with slogans like “We want to be patients, not clients” (Warner and Clifton 2014). Despite this massive popular opposition, the bidding process for contracting out went ahead. However, in January 2014, the regional government abruptly declared it would halt the contracting-out plan, soon after the Madrid High Court suspended the process (Sánchez-Martínez et al. 2014). Among other reasons, the High Court argued that cost-saving calculations reported by the regional government were merely hypothetical estimates and could be unsound. Furthermore, the court argued that due to the significant number of legal complaints filed against the process, there were significant concerns about the substantial costs the regional government (and thus the citizenship) could face in a scenario where privatisation had to be reversed.

The central aim of this chapter is, therefore, to evaluate whether the NPM reforms implemented in the SERMAS hospitals network are indeed associated with efficiency and improvements in the service delivered to patients. To do so, we first carry out a comparative analysis of the performance of hospitals belonging to the SERMAS, both traditionally managed hospitals and those adopting new management formulas, and afterwards we evaluate the effect of implementing NPM policies on patient satisfaction by means of multivariate regression techniques.

NEW HOSPITAL MANAGEMENT MODELS IN SPAIN

Though the Spanish public health system had contracted out some services to private hospitals for decades (García-Armesto et al. 2010), the legislation passed during the second half of the 1990s introduced new managerial formulas to govern publicly owned hospitals, significantly reshaping the healthcare landscape. At the central government level, Law 15/1997 was particularly important, since it enabled the implementation of a wide array of new hospital management models. Previously, during the first half of the 1990s, the ruling Socialist Party had already passed legislation aimed at introducing more efficient and flexible organisational formulas, such as Law 30/1992 which regulated, among other things, the so-called *consorcios* (consortia), and Law 30/1994 which first regulated the foundations model. When the conservative Popular Party (*Partido Popular*) gained power from 1996, it approved Royal Decree

10/1996,³ which allowed for the use of new hospital management models, with the explicit aim of “introducing more flexible organisational formulas, in order to meet the demands of efficiency and social profitability of public resources [*sic*]”. Most importantly, Law 15/1997—the result of the parliamentary enactment of Royal Decree 10/1996—enabled at the national level the implementation of new managerial formulas to govern public hospitals, and also contemplated private sector involvement in the delivery and management of public healthcare services. With this, the entry of private providers into public healthcare delivery was facilitated further (for a comprehensive overview of the legislative framework behind the adoption of new hospital governance formulas in Spain, see Alvarez and Durán 2011).

As a consequence of these changes to the legislative framework, the introduction of NPM-related policies to the public healthcare services increased across Spanish regions. By 2002, when powers in healthcare management had been fully transferred to all Spanish regions, Madrid emerged as one of Spain’s most active sites of healthcare reform.⁴ Here, two main actions were taken as regards hospital management: (i) introduction of market-driven mechanisms through the separation of purchaser and provider, with the aim of transforming the public hospital network into a large number of smaller firms, with greater autonomy, their own legal status and, in competition with other hospitals, similar to the UK’s hospital trusts (Bayle and Cal 2001) and, (ii) contracting out some or all hospital services, including clinic services. As a result, there are currently five different new management models in the SERMAS hospitals, including private or semi-private formulas, in addition to the traditional governance models (TGM): public enterprises; foundations; private finance initiative (PFI) models with a public enterprise managing clinic services and outsourced non-clinic services to private companies; PPP models with full private management; and contracts with privately owned hospitals.

Figure 1 summarises the different management models coexisting in Madrid. Briefly, TGM hospitals are directly managed by regional governments; they do not—usually—enjoy their own legal status and they are ruled by public law. In addition to this model, there are the so-called “new management models” (NMM), including both forms of direct (public) and non-direct (private) service delivery. Within the first (*direct management*), are public enterprises and foundations. They are configured as organisations with legal personality, ruled by private law and may

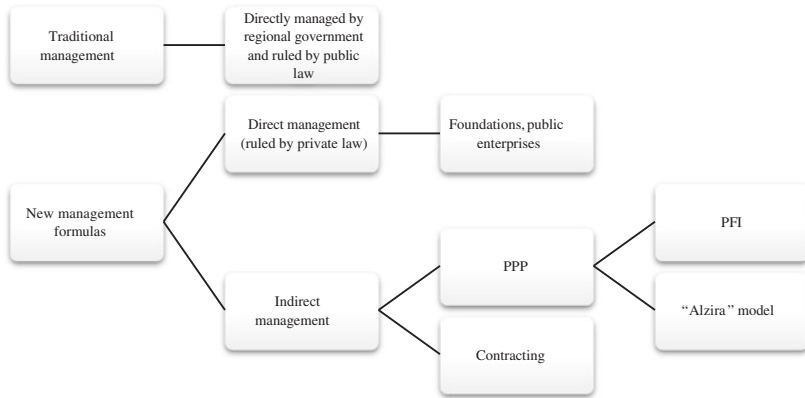


Fig. 1 Management models in Madrid's hospitals. *Source* Authors

be subject—if reflected in their statutes—to labour legislation to manage their staff, considered as key features to increase flexibility and autonomy (Martín 2003). *Non-direct management* formulas include contracting with private companies and different forms of PPP. As regards the first formula, healthcare contracting consists of an administrative contract whereby healthcare services are provided through privately owned facilities. Regarding the different forms of PPPs, in Madrid there are two models: the UK's PFI model and an indigenous version, the so-called “Alzira” model. PFI models entail long-term arrangements between the public and private sectors, whereby the private sector finances the hospital building and then delivers non-clinical services over a period of around 30 years (Acerete et al. 2011; Hellowell and Pollock 2009). The “Alzira” model is a PPP model which goes further, since the private sector finances, constructs and operates the physical hospital infrastructure, and also is in charge of clinical services delivery (Acerete et al. 2011).

In the Spanish context, the use of these new management models aimed to increase the efficiency of the health system. This would occur in two ways. First, it would solve the perceived problems caused by public law and statutory personnel regimes (Martín 2003). Public law and the civil service statutory regime were considered two key obstacles to achieve efficiency gains, since it was believed that public law was too rigid to promote dynamism in the system and the statutory regime

prevented the incorporation of productivity and efficiency tools, such as performance related pay, into personnel management (Informe Abril 1991). Second, the separation of purchaser and provider aimed to promote the creation of an internal market and the disaggregation of public sector units. It has been suggested that the separation of purchaser and provider helps to improve efficiency, by introducing market incentives into public healthcare sector management (Street 1994) and the introduction of contracts (Gallego 2000). Moreover, disaggregation of public sector units is considered a fundamental tool to make former monolithic and over-bureaucratised organisations become more flexible, controllable and manageable by professional managers (Andrews 2013). In addition, allowing the entry of private providers was supposed to have positive effects as regards efficiency improvements because of the relatively superior efficiency of the private sector over the public sector, a view which justified much of the privatisation movement (Clifton et al. 2006).

A key argument when explaining the perceived superior efficiency of the private sector is the view that private firms may have more incentives to innovate because, unlike the public sector, innovations can generate benefits (Boycko et al. 1996). More specifically, the view that marketisation policies may improve the efficiency and quality of healthcare systems has usually been based on the economic models of public choice and property rights theories (Hart and Moore 1990; Miranda 1994; Mueller 1989; Niskanen 1968, 1971; Vining and Boardman 1992). Public choice models suggest that the efficiency of public service provision may improve when previously protected in-house activities are exposed to the discipline of the market and the forces of competition (Osborne and Gaebler 1992). This implies that competition is one of the key mechanisms to achieve efficiency gains. The literature on property rights suggests, on the other hand, that the key feature affecting public service performance is ownership, that is, whether the service is provided by a public or a private firm (Hart and Moore 1990; Miranda 1994). The property rights theory approach predicts that the private sector will perform more efficiently than the public sector because powerful incentives for profit maximisation may lead to cost reductions and innovation (Boycko et al. 1996). These innovation efforts may result, in turn, in higher service quality leading to improved patient satisfaction.

Other economic models, however, indicate that powerful incentives, such as profit maximisation, may have a negative effect on quality and, therefore, patient satisfaction. Concern about the consequences

of profit maximisation incentives for service quality has borrowed from the idea that contracting initiatives may be plagued by incomplete contracts (Jensen and Stonecash 2005). In fact, Hart et al. (1997) propose an incomplete contracts model which indicates that profit maximisation incentives may actually erode service quality, particularly when quality is difficult to measure, as this makes it more difficult to draft and to specify contracts with private providers comprehensively in order to ensure service quality, a likely occurrence in a service such as healthcare.

Based on these arguments, this chapter focusses on the following research questions: Are new management formulas more efficient than traditional ones as regards hospital management? Has patient satisfaction improved or deteriorated as a result of implementing NPM policies?

STATISTICAL ANALYSIS

In this section, we first focus on the comparison of efficiency scores between TGM and NMM hospitals. When talking about public sector efficiency, and thus public healthcare efficiency, one may distinguish three dimensions of efficiency: allocative, distributive and productive or technical (Andrews 2013). To do so, we propose to employ here the data envelopment analysis (DEA) homogeneous bootstrap methods described in Simar and Wilson (1988, 2000). Briefly, bootstrapping allows the derivation of statistical properties of efficiency scores through resampling, by estimating bias and variance and constructing confidence intervals (Varabyova and Schreyögg 2013). We define seven different DEA models, by maintaining all inputs and desirable outputs fixed in all models, and combining different approaches to deal with undesirable outputs and the number of undesirable outputs. Once we get the DEA efficiency scores for the SERMAS general hospitals, we analyse the differences in technical efficiency between TGM and NMM hospitals by means of two different methodologies; a non-parametric Mann-Whitney U test and an analysis of bootstrapped average efficiency confidence intervals computed in the previous stage. The data used in this analysis was obtained from the Spanish Hospital Survey (ESRI) for the year 2009, and data provided by the Ministry of Health of the Community of Madrid (see Alonso et al. (2015) for further details about the methodology and data).

Table 1 compares the average scores of TGM hospitals with NMM hospitals. The average efficiency scores show a slightly better performance

Table 1 Average bootstrap-DEA confidence intervals and Mann–Whitney tests

		<i>Mean score</i>	<i>95% bootstrapped C.I.</i>		<i>U test^a</i>
Model 1	TGM	0.8160214	0.7671357	0.8804786	−1.314 (0.189)
	NMM	0.8582273	0.8052545	0.9227273	
Model 2	TGM	0.8496071	0.7948	0.9077714	−0.931 (0.352)
	NMM	0.8922	0.8340818	0.9503182	
Model 3	TGM	0.8337286	0.7776071	0.8978286	−0.1095 (0.273)
	NMM	0.8790364	0.8162364	0.9448182	
Model 4	TGM	0.8352357	0.7804571	0.9010429	−0.766 (0.443)
	NMM	0.8718091	0.8169818	0.9317273	
Model 5	TGM	0.8270357	0.7683286	0.8962429	−0.876 (0.381)
	NMM	0.8627909	0.8078909	0.9254364	
Model 6	TGM	0.8516429	0.7957929	0.9115143	−1.204 (0.228)
	NMM	0.8942545	0.8363182	0.9509727	
Model 7	TGM	0.8308286	0.7696429	0.8988143	−1.396 (0.163)
	NMM	0.8788273	0.8165364	0.9449091	

Note^a Z values for Mann–Whitney test. Test significance in parenthesis

Source Alonso et al. 2015

of NMM hospitals for the seven models defined, but that difference does not seem to be statistically significant. We cannot reject the null hypothesis that both populations are the same when performing the Mann-Whitney test in all models. Moreover, average bootstrapped confidence intervals for the efficiency of the two groups under analysis overlap to a large degree,⁵ thus we do not have evidence that the two groups are significantly different as regards technical efficiency.

Turning our attention to the analysis of patient satisfaction, we estimate two multivariate regression models predicting patient satisfaction. Patient satisfaction is evaluated in this way using an index of hospital recommendation and a patient's global satisfaction index.

To analyse potential differences in patient satisfaction across hospital governance models, we include in our models a set of dummy variables to capture each of the three hospital management types described above, that is, *traditional* management, *direct* management and *non-direct* management, with TGM hospitals as the reference group. To mitigate potential bias associated with omitted variables, we include a set of control variables which may affect patient satisfaction, such as hospital size, nursing staff, average length of stay and patient complexity, measured through the case-mix index of a hospital, which reflects

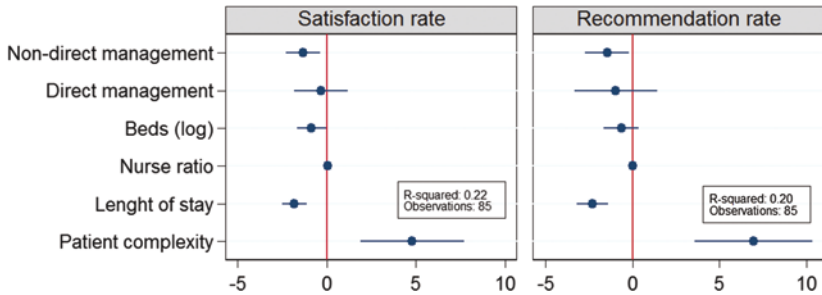


Fig. 2 Ordinary least squares estimates of patient satisfaction in Madrid's hospitals. *Source* Authors

the heterogeneity, clinical complexity and the needs for resources of inpatients. We extracted data on the characteristics of Madrid's hospitals between 2011 and 2013 using the hospitals' official annual reports.⁶

Figure 2 presents the coefficient estimates and bootstrapped standard errors for the proposed regression models. First, our model predicting patients' recommendations of hospitals suggests that satisfaction may be lower in non-direct managed hospitals compared with both types of public managed hospitals (i.e. traditional and direct management formulas), since the recommendation rates are slightly lower for privately managed hospitals than for public ones. Second, ordinary least squares (OLS) estimates predicting patient satisfaction suggest that patients are more likely to indicate lower levels of satisfaction when attending direct or non-direct managed hospitals, though this effect seems to be statistically significant only for the dummy variable accounting for non-direct (private) management models.

What policy lessons can be extracted from our findings? First, the finding that new hospital management models do not seem to be necessarily better or worse—in terms of technical efficiency—than traditional management models, may help to support the view that it is more worthwhile to focus on improving the good governance of public health services as a whole, rather than simply focusing on switching management model (Sánchez-Martínez et al. 2014).

Second, due to the potential lack of efficiency gains derived from the implementation of NPM-related policies in Madrid's public hospitals, a number of undesirable problems may emerge, adding more uncertainty

to the decision-making process, particularly, as regards the implementation of those managerial formulas involving the private sector, such as different forms of PPP. For instance, in a scenario of no efficiency gains, private firms may have significant incentives to raise the prices they charge to governments when renegotiating contracts (the so-called “hold up” effect⁷) and/or contracts may become, financially speaking, unviable, leading to government bailouts. This has already happened, first, in 2010, when Madrid’s PFI hospitals requested a government bailout (Sánchez et al. 2013). Next, in 2011, *El País* (Sevillano 2011) published a letter addressed to Madrid’s health commissioner in which the private firms operating the seven PFI hospitals in Madrid attempted to renegotiate their contracts, warning that all seven hospitals might collapse due to unforeseen events, such as the application of a new Accountability Plan in 2011.

CONCLUSIONS

As a consequence of rising healthcare expenditures and the ongoing economic crisis, the issue of public healthcare sector performance is once again at the top of the policy agenda across many regional governments in Spain. Despite the lack of conclusive empirical evidence for their benefits, the adoption of NPM-related policies in healthcare management is still on the rise, particularly in regions such as Madrid, which underwent deep reform of its public healthcare services from the 1990s. This chapter sought to review whether the use of new managerial tools led to improvements in technical efficiency and patients’ satisfaction in Madrid’s hospitals.

Our findings suggest, first, that there is no difference in terms of technical efficiency between traditionally managed hospitals and those adopting new management formulas. These findings remained unchanged when using different DEA models and different statistical analyses, calling into question if what actually matters is the management model or, on the contrary, particular managers’ practices. Second, our findings suggest that both types of publicly managed hospitals, that is, TGM and direct management formulas, provide an overall better quality of service, measured by patient satisfaction with hospital healthcare delivery, than do governance models involving the private sector.

This absence of evidence about efficiency gains derived from implementing new management formulas in Madrid hospitals, along with

our findings as regards lower patient satisfaction levels in those hospitals where the private sector is involved, may open the door to other considerations which could be the object of future research. Which/what are the real drivers of healthcare reforms in Madrid? Is healthcare reform motivated ideologically, by politicians who believe that NPM-related mechanisms will bring about better solutions for patients? The conservative regional government of Madrid has been characterised since the 2000s by a strong NPM vocation, which may have influenced its adoption of marketisation policies in the SERMAS. Or is healthcare reform explained by “regulatory capture”? Laffont and Tirole (1991) showed that regulators—in our context policymakers—may be “captured” or influenced by interest groups hoping for future employment within the regulated firms, an effect known as the “revolving door”. To date, some evidence has emerged about “revolving doors” in the SERMAS (El País 2012). Though movements between the private and public sector are not necessarily harmful, and indeed may be beneficial, when done in a transparent way without conflict of interest, they may have negative consequences, in terms of social welfare, if policies are motivated by the hope of future personal gains instead of the optimum outcome for the general interest (Pollock et al. 2006).

NOTES

1. This chapter is partly based in Alonso et al. (2015).
2. Besides the SERMAS hospital network, there are several privately owned and operated hospitals. This private hospital network is not under public sector responsibility, thus it is not included in our analysis of public health-care marketisation.
3. Royal Decree 10/1996 about new management formulas of the Spanish NHS.
4. Through the implementation of Law on Health Organisation of the Community of Madrid (LOSCAM-Law 12/2001).
5. Efficiency confidence intervals computed with the FEAR package developed by Wilson (2008).
6. Retrieved from <http://www.madrid.org>.
7. When contracts are highly complex or incomplete, governments may need to renegotiate the contract in the case of an unforeseen problem or event. This not only has costs, it also gives the private firm—with its incentives to maximise profits—the opportunity to raise the prices charged to the government (Jensen and Stonecash 2005).

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AUTHORS' BIOGRAPHY

José M. Alonso is Assistant Professor of Economics at the University of Cantabria. His research interests include public sector reform, with an emphasis on privatization, marketization, and decentralization. He has recently published in several journals including *World Development*, *Health Policy*, *Public Administration*, *Public Management Review*, *International Public Management Journal*, and *Journal of Policy Modeling*.

Judith Clifton is Full Professor at the Faculty of Business and Economic Sciences, University of Cantabria and Editor-in-Chief of *Journal of Economic Policy Reform*, and serves on the editorial board of journals including *Cambridge Journal of Regions, Economy and Society*, *Utilities Policy*, and *Policy & Society*. She has published in leading international journals including *Journal of European Public Policy*, *Journal of Regulatory Economics*, *Regional Studies*, *Health Policy*, *Cambridge Journal of Regions, Economy & Society*, *Review of International Political Economy*, *Public Administration*, *Journal of Comparative Policy Analysis*, *International Review of Applied Economics*, *Revista de Economía Mundial*, and

Global Policy. She received her DPhil in Political Economy from the University of Oxford in 1997 after completing a Masters in Contemporary International Studies at the University of Leeds. She has lectured at Oxford, Leeds, Cornell and Oviedo universities and has been a visiting research scholar at Cornell, El Colegio de México, European University Institute, Instituto Ortega y Gasset and Consejo Superior de Investigaciones Científicas. And she was awarded the Fulbright-Schuman Fellowship to take up at Cornell University in 2014. Her research interests lie in examining the origins, determinants, and consequences of policy, both public and economic.

Daniel Díaz-Fuentes is Full Professor of Economics at the University of Cantabria, Santander, Spain and vice-president of the World Economy Society. He is co-director of the inter-university Master in Economics and the inter-university PhD in Economics between the universities of Cantabria, Oviedo, and the Basque Country. He has lectured at Oxford, Carlos III-Madrid, and Buenos Aires universities and has been a visiting research scholar at Cornell (2014–15), European University Institute (2006–07), UMIST-Manchester (1998–99), London School of Economics (1996), Oxford (1993–95), and Michigan University (1992). Current research and teaching cover the Public Service innovation reforms in Europe and the international finance of infrastructure in Europe and the Americas. Recent leadership and participation in international research projects include the following: CITADEL—Empowering Citizens to Transform European Public Administrations, European Union H2020, COCOPS—Coordinating for Cohesion in the Public Sector of the Future—European Union VII FP, COST—IS0905: The Emergence of Southern Multinationals and their Impact on Europe, and European Investment Bank—Infrastructure Finance in Europe and International Financial Institutions, SANFI. He has been a consultant for the United Nations, OECD, European Commission, European Investment Bank, and European Centre of Public Enterprises. He has published in leading journals including *Public Management Review*, *Journal of Regulatory Economics*, *Global Policy*, *International Review of Applied Economics*, *Review of International Political Economy*, *Journal of European Public Policy*, *Journal of Comparative Policy Analysis*, *Utilities Policy*, *Regional Studies*, *Journal of Common Market Studies*, and *Annals of Public Cooperative Economics*, among others.

The Institutionalisation of Performance Scrutiny Regimes and Beyond: The Case of Education and Elderly Care in Sweden

Stig Montin, Vicki Johansson and Lena Lindgren

INTRODUCTION

In this chapter, we outline an overview of the development of performance scrutiny regimes within elderly care and education in Sweden. Before going into this development a short institutional setting is provided.

Local self-government in Sweden is mainly defined by a clause of “general powers” in the Local Government Act (LGA 1991:900): “Municipalities and county councils may themselves attend to matters of general concern which are connected with the area of the municipality

S. Montin (✉) · V. Johansson · L. Lindgren
School of Public Administration, University of Gothenburg,
Gothenburg, Sweden
e-mail: stig.montin@gu.se

V. Johansson
e-mail: Vicki.Johansson@spa.gu.se

L. Lindgren
e-mail: lena.lindgren@spa.gu.se

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or county council or with their members and which are not attended to solely by the state, another municipality, another county council or some other body” (LGA, Chap. 2, Sect. 1). The Swedish local government system comprises two tiers of government: 290 municipalities and 20 county councils/regional councils. These two tiers are territorially overlapping but have separate areas of responsibilities, that is municipalities are not subordinated county councils. While municipalities are responsible for a wide range of activities, the county councils’ main responsibilities are health care and hospital care (about 90% of the budget). In four territories (Västra Götaland, Skåne, Halland and Gotland) the county councils are termed regional councils. The regional councils have broader responsibilities than county councils. In addition to health care and hospital care, they are also responsible for regional development and infrastructure planning.

The main delegated and mandatory responsibilities for municipalities are education (preschools, primary and secondary schools), social services (elderly care, care for disabled and social services for individuals and families), planning, building permissions, water and energy supply, waste management, and environmental protection. In addition, municipalities also have optional functions, such as recreational and cultural tasks, as well as the right to take measures to stimulate local economic growth. About 80% of all municipal and county council responsibilities are mandatory, mainly health care, elderly care and education.

PERFORMANCE SCRUTINY REGIMES

Municipalities’ service responsibilities have always been monitored and evaluated, but in the period since the 1990s we have witnessed an exceptional growth of scrutiny activities in terms of scope, forms and content and at all levels of governance. First, a multitude of governmental and non-governmental organisations and agencies conduct examinations. Second, a multitude of governance tools is at work, such as inspections, audits and performance measurement systems. Third, the focus of scrutiny activities is to a large extent performance results (Johansson and Lindgren 2013). Taken together, this implies the existence of performance scrutiny regimes within the Swedish welfare system that are shaped via a complex interplay between actors at several layers. Scrutiny regimes affect how municipalities manage their service responsibilities, as well as the quality of the services being performed.

Performance scrutiny is defined by Nutley et al. (2012) as the activities of an elected or appointed organisation when it examines the performance of public bodies and includes assessments undertaken by statutory audit institutions, service inspectorates and central and local government inquiry committees. In addition, performance scrutiny activities also include measuring performance by actors outside the governmental sector (Johansson and Montin 2014). A performance scrutiny regime is composed of scrutiny assessment carried out by national and local governmental authorities and non-governmental bodies. How these scrutiny activities and organisations are linked to each other, how they intervene and how they affect and are managed by municipalities constitute the core of a regime.

In this chapter, we first outline the main characteristics of two of the most influential performance scrutiny regimes at work in Swedish local government, those within elderly care and education. Second, we highlight and discuss what we argue are some plausible drivers and mechanisms behind the emergence and development of the current performance scrutiny activities, that is, rational problem-solving, ideology and self-reinforcement. Third, some of the effects that the performance scrutiny regimes have generated are addressed, and finally, we discuss some recent administrative policy reactions and initiatives taken by central government. However, before doing all this, it is necessary to give a brief outline of some key characteristics of the Swedish elderly care system and the education system in order to make the cases comprehensive.

A BRIEF INTRODUCTION TO THE ELDERLY CARE AND EDUCATION SYSTEMS

The historical roots of municipal elderly care can be traced back to the seventeenth century. In past centuries, municipalities had an obligation to arrange homes for old and poor people. Modern elderly care can be dated to the 1950s, when municipal home care was introduced. Today elderly care services in Sweden are provided on a universal basis, which implies that a comprehensive and publicly financed service of high quality should be available for all citizens according to their needs rather than their ability to pay. Approximately 85% of elderly care is funded through municipal/county council taxes, and 10% through national taxes, while user fees cover 5–6% of the costs (Erlandsson et al.

2013). Elderly care policy has for several decades focused on home help services in private homes, and residential care for those who are unable to live by themselves. As a result of budget cuts and municipal and central government policy changes, the coverage of both forms of services has declined sharply, while the amount of informal elderly care provided by family members is increasing (Katzin 2014).

From the 1970s to the 1990s municipal elderly care was regarded as an exclusively public (municipal) matter. Since the 1990s, both public and private providers, all publicly funded, are involved in the actual provision of services, but the overall responsibility for delivering elderly care lies with the municipal politicians. In 2014, approximately 25% of home help services and 21% of residential care services were produced by private providers (NBHW 2015).

Education was originally a local responsibility in Sweden. Up to 1930, the Protestant church was the local authority for schools. When the modern compulsory school system was introduced from 1950, state regulation became prominent. Since around 1990, however, the previously comprehensive and centrally regulated education system has been transformed into a decentralised, quasi-market, goal-oriented system, with responsibility for schools having been shifted to the municipalities. The municipalities are responsible for employing school staff, organising basic schools (including adult education and schools with special needs), and determining resource allocation (Hudson 2007). The main motive was that deregulation and a transition to management by objectives and results would make the school system more appropriate and efficient. The democratic control of schools would also be increased, as the argument went. Irrespective of whether schools are operated by municipalities or private providers, the municipalities are accountable to the central government for their schools' achievement of national education goals and requirement levels.

The quasi-market education system is based on the school vouchers and the right of parents and pupils to choose freely between publicly financed schools, owned and organised either by municipalities or independent school providers. In 2015, about 17% of compulsory schools and 50% of upper secondary schools were independent schools. Most of the independent schools are organised as limited companies (69%), just 9% are run by non-profit organisations.

PERFORMANCE SCRUTINY REGIMES WITHIN ELDERLY CARE AND EDUCATION

On a comprehensive level, performance scrutiny within the welfare sector encompasses intra-government activities. Both national government authorities and municipalities scrutinise local government and private providers of welfare services. In Sweden, there are several public and private actors involved in scrutiny activities and there is also a great amount of self-examination within provider organisations. For instance, government agencies collaborate with interest organisations in order to develop indicators for “quality”, union organisations make surveys and participate in the framing of main prerequisites for “good quality” and private providers argue for regulation in order to facilitate competition neutrality. The latter could be understood as governing by distance, that is, not through rules and regulations in order to determine the behaviour of public and private providers in a traditional bureaucratic manner, but by invoking the self-governing capacities within a more or less strict regime of performance measures and targets (Triantafyllou 2013). Public and private scrutiny activities could theoretically be analysed separately, but in practice, they are intertwined and constitute what can be referred to as performance scrutiny regimes. Further, the outcomes of performance scrutiny are often suggested rules of behaviour concerning how to perform in order to “secure” quality, which in turn become standards. Hence, deregulation actually becomes re-regulation.

PERFORMANCE SCRUTINY REGIME WITHIN ELDERLY CARE

A great number of public agencies and quasi-public organisations are involved in scrutiny of elderly care performance. Two central government agencies are mainly involved: the National Board of Health and Welfare (NBHW) and the Inspectorate of Health and Social Care (IHSC). The NBHW collects, compiles and analyses aspects of social care (including elderly care), facilitates quality improvement, monitors and evaluates effects of reforms in the field of social care. IHSC was established in 2013 when the supervising and scrutinising activities within NBHW were mainstreamed and transferred to a new authority of their own. In general, supervision consists of various forms of inspections in order to ensure compliance with the law and safeguard the rights of the individual. Recently, supervision has been given a wider definition,

which means that IHSC will also base the assessment on performance according to national indicators of quality, statistics and measures.

The Swedish Association of Local Authorities and Regions (SALAR) is the national member organisation for municipalities and county councils. SALAR has a double role in relation to the municipalities; the organisation represents municipal interests in negotiation with the central government, but it also collaborates with NBHW in order to influence, for instance, how municipalities conduct their responsibility for elderly care. On the private side, there are organisations representing the interests of private providers that, within the framework of the Confederation of Swedish Enterprise (*Svenskt Näringsliv*) and the Association of Private Care Providers (*Vårdföretagarna*) are running their own systems of performance scrutiny.

In the 1990s, some municipalities started to develop horizontal benchmarking activities with support from the SALAR. In the late 1990s, some municipalities formed a “comparing quality network” that in 2001 grew to involve about 50 municipalities and later became a national project including almost 200 municipalities working together in 30 different local networks. The national project was formally finished in 2010, but several results and measures were collected into a national database. This was just one example of horizontal networking for developing elderly care and, according to comparative studies, this Swedish way of developing performance measurement for benchmarking was more voluntary and horizontal than in other countries (Kuhlmann 2010; Kuhlmann and Jäkel 2013).

Based on the experiences of this horizontal networking, and of prevailing national quality registers developed within health care by the medical profession, SALAR began in 2006 to develop a national monitoring system for open comparisons of elderly care services. The first national open comparisons for elderly care were presented by SALAR in 2007. In 2009, the Alliance government commissioned NBHW to cooperate with SALAR to develop a strategy for open comparisons in all fields of social care, including elderly care. In spite of the fact that open comparison is voluntary, lacks formal sanctions and aims at learning and quality improvement, its 40 or so performance indicators appear to have become a national standard for elderly care service quality (Lindgren 2016; Lindgren et al. 2016).

In sum, the development of performance scrutiny within elderly care can be described as two processes, one bottom-up and one top-down.

These two processes have been merged to a more or less comprehensive national performance scrutiny regime consisting of state authority supervision combined with open comparison with public and private organisations as participants. The overall aim is to find “objective” ways of defining quality, which would increase national equalisation and also constitute a basis for comparing public and private providers. However, considering that there are different interests in relation to the definition of “quality” (such as user perceptions, staff competence and medial indicators) such objectivity is hard to find.

PERFORMANCE SCRUTINY REGIME WITHIN EDUCATION

As in elderly care, the performance scrutiny regime within education since the decentralisation reform in 1990 has also been shaped by a complex interplay among actors at several layers. The traditional state control model of management by regulations was then replaced by decentralised management by objectives and results. The role of central government was to set out national goals and guidelines, while the municipalities were given the responsibility for school organisation, staffing and resources, and for following up and evaluating their activities. The duty of the new National Agency for Education (NAE) was to work actively to ensure that national objectives for the school system are achieved, but should not interfere with the local political control and thus “not cross the municipal border” (Swedish Government Official Report 2014, 74). In order to gain insight into the various activities and to contribute to development, the agency should carry out follow-ups, evaluation, development, research and supervisory work. The institution of school inspectors was phased out. After just a few years, the NAE observed in its evaluations that the municipalities did not fulfil their responsibilities according to stated goals. In 1997, the school inspectorate was re-established at the regional level in order to supervise the municipal school activities. In 2002, the NAE was divided into two parts with the intention that the new part should intensify the scrutiny of schools. Within a couple of years, about 100 new inspectors were recruited (Ekholm and Lindvall 2008). In 2008 a new agency, the Swedish Schools Inspectorate (SSI), was established.

SSI monitors and scrutinises municipal and independent schools and assesses applications to run independent schools. SSI conducts regular supervision of schools based on the national requirements stated by

law and regulations, such as the Education Act, curricula, and course syllabuses. The audit also includes matters such as educational conditions (e.g. pupil health services), educational development (e.g. resource allocation) and how teachers take into consideration the needs, circumstances, experiences and thoughts of each individual pupil. All in all, about 20 standards are referred to in the SSI inspections. Within a period of five years SSI visits every school. In addition, an inspection can also be made by request from pupils or parents. If quality and result deficiencies are found, SSI may use penalties and apply pressure so that a provider (municipal or private) rectifies the school's activities. The overall objective for SSI is "good education in a safe environment". In situations defined as "acute" SSI can close municipal and independent schools temporarily for six months, but only independent (private) schools can be shut down for good. Because of the system of municipal local self-government, municipal schools do not have state permissions that can be withdrawn. In 2011 and 2012, SSI threatened 13 independent schools with prosecution because of quality defects. Seven schools were immediately shut down. Occasionally also a municipal school can be penalised with economic sanctions. Quality deficiency implies failure to meet national requirements, for example lack of good environment for learning, lack of organised support for pupils with special needs and insufficient management. In sum, the SSI has possesses and exercises strong state authority towards individual schools, very far from the situation in the beginning of the 1990s, when the order was to "not cross the municipal border".

Besides authoritative scrutinising by SSI, there are several other actors and systems involved in the assessment of quality and results in the school sector. A recent study has identified more than 30 systems, owned and implemented by various actors, and focusing on various levels of the education system (Table 1) (Lindgren et al. 2016).

After the change of government in 2006, an extensive reform agenda was pursued by the new right-wing alliance. More than 20 education reforms and programmes have been implemented since then, focusing on the (sharply decreasing) results of the education system and on issues of evaluation, assessment and accountability and the professional development and effectiveness of teachers. While the then minister in charge spoke about the "largest education reform undertaken since 1842" (NAE 2014), others have commented on the same reform agenda as "a piecemeal approach" (OECD 2015), and some have pointed out the risk

Table 1 Evaluation and evaluation systems in Swedish school governance

Students	Formative assessment (by teachers, e.g. through individual development plans) Student grades (set by teachers) National tests (set by teachers) International tests (also used in evaluation of the education system)
Schools and school providers	<u>Public</u> Aggregated statistics on student performance and other key data (NAE) <i>SIRIS</i> (NAE) SALSA (NAE's tool for local statistical causal analysis) Jämförelsetal (NAE) Evaluation of government policies and programmes (NAE) <i>Schools Inspectorate</i> (SSI) Cohort-sequential longitudinal databases evaluation (Gothenburg University) PESOK (Stockholm University) <i>Systematic quality work</i> (schools, municipalities, independent school providers) Municipal audits and inspections (municipalities) <u>Non-government organisations</u> <i>Open comparisons</i> (Swedish Association of Local Authorities and Regions) Bästa skolkommun (Swedish Teachers' Union) Grundskolekvalitet.se (Confederation of Swedish Enterprise, Swedish Association of Independent Schools, Swedish Association of Local Authorities and Regions) A better school (Swedish Institute for Quality) Skolbarometern (Information Tools Scandinavia AB) SIQ Skolindicator (HB Educa) Skoldialogen (Catalyt AB)
Education system	<u>Public</u> National statistics (NAE) European survey of language competences (NAE, EU) Key performance indicators (NAE, EU) Evaluation of education policies (Institute for Labour Market and Education Policy Evaluation) Knowledge brokering (Swedish Centre for Educational Research) Evaluation of government activities (Agency for Public Management) Performance audit of government agencies (National Audit Office) <u>Non-government organisations</u> PISA (NAE, OECD) PIRLS, TIMMS (NAE, IEA) TALIS (NAE, OECD) Education at a glance (NAE, OECD)

of an “overcrowded education policy space” (Börjesson et al. 2016). In short, the state had returned. The development of increasing national steering and control has been described as a “decentralised management by objectives” replaced by a “centralised performance-based management” (Swedish Government Official Report 2014, 30).

DRIVING FACTORS

Sweden adopted some New Public Management (NPM) measures from the late 1980s but was rather late when it came to implementation of reforms and measures, such as competition incentives, privatisation and large-scale performance measuring. For instance, at approximately the same time as several new national inspection agencies were established in Sweden, the Audit Commission in the UK was abolished. We argue that there are at least three driving factors behind the increase of performance scrutiny activities within both elderly care and education in Sweden.

First, administrative reforms can often be attributed to a process of rational problem-solving, that is, reforms are initiated as a response to real problems within a policy area. As for elderly care, mass media have highlighted and paid attention to several cases of “bad conditions” within home care services and special housing accommodation. In addition, several investigations that described care of the elderly in negative terms have been conducted during the last decades. For instance, in a report from 2012, it is stated that 80% of inspected special housing accommodation did not fulfil the requirements based on the legislation, regulations and instructions (NBHW 2012). However, even though problems within elderly care have generated more scrutiny activities, more than 80% of those who actually receive elderly care are satisfied with the services (home help services and special housing accommodation). Surveys are conducted annually by the NBHW and in the 2013 survey, 89% of those who received home help services and 83% of those living in special accommodation were satisfied or very satisfied with the services (NBHW 2014). The percentage satisfied with elderly care has been more or less the same since the 1980s, when the first surveys were conducted.

As for education, a series of problems have been discussed and investigated for decades, such as an increasing number of children leaving compulsory education without having passed exams in all the core subjects, decreased status among teachers, too many pupils in classes, bullying, a

growing number of teachers without formal qualifications, differences between municipalities in allocation of resources for education, and increased segregation and inequality due to the freedom of choice as well as deteriorating results in PISA tests (Programme for the International Student Assessment). In an investigation with focus on how a selected number of municipalities managed their schools the following conclusions were drawn: that there was a “lack of clarity on how to manage the role of responsible authority”, that “national goals are disregarded”, and that “resources are allocated in a standardised manner rather than being based on an analysis of local conditions” (NAE 2011, 7). In sum, the investigation showed that politicians, experts, teachers and parents had all become more and more unsatisfied with the school situation.

However, like in elderly care, it has been argued that the results of different kinds of scrutiny activities have paid too much attention to what does not work instead of giving credit to what actually works. For instance, parents are more convinced that their children learn what they need than are people in general. As in many other cases, those without experiences of the actual services are more critical than those who have experiences. Hence, the increased focus on performance scrutiny cannot entirely be explained in terms of rational problem-solving.

Second, another important driving factor explaining the increase of performance scrutiny could theoretically be related to ideology. However, many NPM-inspired reforms and measurers implemented in the 1980s and 1990s did not cause any political tensions at all. For example, there was no ideological problem for the Social Democrats to welcome managerialism in the late 1980s and after several deregulation reforms decided by the right-wing government between 1992 and 1996 the left-wing/green government followed the decisions taken. Ideological tensions arose first in the mid-2000s, when the right-wing alliance came back to power. In 2006, it became obvious that the new government wanted to increase private sector involvement in welfare services in a new way. The right-wing parties argued that competitive private entrepreneurs within elderly care and education would increase quality and the fact that they could make good profits was regarded as an incentive stimulating efficiency. This view was based on the ideological beliefs rather than empirical evidence. Actually, after a few years of competition within elderly care and education, researchers found that there was a lack of knowledge regarding the effects of increased competition (Hartman 2011). More recent studies have shown that it is hard to find

any evidence showing that private providers are better than public providers in any sense (Salas 2015).

The increase of service and education providers entailed a growing complexity and fragmentation of the welfare systems that generated a demand for performance accountability measures. The fundamental value of national equalisation was an important argument when demands for accountability mechanisms were raised. The result, accountability complexity, can be understood as an effect of the neoliberal administrative reforms implemented by the right-wing government.

Third, performance scrutiny can be understood as an event-driven and self-reinforcing process. Such processes can be observed within both elderly care and education. Stricter supervision and legislation have been implemented mainly as a response to scandals and other crises and as a consequence, the control element in performance scrutiny regimes has been reinforced. Recently, this event-driven development has been perceived as a problem, by governmental authorities. For example, the Inspectorate of Health and Social Care (IHSC) has pointed out that the authority has neither resources nor time to initiate selected strategic oversight activities or stimulate development activities. Viewed over a longer time period, it is clear that scrutiny activities have fostered demands for more and more scrutiny activities. This “logic of escalation” has also been found in other countries (Pollitt et al. 2010).

REACTIONS

Although the negative effects of performance scrutiny regimes have been discussed internationally and in the research community for some time, this discussion first entered the public political agenda in Sweden around 2013. Increasingly, public professionals have put forward the argument that their ability to make professional judgements has decreased as a consequence of rigid and excessive monitoring and control systems. Civil servants within education, police, health care and social care are compelled to spend more and more time on documentation and reporting results instead of teaching pupils and treating patients, according to the argument.

For example, in a recently published analysis of the education system the authors argue that, “there is a risk that supervision and control can become too rigorous and shift into an ‘Audit Society’ stifling teachers’ creativity and job satisfaction” and that “(T)eachers’ working conditions

have deteriorated as a result of increased external management of schools and extensive documentation and other administrative requirements” (Swedish Government Official Report 2014, 30).

Further, in Sweden’s largest newspaper, *Dagens Nyheter*, a debate article entitled, “Our professions have been kidnapped by the economists’ models” was published 2013. The article was signed by the chairs of the Swedish Medical Association, the National Union of Teachers and the Swedish Police Union. The authors claimed that:

The attempts to design municipalities, counties and police districts as corporations have not resulted in better education, health care or policing. On the contrary, today the activities are characterized by a greater administrative superstructure than before. Operations are governed by statistics. Of course it is good and useful to measure wisely, to evaluate and develop. But, when it takes place without the profession’s participation, it is a problem. Evaluations have been kidnapped by administrators and economists. Trust in professional responsibility has been replaced by control systems. (Jansson et al. 2013)

As the quotation shows, the authors are highly critical of the increased use of performance scrutiny instruments as means to assess welfare services. They highlight with emphasis the unintended side effects this development has generated, from their point of view. When rules and measurable quality indicators (mainly developed by bureaucrats and economists) are used in order to assess welfare, equity is defined as quantity and simple rule compliance without any regard to outcomes in terms of service quality and efficiency. Professional and local knowledge about service performance and quality are neglected since this kind of knowledge is non-measurable and unknown to those who construct performance indicators. Further, more and more resources are spent on performance scrutiny systems instead of service production. Both these tendencies contribute, according to the authors, to reduce service quality.

A NEW ADMINISTRATIVE REFORM?

Observed negative effects of performance scrutiny within education and elderly care have recently been put on the political agenda by the Swedish central government. In 2015, the Minister of Public

Administration introduced a new narrative for how national and local public administration ought to be governed. The reform agenda was termed “after NPM”, and included policy imperatives/catch-words, such as “strengthen occupational professionalism” and “better balance between control and trust in governing public administration”. These visions have been discussed and elaborated during a series of seminars across the country where the minister listened to lectures provided by researchers and experts on different subjects related to public welfare and administration. In June 2016, an expert commission (a “trust delegation”) was appointed in order to contribute to finding an administrative policy beyond NPM. The scope of the commission is to develop measures that would support occupational professionalism and develop management methods based on the trust rather than control. The delegation’s work has just begun and one of its first steps has been to collect experiences from local projects, where users are involved in innovation and development of local government social services.

BACK TO THE BEGINNING?

NPM-inspired measures and methods have been imported, adjusted and produced within a general logic of how to coordinate complex organisations (Bouckaert et al. 2010). Simply speaking, when central coordinating units find themselves overloaded by issues it is common for them to decentralise or delegate functions and decision-making. It is evident that this kind of process took place in Sweden during the 1980s and in the beginning of the 1990s. The distribution of functions, responsibilities and hence risk-taking was pushed even further when additional NPM-inspired reforms (e.g. managerialism, private providers) were introduced during the 2000s and 2010s. Logically, when coordinating actors find that public administration and the organisation of public welfare becomes fragmented they try to increase central control again. The increase of performance scrutiny activities (e.g. evaluations, inspections, audits) and the consolidation of a performance scrutiny regimes in the beginning of the new century can be understood as such a centralisation process. However, when central control becomes too tight, leaving too little room for local and professional flexibility, the demand for new and more flexible coordination measures grows. Following this logic, a reasonable hypothesis is that central control will be toned down in favour of measures focusing on learning facilitation.

On the other hand, there are also conditions that speak in favour of an opposite hypothesis, that is, that the performance scrutiny regime will be strengthened. The mix of public and private providers is increasing, which is a pronounced aim with the freedom of choice reforms. Yet, all kinds of providers must meet the requirements of national standards of quality, which requires control systems. Today, performance scrutiny regimes have been institutionalised within elderly care and education, which implies that organisational professional competence and other resources have been invested and performance measuring has become an essential part of the administration. Results from inspections, evaluations and other forms of performance scrutinising activities, have increased the demand for procedural rules and guiding principles in order to make local government sectors perform in certain ways. A re-regulation process in terms of legal specifications related to national performance measuring and controlling systems is in practice prominent especially within education, but also within elderly care. Influential actors, such as media, managers and service user organisations, also support this process. Hence, performance scrutiny regimes are predominantly based on the legal regulation, legal control and inspections. However, the content in standards is often influenced by findings in evaluations, audits and other forms of “soft” scrutinising activities. All these forms of performance control are interacting and promote an escalation of scrutinising processes, which is especially profound within education.

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AUTHORS' BIOGRAPHY

Stig Montin Ph.D., born 24 April 1954 is Professor of Public Administration at School of Public Administration, University of Gothenburg, Sweden and before that he was Professor of Political Science at Örebro University, Sweden. His main research areas are local government democracy, politics, policy, administration and central–local government relations. Most Swedish publication and books, but also book chapters and journal articles, for instance, *Public Management Review*, The Oxford Handbook of Swedish Politics (Wollman, Kopric & Marcou (eds.) Public and Social Services in Europe: From Public and Municipal to Private Sector Provision).

Vicki Johansson Ph.D., born 1961, is Professor of Public Administration at School of Public Administration, University of Gothenburg. Her main research interests include performance scrutiny and accountability, central–local government relations, gender and street-level theory. She has published books in Swedish and journal articles in English for instance in *Public Administration*, *Urban Research and Practice* and *International Journal of Critical Infrastructure Protection*. She is Editor-in-Chief of *Scandinavian Journal of Public Administration*.

Lena Lindgren Ph.D., born 5th February 1954, is Professor of Public Administration at the School of Public Administration, Gothenburg University, Sweden. Her main research interests include public policy, in particular, evaluation and performance measurement, their role and functions off control, accountability and quality improvement in the fields of education and social work. One of her most recent publications is Evaluation systems in a crowded policy space: Implications for local school governance, in *Education Inquiry* 2016 7(3): 237–258).

The Organisation of Local Education in Poland: An Evaluative Approach to the Outsourcing Model

Łukasz Mikula and Marzena Walaszek

INTRODUCTION

The Polish education system in the communist period had the characteristics of the Soviet model: strong centralisation, politicisation and ideological education, as well as the marginal presence of non-state schools, due to the negative attitude of the government to private ownership and the fear of losing control over the ideological message (Dolata 2005). The role of non-government organisations was drastically reduced and they were subjected to strict political and administrative control (Modzelewska 2012). Only a few Catholic secondary schools affiliated to religious orders and congregations survived, most of them for girls only (Wojtas 2009).

A new stage began with the major administrative reform of 1990, which followed in the wake of transformations resulting from the

Ł. Mikula (✉) · M. Walaszek
Adam Mickiewicz University, Poznań, Poland
e-mail: mikula@amu.edu.pl

M. Walaszek
e-mail: marwal@amu.edu.pl

Table 1 Distribution of responsibilities and functions within education system across governmental levels in Poland

<i>Cities with county status (66)</i>		<i>Regions (16)</i>	<i>Central government</i>
<i>Municipalities (2413)</i>	<i>Counties (314)</i>		
<ul style="list-style-type: none"> • kindergartens • primary and middle schools 	<ul style="list-style-type: none"> • secondary schools • special and art schools 	<ul style="list-style-type: none"> • higher vocational schools • teacher training 	<ul style="list-style-type: none"> • public universities • educational supervision

Source Authors

reintroduction of local government at the municipality level. The reform of 1990 is generally considered one of the greatest successes of the political transformation in Poland, because it contributed to a significant change in the approach to managing public affairs, empowering local communities and encouraging them to take up functions and responsibilities previously held by central government and its territorial units.

The next reform in 1998 produced significant changes in the Polish administration system; it introduced two new tiers of territorial division: 380 counties or *powiat* (including 66 cities with county status) which were secondary units of local government and 16 regions with a two-tier administration (*województwo* as the head of regional state administration and a regional government in the form of a directly elected regional council with its own executive and administrative staff). There were, however, no territorial changes at the municipal level, which is still organised in the same way as in 1975 (almost 2500 municipalities).

The decentralisation process in education started with the transfer of kindergartens to municipalities in 1990 and ended in 1999 with the transfer of secondary schools to the newly created counties. Currently, the Polish education system is decentralised to a degree rarely seen in Europe (Herbst 2012) (Table 1).

It should be emphasised that the educational system in Poland has been subject to numerous transformations over the years, often related to the election cycles and appointments of subsequent governments. Systematically, politicians and local governments postulate the introduction of the new changes in the education system, which, in their opinion, are intended to improve school management, especially in the context of the need for rational management of the available financial resources.

The fundamental problems of the functioning of the education sector in Poland after 1990 include in particular:

1. the conversion of school ownership resulting from the process of decentralisation and marketisation of education management,
2. organisational changes of the school system, related to the creation of new levels of education and teaching profiles,
3. the demographic changes, the source of which is the decline in birth rate observed since 1990 and decreasing number of children of school age,
4. changes in the spatial organisation of schools associated with the processes of suburbanisation.

In the context of these problems, there is a need for an interdisciplinary approach to the evaluation of the education sector as institutional, demographic and spatial changes often intervene by themselves and it is not always clear which outcomes may be considered as results of deliberate policies in this field and which are driven by more general socioeconomic forces.

The phenomenon of decentralisation of the education system has been accompanied by the process of growth of the private sector in education, particularly intense in recent years and giving market opportunities for schools run by entities other than the local government. In a short time, they have become, especially in big cities, not only an alternative but also a serious competition for public schools.

The relatively recent trend is “outsourcing” of municipal public schools—the transfer of responsibility for maintenance and running of schools from local government to NGOs (e.g. non-profit associations of parents), private foundations or religious congregations. The municipality only subsidises such schools financially (at the level comparable with municipal schools) with very limited regulatory power over their organisational and personnel matters.

In this paper, we would like to assess the scale of outsourcing in the Polish education system and its impact on the performance of different categories of schools. Our main research questions are:

1. What are the main reasons for outsourcing in the Polish education system?
2. What is the real scale of outsourcing in the quantitative dimension?

3. Does outsourcing of municipal schools have impacts on:
 - (a) students' performance in final examinations?
 - (b) structure of teaching staff (age, professional experience)?
 - (c) other important educational indicators?

Following the general pattern of analysis used in this book, in first part of the paper, we cover *institutional* changes in the Polish education system resulting from its complex reform in 1999 and the growing popularity of schools that are not run by local government units. In this context, we try to evaluate the *performance* of different types of schools based on the empirical example of Poznań metropolitan area. Finally, in the last section of the paper, we present *outcome* evaluation indicating the more far-reaching social changes that are brought about by the “outsourcing model” in local education.

REFORM OF EDUCATION SYSTEM IN 1999 AND ITS CONSEQUENCES

In 1999, very important changes in the Polish educational system were introduced by the implementation of a three-stage system of education. The reform abolished the former eight years of primary school, introducing six-year primary schools, three-year middle schools and three-year secondary schools, which in practice meant the transition from an educational model of late selection for an intermediate model (Godlewska and Jaroszewska 2007). Each stage ends with a test to verify the knowledge and skills acquired by students during the various stages of education.

The issue of middle schools has also drawn criticism over the years, although their elimination, after many years of operation, seems to be quite difficult to achieve. Public attention is drawn to the growing problems of troubled youth and highly variable skills of teachers in dealing with the crisis. As noted by Appelt (2004), a middle school student is at a difficult age (13–16), looking for authorities and ideas on which to rely, while at the same time often rebelling against previously established rules. Moreover, a young man searching for his identity is often inclined to adopt a negative identity and provocative behaviour (after Erikson 1997; Appelt 2004). The difficulties of teaching middle school students are often confirmed by the teachers themselves. In the case of primary schools, this problem is much smaller. The abolition of middle schools

will not reduce the difficulties in raising children, however, but only “transfer” them to primary schools.

The educational reform in 1999 also introduced significant changes in the financing of schools. The primary source is the educational subsidy from the state budget, the amount of which depends on the number of students in the municipality, and, as often emphasised by the municipal authorities, is not sufficient for full implementation of educational tasks by the local government. It should be noted that a significant part of the subsidy is spent on teachers’ salaries, although, in the context of demographic decline, changes in the number of teachers are much slower than the changes in the number of students. The growing role of private schools helps municipalities to reduce the cost of employment of teachers. In non-local government schools, the so-called Teacher’s Charter (a legal act passed in the 1980s that gives many privileges to teachers) does not apply.

One of the fundamental effects of the educational reform in Poland was the introduction of external examinations at the end of each cycle of education. The first examinations at the end of primary school and middle school were held in 2002. The average results of students at external examinations for individual schools and territorial units are widely available and published. Examination achievement is considered to be one of the universal measures of quality of educational services.

THE “OUTSOURCING MODEL”: LEGAL REGULATIONS AND EMPIRICAL DATA

Since 2009, the Act on the Education System has allowed the direct transfer of public schools to organisations other than local government (non-LG schools).¹ The introduction of the new law certainly contributed to the strengthening of the role of non-LG actors in the provision of educational services (Fig. 1).

Due to demographic changes, currently, the biggest problem of Polish education is a dramatic drop in the number of children and young people in schools. There is a need to adjust the school network at the local level to the declining number of students (which happens often through the closure of schools) and the increasing costs of the education system. In the years 2000–2015, the number of municipal primary schools in Poland decreased from 15,463 to 10,968 (-29.1%), while in the same

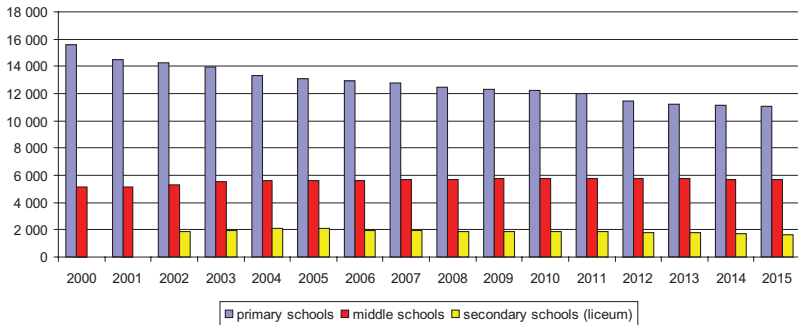


Fig. 1 The number of local government schools between 2000 and 2015. Data for secondary schools available from 2002–first year of new school system. *Source* Authors’ own work based on the data from Central Statistical Office (GUS)

period global municipal expenditure on primary education in Poland increased from 11.8 to 19.3 billion PLN² (+ 64%).

In Poland, in accordance with the Act of 12 February 2009 on the Education System, public school transfer can concern only schools attended by no more than 70 students, after special approval of the Superintendent of Education (state supervisory authority). This kind of externalisation is usually used in cases of small rural schools in poorer municipalities—as a solution more acceptable to the local community than the definite closure of the school.

However, in the last few years, due to demographic changes (lower number of students) and financial limitations of local governments, the procedure of schools outsourcing is also being introduced in larger cities. To avoid the limitations for the transfer imposed by the Act on the Education System (maximum number of students) a more complicated, but still legal, the procedure is used. The municipal school is formally closed on the last day of the school year and on the next day a new non-municipal school is opened in the same building (usually rented from local government by the operator). The closure of the school is allowed by law, being a free decision of the city council. Opinions from trade unions and the state supervisory authority are required, but they do not have binding power.

This kind of outsourcing, called by Sześciło (2014) “a crawling privatisation”, is much more controversial than the direct transfer of schools

under the provisions of the Act on the Education System. The main power players behind such arrangements are local governments on one side and large private foundations or religious congregations on the other. While the local government wants to make some savings on education spending, new operators are seeking opportunities to expand their activity in the field of education. This process is often contested, however, by:

- professional organisations of teachers and public sector trade unions – as teachers of municipal schools are threatened with losing their jobs or, at least, if they are hired by the new operator, with losing the privileges given by the Teacher’s Charter,
- parents, who are not always convinced that the new character of the school is a best choice for their children, and are afraid of all the potential problems in the transformation process.

Another reason for social tensions within local communities is the fact that “outsourced” schools usually offer relatively better conditions for learning and attract students from regular municipal district schools in the vicinity which in turn feel that their existence is threatened by this process. Public protests connected with the privatisation of schools have taken place in some of the largest cities in Poland: Poznań and Lodz in 2011, Gdynia in 2015, Krakow in 2016, as well as in some smaller towns, including Ploty and Szczekociny in 2015.

Non-LG schools have been present on the educational market since the very beginning of the post-socialist transition in 1990, but in recent years their importance has been growing rapidly. The number of non-LG primary schools increased by four times between 2000 and 2015 and almost doubled in only five years between 2010 and 2015 (Fig. 2). The growth in the number of non-LG middle schools is steady but more moderate, while the number of secondary schools remains stable.

The share of students in non-LG primary and middle schools is growing even faster than the number of schools—by roughly five times between 2001 and 2015. And while the national average is still at a rather low level (5.2% in primary schools and 6.3% in middle schools), these indicators are much higher in the largest cities (Table 2). This geographical pattern does not apply to secondary schools (*liceum*) (Fig. 3).

The empirical assessment of the educational performance and other indicators of teaching quality have been made on the example of Poznań

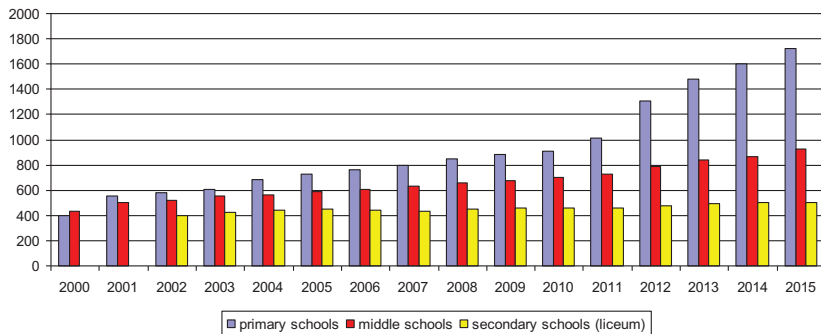


Fig. 2 The number of non-LG schools between 2000 and 2015. Data for secondary schools available from 2002—first year of new school system. *Source* Authors' own work based on the data from Central Statistical Office (GUS)

Table 2 The share of students in non-LG schools in 2015

<i>Middle schools</i>			<i>Primary schools</i>		
<i>Rank</i>	<i>City</i>	<i>%</i>	<i>Rank</i>	<i>City</i>	<i>%</i>
1	Krakow	28.4	1	Krakow	14.9
2	Poznan	17.6	2	Poznan	14.4
3	Lodz	16.3	3	Warsaw	14.1
4	Warsaw	13.3	4	Gdansk (TriCity)	12.4
<i>Poland</i>		6.3	<i>Poland</i>		5.2

Source Authors' own work based on data from Central Statistical Office (GUS)

metropolitan area, where all 346 schools (281 LG, 64 non-LG) have been analysed. According to the research conducted by Walaszek (2016), the best educational results among primary and middle schools are achieved by non-LG schools (Table 3). Secondary schools are a notable exception as still most of the top ranking *liceums* are run by local governments.

There is no doubt that the work of schools is assessed largely through educational outcomes achieved by their students. As shown in the research conducted by Walaszek (2016), for schools in Poznań metropolitan area, for one-third of students the prestige of school is the most important factor for choosing it. Moreover, 20% of the surveyed students

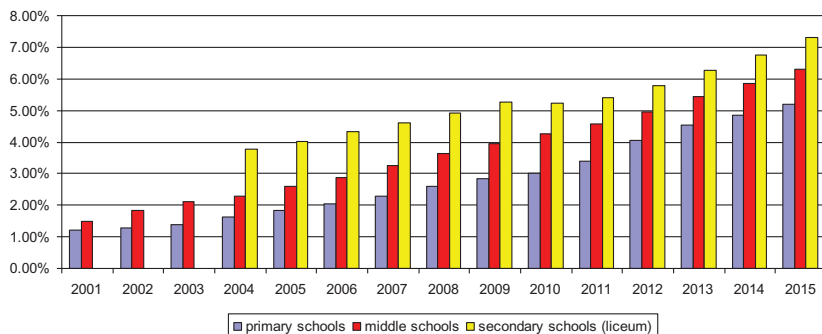


Fig. 3 The share of students in non-LG schools between 2001 and 2015. Data for secondary schools available from 2004—first year with full implementation of new school system. *Source* Authors' own work based on the data from Central Statistical Office (GUS)

Table 3 Schools with best performance at final exams—Top 15 (2015)

<i>Type of school</i>	<i>Primary schools</i>	<i>Middle schools</i>	<i>Secondary schools</i>
Loc Gov	3	5	10
Non Loc Gov	12	10	5

Source Authors' own work

made decisions about choosing a school based in the first place on the educational outcomes obtained by its graduates. As noted by Dolata (2013), exam results of students are conditioned by three groups of factors:

- individual, such as the student's ability and prior educational attainment.
- social, such as the cultural and social capital of family and peer group influence.
- educational, such as qualifications and commitment of teachers, teaching and learning conditions.

In the Poznań metropolitan area, educational outcomes of students diverge strongly depending on the body responsible for the school and its location (particularly across large urban areas). However, among the

Table 4 Students per one class unit (2015)

<i>Type of school</i>	<i>Primary schools</i>	<i>Middle schools</i>	<i>Secondary schools</i>
Loc Gov	21	23	24
Non Loc Gov	15	16	16

Source Authors' own work

factors determining the educational outcomes of students the material situation of the student and his or her family has the strongest influence (Walaszek 2016).

In other categories, non-LG schools were characterised in comparison with the local government schools by:

1. smaller number of students in the classroom, (Table 4)
2. better teaching equipment (multimedia projectors, interactive whiteboards) (Table 5).
3. more expenditure per student.
4. smaller number of students qualifying for state-funded free school meals (social criteria of low income).
5. fewer students in compensatory classes in school,
6. smaller percentage of students repeating a school year (Table 6).
7. increased activity of students associated with participation in extra-curricular activities (Table 7).
8. better access to the school psychologist.
9. lower share of teachers with highest professional degree (Table 8) and lower average age of teachers (Table 9).

As noted by Averett and McLennan (2004), the size of the school, as in the case of a company, may affect its functioning. The authors conclude that in large schools there is a problem with maintaining discipline in the classroom, which in turn may adversely affect the motivation of teachers to work. A large number of students in the school (class) also reduce interaction between teacher and student, which may translate into the lower examination results obtained by the students.

The most intriguing aspect of this comparison is the question of experience and education of teaching staff. Non-LG schools have a greater share of teachers with a Ph.D. degree, but LG schools have more teachers with the highest professional degree³ (“certified teacher”). As salaries of teachers are the main expenditure for the school and in municipal schools salaries are

Table 5 IT equipment per 100 students (2012)

<i>Type of school</i>	<i>Primary schools</i>	<i>Middle schools</i>	<i>Secondary schools</i>
Loc Gov	7.4	12.8	22.5
Non Loc Gov	11.2	47.1	30.9

Source Authors' own work

Table 6 Students repeating school year per 100 (2015)

<i>Type of school</i>	<i>Primary schools</i>	<i>Middle schools</i>	<i>Secondary schools</i>
Loc Gov	0.6	3.1	1.5
Non Loc Gov	0.3	0.2	2.1

Source Authors' own work

Table 7 Students participating in additional classes per 100 (2014)

<i>Type of school</i>	<i>Primary schools</i>	<i>Middle schools</i>	<i>Secondary schools</i>
Loc Gov	80.4	73.1	64.4
Non Loc Gov	112.1	126.2	55.9

Source Authors' own work

Table 8 Share of teachers with highest professional degree (2015)

<i>Type of school</i>	<i>Primary schools (%)</i>	<i>Middle schools (%)</i>	<i>Secondary schools (%)</i>
Loc Gov	28.8	33.8	42.6
Non Loc Gov	8.4	16.3	20.7

Source Authors' own work

regulated by the Teacher's Charter, it means that schools run by local government cost more than those that are outsourced. The latter, while making some savings on regular teaching staff, can hire some individual teachers with Ph.D. degrees to increase the school's prestige and "elite" character.

OUTCOME EVALUATION

Despite many positive changes in the education sector in Poland after 1990,⁴ some of them are still under heated debate. The phenomenon of competition between schools is now commonplace, especially in the

Table 9 Average age of teachers (2015)

<i>Type of school</i>	<i>Primary schools</i>	<i>Middle schools</i>	<i>Secondary schools</i>
Loc Gov	42.9	43.5	45.8
Non Loc Gov	38	41	44

Source Authors' own work

largest cities, due to diversification and liberalisation of the education market. However, the problem of growing social division as a result of early selection of students after primary school has been for a long time an important issue in many publications (Borowicz 2001; Kwieciński 2002; Mikiewicz 2005). According to Godlewska and Jaroszevska (2007), competence testing at the end of primary school, which was supposed to be only an indication for the child's parents, has become, unfortunately, a divisive factor among students. The results of external examinations have an influence on the selection of best students, causing rivalry between schools. In this competition, district schools run by the local government too often "lose". It may contribute to a decline in their popularity in the education market, taking into account the fact that the educational outcomes of students are in popular opinion identified with the quality of school work (Walaszek 2016).

It should be noted that in the Polish education system students have an essentially unlimited choice of school. It is not mandatory to attend the district school, although the transfer of a student to non-district school requires the consent of its director. According to Bajerski (2012), the use of these non-restrictive rules by the municipal authorities, school directors and parents leads to the creation of an educational quasi-market. Payne (2010) argues that the presence of non-LG schools in this market provides parents an alternative choice, forcing local schools to make more efficient use of their resources. The author indicates that the demand for non-LG schools is correlated with the "quality" of public schools in the place of residence. If a public school in the student's place of residence has poor learning outcomes, then the parents will be more likely to choose a non-public school (if it is financially possible, of course). And increasing the diversity of educational providers contributes to the growth of competitiveness between the schools, which is evident especially in large cities.

In large urban areas, this phenomenon is strengthened by the dynamic process of suburbanisation, which results in the central city losing

population to suburban areas. In the management of the education sector, especially in metropolitan areas, it is necessary to integrate activities on the supra-local scale. It is justified by intense movement of students between school districts (also between different municipalities), the increased mobility of students and the need for cost-effective management.

But the possibility of free choice of school for students also has its negative consequences. First, this phenomenon causes the ‘outflow’ of outstanding students to non-LG schools, thereby contributing to the crisis of public schools, where effectiveness is most frequently perceived through the results of external examinations. Due to the dynamic growth of individual car ownership since early 1990s affluent families often choose private schools, even a longer distance from home, which tend to have a better reputation and definitely better results in external exams than those run by local government. The “drain” of students from better-off families to non-LG schools deepens the crisis of local municipal district schools and the shortage of students. Secondly, in many non-LG schools, parents need to bear additional costs, for example tuition fees. This situation limits the access to these schools for a number of talented but less well-off students. As a result of both of these processes there is an increasing economic segregation of students, and thus an emerging division between elite (non-LG) and worse schools. It should be emphasised that the diversification of the schools for “better” and “worse” is most evident in the case of middle schools (Dolata 2010). Some studies show that among the factors that affect the educational outcomes of individual students the financial situation of the family is in many cases the most important (Cęcelek 2012; Wojda 2001; Walaszek 2016).

In this context, the assessment of the “outsourcing” model depends on expectations of the most important actors. Local governments advocate the transfer of schools to non-LG entities as the only possibility to keep them functioning at the present location in face of financial problems. Parents in the initial stage of discussions are usually against such a proposal, until they are convinced that there is no other hope of rescue for the school. Professional organisations of teachers criticise the commercialisation and privatisation of schools as “a remedy for all the ills of Polish education system” (Broniarz 2010), but in many cases individual teachers and school directors support the transfer to an external operator if they have a promise of their further employment, even if some privileges of the Teacher’s Charter are definitely lost.

On the other hand, according to Sześciło (2015), regulation entrusting local schools to be run by private entities can be treated as an example of legislative neglect, because the regulation of this process does not protect the public interest. As indicated by the author, serious problems in the sphere of outsourcing of educational services are:

- the use of the number of students in school as the only criterion in the process of transfer.
- no requirements for conducting open and transparent competition for the operator of the school.
- no need to consult with residents.
- lack of requirements to be met by the entity taking over a school, for example: experience in educational activities, the minimum capital.

Education is a service aimed at meeting social needs, hence the decision makers should consult their proposals with the local community. Unfortunately, a study by the Centre for the Development of Education in Poland (2014) showed that one of the weaknesses of the local educational policy is the lack of public participation (e.g. in the case of closing of schools or transfer to external operators). Commonly, it is a unilateral decision imposed on inhabitants by decision makers. The authors of the study found that the public authorities responsible for local education policy represent mainly a formal type of leadership and authoritarian style, and residents do not often have the reasonable competence to influence the decisions of public authorities on issues directly affecting them. The weakness of the local educational policies is, therefore, on the one hand, the inflexible approach of public authorities and, on the other, too weak public participation in this regard.

Two general lessons can be learned from the Polish case in regard to the outsourcing model in the education sector:

1. The most important precondition for the outsourcing of schools is the different employment status of teachers in municipal schools and those that are run by external operators. The latter are not limited by privileges and social benefits given to teachers in the socialist period and therefore are more flexible in personnel matters and, therefore, as employment costs make the largest share of spending for education, they are cheaper for the municipal budget. However, such an assumption may only be valid in transition

countries, where the employment law and status of teachers has changed because of fundamental socioeconomic transformation.

2. The outsourcing of schools in rural areas is something very different than in large urban centres. In the former case, it is usually a struggle for saving the school as the community centre (often against the will of local authorities) to avoid some kind of further peripheralisation in the face of demographic changes. In urban environments, the initial rise of the private sector in education should be considered as a reaction to over-centralisation in the socialist period and the rebirth of civic and religious activity. This assumption may also apply only to transition countries after political transformation. But the further development of the process, if it is not controlled by reasonable educational policy, can contribute to the deepening of social stratification, the outflow of the most talented students to private schools and the subsequent marginalisation of schools run by local government. If the existence of the latter is threatened, then the idea of transfer to an external operator may occur to the local authority. In this case, the outsourcing model gets new dynamics but probably serious social tensions will emerge within the local community.

The final point in this process is either a sharp division between successful private and “outsourced” schools contrasted with troubled municipal schools that concentrate students from poorer families or another solution: bringing back real competitiveness between municipal and other schools. This would, however, require a radical reform in the field of financing the education sector and the employment status of teachers.

The future perspectives for the education sector in Poland are certainly not clear. The new right-wing government that was formed after the general election in November 2015 presented a draft for radical reform of the system including: return to the two stage (eight years + four years) model, stronger state supervision and reintroduction of seven years as the obligatory age for starting primary school. Obviously, this also creates serious implications for local educational policies as the general reconstruction of the school network may be needed. Furthermore, such a radical break from the previous system will make existing datasets redundant for systemic evaluation of educational outcomes. The results of external examinations will lose their reference base in the years following the reform. This tool, although imperfect,

simplified and causing a lot of controversies, was extremely important for measuring the effectiveness of teaching in schools. The more detailed plans for the reform should reveal if it is only a political campaign of the ruling party or a serious concept for improving the quality of education, especially in municipal schools.

NOTES

1. We prefer to use the term “schools not run by local government” (non-LG schools) rather than private schools as they are founded by very different organisations: non-profit associations of parents, private foundations or religious congregations. Moreover, in Polish legislation, many of them are recognised as “public” (if they do not require tuition fees). So we consider the LG—non-LG division as much more appropriate in the Polish context than the public—private opposition.
2. 1 Euro = 4.3 PLN (September 2016).
3. The professional career of a teacher in Poland is divided into four stages:
I—trainee teacher—from the first day of employment at the school,
II—contract teacher—after at least 9 months work experience as a trainee
III—appointed teacher—after at least two years of work as the contract teacher,
IV—certified teacher—after at least one year of work as the appointed teacher.
Besides work experience, professional advancement of teachers is generally based on their pedagogical and psychological knowledge and abilities.
4. In PISA 2012, the Polish secondary school students obtained better results than their peers from most European Union countries. In the field of mathematical skills they took first place among the countries of the EU along with the students from the Netherlands, Estonia and Finland (OECD 2014).

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AUTHORS' BIOGRAPHY

Łukasz Mikuła is Associate Professor at the Adam Mickiewicz University (AMU), Poznań, Poland in Institute of Socio-Economic Geography and Spatial Management. PhD in Human Geography (2009), Master in Law (2007), Master in Spatial Management (2005). Research interests: local and metropolitan governance, spatial policy, strategic planning. Expert of Metropolitan Research Center (CBM) at AMU. Currently working on research project “Integrated governance for spatial development of metropolitan areas in postsocialist countries of Europe”, funded by National Centre of Science, Poland.

Marzena Walaszek Doctor of Earth Sciences in the field of Socio-Economic Geography and Spatial management (2016). Assistant Professor at the Institute of Social-Economic Geography and Spatial Management at the Faculty of Geological and Geological Sciences of the Adam Mickiewicz University in Poznań, Poland (AMU). A longtime expert in the field of social services in the Metropolitan Research Center (CBM) at Adam Mickiewicz University. Laureate of the team award of the Prime Minister of Poland for scientific and technical achievement in 2017. The Author of publications related to educational services, including spatial accessibility of schools and educational outcomes.

Reforming Local Service Delivery by Contracting Out? Evaluating the Experience of Danish Road and Park Services

Kurt Houllberg and Ole Helby Petersen

INTRODUCTION

Over the past few decades, in line with many other countries, a wave of evaluation has swept across the Danish public sector. This development includes a series of national reforms and initiatives aimed at increasing evaluation capacity, systematic assessment of local public services and benchmarking municipal activities. For instance, a major educational reform in 2014 extended the length of school days, set up national performance targets for academic achievements and wellbeing

K. Houllberg (✉)

VIVE, The Danish Centre of Applied Social Science,
Copenhagen, Denmark
e-mail: kuho@kora.dk

O.H. Petersen

Department of Social Sciences and Business, Roskilde University,
Roskilde, Denmark
e-mail: olehp@ruc.dk

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of students, and established national performance indicators intended for systematic comparisons and evaluations across schools and municipalities. While a broad range of Danish public services has recently been subject to gradually increasing evaluation and benchmarking, the focus of this chapter is empirically confined to evaluating a specific local service reform, namely the contracting out of municipal road and park services. These services are interesting from an evaluative perspective because of the widespread involvement of private providers, which makes them an appropriate empirical setting for assessing whether superior cost efficiency has been achieved as argued by reform advocates.

The academic literature has for many years discussed privatisation and contracting out as reforms intended at delivering efficiency improvement in local service areas such as rubbish collection, water treatment and road maintenance (Blom-Hansen 2003; Bel and Warner 2008; Dijkgraaf and Gradus 2013). Theoretical expectations about possible reform outcomes typically draw on public choice theory, arguing that competition will increase efficiency, as well as property rights theory, arguing that private ownership and profit maximisation incentives in the private sector will lead to better performance and higher efficiency. Indeed, most empirical studies and meta-evaluations carried out in the 1980s and 1990s concluded that contracting out in most instances had delivered significant cost savings compared with public service delivery (Borcherding et al. 1982; Savas 1987; Domberger and Jensen 1997). However, more recent evaluations from around the world have found that cost savings from contracting out are nowadays smaller and less frequent than two or three decades ago (cf. Boyne 1998; Hodge 2000; Petersen et al. 2016) and some evaluations have even concluded that the empirical evidence is inconclusive (Bel and Warner 2008; Bel et al. 2010).

Evaluating the relative efficiency of public and private delivery of local services is, therefore, more relevant than ever before, and further empirical evaluations covering more countries and service areas are warranted to further understand the promises and pitfalls of using contracting out as a means of reforming local public service delivery. This chapter scrutinises the economic effects of contracting out of local road and park services in Danish municipalities. The aim is to examine whether cost savings and improved cost efficiency is documented when local public services are provided by the private market. From an evaluation perspective, the chapter represents a performance evaluation of institutional changes in service delivery policies shifting the delivery of services

from public to private hands. The main performance emphasis is on cost savings (i.e. input changes), as cost savings are a major aim of contracting out road and park services (Lindholm et al. 2015) and outcome-indicators for quality and effectiveness are not systematically available.

The chapter develops in three consecutive steps. First, drawing on data from municipal registers, we provide an overview of how contracting out in municipal road and park services has evolved over the past two decades. With a few variations over time, the data show a clear upward trend in the proportion of these services being contracted out to private providers. Next, we examine whether there is empirical evidence of increased cost efficiency of private delivery of road and park services in Danish municipalities. Drawing on recent studies using register data as well as data from a recent survey among the municipalities, we find overall evidence of cost reductions when services are contracted out, although an additional insight is that the cost saving resulting from contracting out seems to be decreasing over time. Finally, since recent studies in other countries and service areas have also found decreasing benefits from contracting out over time, we conclude the chapter by discussing possible theoretical explanations behind the diminishing returns from contracting out over time.

DEVELOPMENTS IN CONTRACTING OUT OF LOCAL SERVICES

Compared with countries like the UK, USA and Australia that were early adopters of privatisation and contracting-out of public services, Denmark has been a late adopter of market mechanisms. The political focus on contracting out is often dated back to the so-called “Modernisation programme” that was launched in 1983 by the liberal-conservative government. In an international evaluation perspective this can be seen as a reflection of a neoliberal wave focusing on market orientation with deregulation, privatisation, contracting out, efficiency and consumer influence as key phrases (Vedung 2010; Wollmann 2014). From that time, onwards shifting governments have had an explicit focus on the involvement of private firms in public service delivery, though the number of public companies actually privatised by asset sales was moderate throughout the 1990s and 2000s. More political emphasis was placed on contracting out of technical services such as rubbish collection, road maintenance and park services, and free choice between public and

private providers of welfare services like hospitals, childcare, primary schools and care of the elderly.

The Danish public sector consists of three tiers of government: the central level, the regional level, and the local level. The central level is responsible for general regulation and policy-making as well as police, defence, tax-collection and higher education. The five regions are responsible for hospitals and other health services along with some tasks within environmental planning, tourism, regional development and transportation. Finally, there are 98 municipalities with responsibility for a broad range of services including care of the elderly, primary education, care for the disabled, job training, day care, sports and culture, parks and green spaces as well as local roads and infrastructure (Petersen et al. 2015). The municipalities also hold responsibility for utilities like water supply and electricity but these are generally organised as public companies and are not politically salient issues in Denmark. The Danish public sector is largely decentralised and municipal expenditures account for around 50% of all public spending. Besides locally levied taxes, general grants from the state is the most important source of revenue, and the municipalities are entrusted a high degree of organisational autonomy with regard to allocation of resources and choosing between in-house and external production of the services they provide to citizens.

Since 2000 the overall level of contracting out in Danish municipalities has grown from less than one-fifth of all current municipal expenditures in 2000 to over one-quarter in recent years. This development has been encouraged by a number of national initiatives including mandatory outsourcing policies and compulsory targets for competitive tendering in the municipalities. However, the level of contracting out varies considerably between service areas, ranging from 40 to 50% for technical services like roads and environmental issues to 10–20% for social services like childcare and care of the elderly (Petersen et al. 2015). The road and park sectors stand out as two service areas that have been subject to widespread and long-lasting reforms under the headline of contracting out. In some municipalities contracting out was common even before the involvement of the private market was subject to any central government policy and regulation.

The public road network in Denmark consists of approximately 74,500 km of roads, of which the municipalities are responsible for maintaining 70,600 km, or around 95% of all public roads. Figure 1 shows that the level of contracting out of park services has been steadily

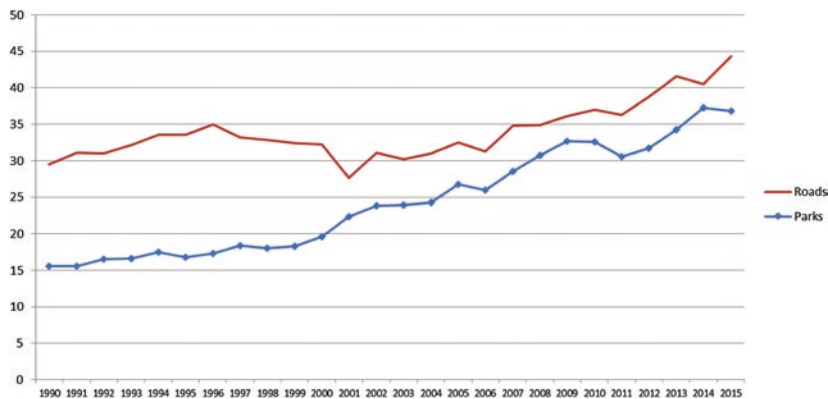


Fig. 1 Percentage of road maintenance and park expenditure spend on private contractors, 1990–2015. *Source* Calculations by the authors based on the municipal accounting data from Statistics Denmark, www.statistikbanken.dk/REGK31

increasing from around 15% in 1990 to 37% in 2015. In comparison, the level of contracting of road maintenance is higher but has increased less significantly than for park services over the past 25 years. Hence, from an initial level of 30% in 1990, the level of contracting out was relatively stable at 30–35% until 2007. After a structural reform in 2007, which amalgamated municipalities and transferred responsibility for a number of former regional roads to the municipalities, the overall level of contracting out of road services has increased from 35% to nearly 45% nowadays.

EVALUATING CONTRACTING OUT OF LOCAL ROAD AND PARK SERVICES

This section provides an overview of the evaluative evidence on contracting out of local road and park services in Danish municipalities. We first examine the evidence from two large-scale register-based analyses of economic effects of contracting out of local road maintenance (Blom-Hansen 2003; Houlberg and Petersen 2015). Both studies focus on the road *maintenance* since road *construction* is almost solely provided by private contractors and thus less relevant with regard to evaluating differences in the costs of public and private provision. We focus on the most recent register-based study (Houlberg and Petersen 2015) while a

comparison with the previous analysis (Blom-Hansen 2003) is saved for the discussion section. Second, we examine the evidence from a recent survey on outcomes of competitive tendering in Danish local road and park services.

Register-Based Evaluation

The register-based evaluation of contracting out of local road maintenance is based on a 2008–2014 panel dataset for all Danish municipalities. The data includes a detailed register-based measurement of each municipality's expenses on road maintenance per metre of local road (dependent variable) and an independent variable measuring the percentage of services contracted out in each municipality in each year. Moreover, a number of control variables from municipal registers are included to control for other factors potentially influencing municipal costs of maintaining their roads (for full details see Houllberg and Petersen 2015).

Table 1 presents the results. In the standard OLS regression analysis in model 1 the level of contracting out correlates negatively with the costs of local road maintenance. These results indicate that municipalities with a higher level of contracting out have significantly lower road expenditure than municipalities with lower levels of contracting out. These OLS regression estimates may, however, be affected by selection bias due to unobservable factors not controlled for (Dijkgraaf and Gradus 2013). This could be inter-municipal variations in road types, weather conditions, market capacity or local traditions for involving private contractors. Hence, in order to handle these problems, model 2 makes use of a Fixed Effects (FE) model, which controls for all unobserved time-constant differences between the municipalities. The FE model is thus a more valid basis for drawing causal conclusions. The estimate for contracting out in model 2 is smaller than in model 1, but still significant. This implies that a *change* in the level of contracting out reduces road costs. The result of the FE model thus indicates that contracting out of local road maintenance has resulted in significant cost savings for road maintenance in the period from 2008 to 2014.

Considering the effect in substantial terms, the coefficient for the level of contracting out in model 2 is -0.26 , thus meaning that an increase of one percentage point in the level of contracting out results in an average reduction of local road expenditure by 0.26 DKK per metre of

Table 1 Effects of contracting out on municipal road expenditure 2008–2014 (2014 prices)

	<i>Model 1</i>	<i>Model 2</i>
<i>Estimation method</i>	<i>OLS with cluster-corrected standard errors</i>	<i>Fixed effects (FE)</i>
<i>Dependent variable</i>	<i>Road expenditure per metre of road</i>	<i>Road expenditure per metre of road</i>
Level of contracting out	−0.41** (0.20)	−0.26* (0.14)
<i>Control variables</i>		
Commuters	2.06*** (0.40)	−1.78* (1.03)
Length of roads	−3.85*** (0.61)	−0.97 (2.09)
Municipal wealth	2.05*** (0.44)	0.95*** (0.33)
Urbanisation	0.03 (0.02)	0.15 (0.09)
Socialist mayor	−17.94* (9.97)	3.17 (4.41)
<i>Year dummies (ref. = 2008)</i>		
2009	−2.43 (2.99)	1.21 (4.69)
2010	0.95 (4.32)	8.81* (5.09)
2011	−36.61*** (8.27)	−23.54*** (7.61)
2012	−37.49*** (10.41)	−20.56** (8.90)
2013	−35.59*** (10.48)	−16.79* (9.22)
2014	−42.31*** (11.19)	−22.54** (9.60)
Constant	−321.26*** (96.07)	−30.80 (95.60)
Observations	667	667
Adj. R^2	0.794	0.422
Max. VIF	2.992	2.992
Number of municipalities	96	96

Source Houlberg and Petersen (2015)

Note All explanatory variables lagged by one year. For model 2 the reported R^2 is the overall R^2 . Robust standard errors in parentheses. Two-sided tests of significance: *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

road. This is equal to a cost reduction of 0.2% of the average municipal road expenditure of 138 DKK per metre of road for every one percentage point increase in the level of contracting out. The register-based analysis thus shows that a 5% increase in the level of contracting out gives rise to a reduction of approximately 1% in the municipal costs of local road maintenance. Interestingly, controlling for road quality for a subset of municipalities with available data for road quality does not affect the estimated economic effects (Houlberg and Petersen 2015). This indicates that contracting out has not merely lowered costs at the expense of service quality but has resulted in real efficiency gains. Whether the cost savings achieved in 2008–2014 are small or large compared with the findings of a previous analysis is an issue that we return to in the discussion section.

Turning to the control variables in Table 1, we focus on model 1 as a number of the controls are close to time constant and we can therefore not interpret the FE model with regard to the control variables. Model 1 shows that increased municipal wealth and increased commuting are associated with increased road expenditure and that road expenditure is subject to economies of scale as increased road length reduces the road expenditure per metre road. Finally, ideology affects road expenditure in the way that municipalities led by socialist mayors seem to allocate less money to road maintenance than those led by conservative mayors. Thus, factors other than contracting out affect road expenditure. Some of these structural, economic and political factors may, in turn, affect the economic effects of contracting out and imply that effects of contracting out are not territorially homogeneous.

Houlberg and Petersen (2015) also examine whether all municipalities in economic terms have gained equally from the private provision of road services, or whether contracting out is subject to heterogeneous effects due to municipality size (for a similar approach see Bel and Mur 2009) and the initial level of contracting out. Interestingly, the analysis suggests that only medium-sized municipalities with 43,000–60,000 inhabitants have realised significant cost savings, whereas smaller as well as larger municipalities have not. Moreover, with regard to whether contracting out yields different effects in municipalities with low and high utilisation of private providers, the municipalities are split into four groups according to their level of contracting out at the beginning of the period. The statistical analysis shows that municipalities with the lowest initial level of contracting out (and highest costs as discussed

above) have increased their level considerably, though this increase in private involvement has not been followed by shrinking costs of providing the services. Effects of contracting out, therefore, seem to be fairly heterogeneous and dependent on a number of contextual factors, which allows some municipalities to draw cost savings from contracting out whereas other municipalities have not experienced any significant economic benefits from such reforms.

Survey-Based Evaluation

The evaluation of experiences with contracting out of local road and park services is based on a survey among all municipalities in 2014–2015 reported by Lindholst et al. (2015). The survey contains responses from 75 of the 98 Danish municipalities, which is equivalent to 76.5% of the municipalities. An analysis of missing responses shows that the respondents are representative of all Danish municipalities (for details see Lindholst et al. 2015).

Table 2 provides an overview of the survey results for the municipal road and park managers' assessment of average cost changes after the last round of competitive tendering of road and parks services. Note that the results are not comparable to the register-based results in Table 1, since Table 1 estimates the effect of an increase in the level of contracting out by one percentage point whereas Table 2 contains estimates of the effects of the last tender. The survey shows that in road services the last round

Table 2 Cost changes from last tender in road and park services (average changes)

	<i>Change in costs (negative values are cost savings)</i>		
	<i>Road services</i>	<i>Park services</i>	<i>Road and park services together</i>
Number of valid responses	47	35	82
Average cost changes	−5.8%	−5.1%	−5.5%
Standard deviation	11.6%	9.8%	10.8%
Min. value	−50%	−30%	−50%
Max. value	10%	16%	16%

Source Lindholst et al. (2015, 33)

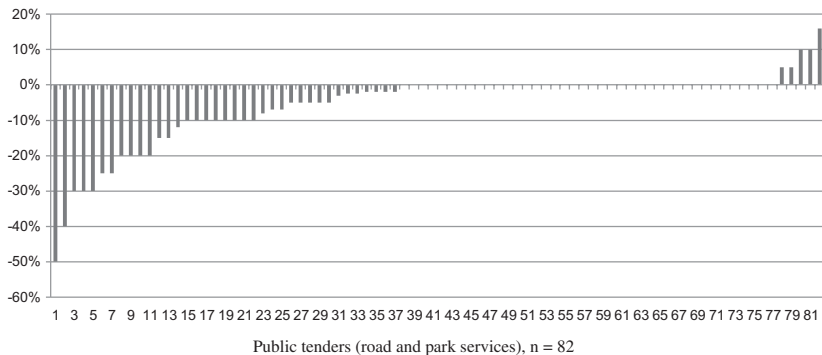


Fig. 2 Cost changes from last tender in road and park services (82 municipal tenders). *Source* Lindholst et al. (2015, 34)

of tendering on average is reported to reduce the costs of delivering the service by 5.8%, while the responses for park services indicate an average cost reduction of 5.1%. The small difference between the two services is not statistically significant. On average, the municipalities thus experienced a cost reduction of 5.5% during the last round of tendering within local road and park services.

However, the average cost reduction of 5.5% conceals relatively large inter-municipal variations in the magnitude of cost savings. Figure 2 provides a more detailed overview of the changes in costs of providing local road and park services after the last tender. The figure shows that few municipalities have experienced an increase in the cost of providing the service (five tenders), while an almost equally large number of municipalities have experienced cost savings (37 tenders) and no cost difference between public and private provision of road and park services (40 tenders). The spread in cost changes is thus large, and whereas some municipalities have realised rather large cost reductions, others have experienced unchanged costs and yet other municipalities have even experienced cost increases.

Moreover, Table 3 shows the relation between a municipalities' cost savings and the number of tenders over the past ten years. The table shows that the more times a municipality has tendered road and park services for the past ten years, the smaller are the reported cost savings obtained during the last tender. Whereas the average cost saving for municipalities that tendered road and park services once in the past

Table 3 Cost changes and number of tenders during the past ten years

<i>Number of tenders during the past ten years</i>	<i>Average cost change (negative values are cost savings)</i>	<i>n</i>	<i>Standard deviation</i>
1	-11.4%	13	10.5
2	-7.9%	13	9.2
3	-3.2%	13	5.9
4 or more	-3.7%	43	11.9
Total	-5.5%	82	10.8

Source Lindholm et al. (2015, 43)

ten years is 11.4%, it is 7.9% for municipalities with two tenders, 3.2% for municipalities with three tenders, and 3.7% for municipalities with four or more tenders. The decreasing trend is statistically significant at the 0.05 level, thus indicating that the cost savings from contracting out are becoming significantly smaller as municipalities move from the first generation to later generations of tenders. A further statistical analysis including controls for other variables confirms that the cost savings from contracting out are decreasing with the number of public tenders of road and park services for the past ten years (Lindholm et al. 2015).

DISCUSSION

From an evaluation perspective, the reported evaluations of contracting out represent a performance evaluation of institutional changes in service delivery policies. The main performance emphasis has been on cost savings (i.e. input changes) and unit costs (i.e. the relation between output and input), partly as a consequence of outcome-indicators for quality and effectiveness not being systematically available. However, for the subset of municipalities with available road quality data, the present evaluation of contracting out in 2008–2014 in line with Blom-Hansen's (2003) former study in the 1990s finds that controlling for road quality does not affect the estimated economic effect of contracting out. This indicates that contracting out of road maintenance over the last 25 years has not merely lowered costs at the expense of service quality but has resulted in real efficiency gains in the municipal road sector in Denmark.

The evaluations show that contracting out of road services has generated statistically and substantially significant cost savings. At present, a

5% increase in the level of contracting out gives rise to a reduction of approximately 1% in the municipal road maintenance costs. The present cost savings are, however, both statistically and substantially less significant than in Blom-Hansen's (2003) study of municipal road expenditures in the 1990s. Rerunning Blom-Hansen's findings with the same specifications as in Table 1 above reveals that the estimated cost savings were almost twice as large in the 1990s as in 2008–2014. Though still significant, the economic effect of contracting out road services has in other words been declining over the past 25 years. These insights could be of relevance to countries in other parts of Europe though Danish municipalities represent a delimited empirical context which means that generalisation of specific findings should be made with caution.

Considering various possible explanations for the declining effects of contracting out as a reform tool over time, several theoretical explanations are possible. One explanation highlighted in several recent studies is that the competitive pressure in municipalities with an extensive involvement of private providers has forced the municipality's in-house division to lower operational costs and thus increased the efficiency of the public provision as well (e.g. Bel and Costas 2006; Bae 2010). If this is part of the explanation this can be considered a major success for contracting out as a reform tool due to the lower costs of providing those services contracted out as well as those delivered by the public sector. However, another and slightly less optimistic possibility is that contracting out will result in market concentration (Dijkgraaf and Gradus 2013), thus implying that an initial high level of competition for the services could gradually be replaced by local monopolies or duopolies. This could particularly be the case in service areas characterised by entrance costs and high asset specificity, thus leading to market concentration and limited competition over time.

Recent contracting out studies from a range of countries have pointed to these possible explanations of declining effects over time (Bekken et al. 2006; Bel and Costas 2006; Hutchinson and Pratt 2007; Bae 2010), although none of them have so far been able to determine empirically which of the explanations and possible mechanisms are the most convincing. Neither do the studies on contracting out of local road and park services in Denmark provide a definite answer. Which of these possible explanations is at stake, therefore, needs to be resolved by further empirical analyses. Whatever the exact explanation(s) regarding diminishing economic effects over time, the evaluative evidence from the Danish

road and park sector parallels the findings of Bel and Costas (2006), thus indicating that contracting out as a notable example of local service delivery reform tends to “get rusty” over time.

CONCLUSION

The use of privatisation and contracting out has constituted a major reform trend in local public service delivery for decades. The aim of such reforms has often been to improve the efficiency and cost-effectiveness of local public services, and whether this actually happens has been debated and contested in the academic literature for many years. Indeed, the evidence of early studies rather clearly pointed towards cost savings and higher efficiency, while more recent evaluations have pointed to smaller and more mixed effects than previously anticipated. This chapter has examined the trends and evidence with regard to contracting out of local road and park services, which for decades have been the leading light of contracting out in Danish municipalities. Providing an overview of contracting out for the past 25 years, we demonstrated that the proportion of services being provided by private firms has been gradually increasing during the time period. The increasing use of contracting out is most pronounced in local park services, whereas road maintenance started out at a higher level and has increased more modestly. As a result of this development, the park sector has gradually been ‘catching up’ with the road sector with regard to the involvement of private firms in the delivery of services (Lindholm et al. 2016, 469).

With regard to evaluations of reform outcomes, we examined recent studies of the recent experience of contracting out in local road and park services in Danish municipalities. The evidence from both a register-based and survey-based study showed that contracting out has resulted in significant cost reductions. Whereas the register-based analysis showed that a 5% increase in the level of contracting out has on average led to cost savings of 1% in the cost of road maintenance, the survey-based analysis found that Danish municipalities on average experienced a cost reduction of 5.5% during the last round of competitive tender of road and park services. Cost savings from contracting out are thus rather well documented in the empirical context of local road and park service in Danish municipalities.

Adding more nuances to this overall picture, however, a number of additional analyses illustrated that the effects of contracting out

are rather heterogeneous across different municipalities and over time. First, the analysis indicated that not all types and sizes of municipalities have benefitted equally from contracting out of local road services. In particular, medium-sized municipalities seem to have benefitted significantly, whereas other sizes of municipalities have not, thus suggesting that size matters for the reform outcome of contracting out. Second, a trend towards declining effects over time was found when comparing the register-based study with a previous study based on the data from the 1990s (Blom-Hansen 2003). The contemporary economic effects of contracting out road maintenance are roughly half the size they were two decades ago. This finding was moreover supported by the survey-based analysis, which found that the more times a municipality has carried out competitive tendering of road and park services during the past ten years, the smaller were the cost savings from the last tender. Jointly, these insights rather firmly suggest that the effects of contracting out have been decreasing over time, thus implying that initial reform outcomes tend to be larger than later reform outcomes. These insights lend support to the assertion that contracting out as an example of local service delivery reforms seem to “get rusty” over time (Bel and Costas 2006).

The chapter also pointed towards a paradox in the way in which contracting out as a public reform tool has been framed and evaluated in Denmark. On the one hand, the debate on contracting out in Danish local services for the past few decades has mainly focused on performance enhancement and improved efficiency. In this respect, public sector reforms in Denmark reflect a wider international reforming trend with ambitions of shifting the focus of public sector management from inputs to outputs and outcomes (Pollitt and Bouckaert 2011). On the other hand, there is still rather scarce evaluation of contracting out outcomes in many local services, and most evaluations have focused on costs rather than service quality, thus making it difficult to judge whether official reform purposes have actually been achieved or not. The register-based analyses of local road services that include a control for service quality are rare exceptions from the general evaluation picture with regard to contracting out of local services in the Danish municipalities (see also Hjelmar et al. 2013). For this reason, further evaluations including more comprehensive measurements of service quality are needed to decide whether contracting out as a reform tool has actually succeeded in fulfilling the promise of delivering local public services with a higher efficiency and/or better quality.

Finally, while the available evaluations clearly show that cost savings have been the short-term outcome of contracting out, the evidence also highlights that such effects have been declining over time. The lesson of the chapter is that the efficiency of contracting out as a reform tool needs to be assessed over a time period spanning more than a few years because the immediate reform effects seem to be larger than the long-term effects. While obtaining data covering extensive time periods is challenging for many obvious reasons, it would nonetheless be important to pursue this undertaking in further research, as it would provide a more precise and nuanced picture of the long-term outcomes of contracting out as a public service reform tool.

Summing up, the lesson other countries can learn from the present Danish experience on the one hand is that contracting on average seem to be a viable reform path for cost savings in local park and road services. On the other hand, the Danish experience show that contracting out is not a universal cost-saving reform tool for all municipalities at all times. The evidence with regard to economic effects of contracting out in the context of local park and road services show that effects are heterogeneous and contingent on the territorial characteristics of the municipality as well as tending to decline over time.

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AUTHORS' BIOGRAPHY

Kurt Houlberg is professor (wsr) in local government finance at VIVE, the Danish Centre of Applied Social Research. His main research fields are Local Government Finance, Local Government Reform, Public Policy, Public Administration and Contracting out. A main research interest is the influence of scale, fiscal environment and political factors on local government policy, financial management, make-or-buy decisions and effectiveness. In recent years, a particular interest has been dedicated to studies of the economic and democratic consequences of the Danish local government reform in 2007, financial management in times of fiscal austerity and the economic effects of contracting out.

Ole Helby Petersen is Professor (wsr) in public administration and policy at the Department of Social Sciences and Business, Roskilde University, Denmark. His research focuses on collaboration between the public and private sectors with a specific focus on public-private partnerships, contracting out, public procurement, free choice systems and public-private innovation. He is director of the Danish Center for Research on Public-Private Collaboration. Current projects focus on evaluating outcomes of contracting out, transaction costs of public service contracting, and comparative analyses of infrastructure PPPs.

The Efficiency of Local Service Delivery: The Czech Republic and Slovakia

*Jana Soukopová, Beata Mikušová Meričková
and Juraj Nemec*

INTRODUCTION

The independent Czech and Slovak republics were established as sovereign, democratic unitary states on 1 January 1993, as the result of the division of former Czechoslovakia. The Czech Republic has an area of 78,866 km² and a population of about 10 million, while Slovakia is 49,034 km² in area and has about 5.5 million inhabitants.

The steps taken to achieve local government reforms have not differed much between the Czech Republic and Slovakia, but there are some differences, as shown below (for more see especially Buček and Nemec 2012; Kadečka 2012). Created in 1990, the system of local

J. Soukopová (✉) · J. Nemec
Masaryk University, Brno, Czech Republic
e-mail: soukopova@econ.muni.cz

J. Nemec
e-mail: juraj.nemec@econ.muni.cz

B.M. Meričková
Matej Bel University, Banská Bystrica, Slovakia
e-mail: beata.mikusovamerickova@umb.sk

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self-government in both countries is in compliance (aside from very minor considerations) with the principles of the European Charter of Local Self-Government.

Local governments in both countries are fully independent in their capacity to decide about all local matters (if such a decision is not prohibited by law) according to their local needs and conditions. They are entitled to choose the best mode of delivery of local public services. The right to select how to produce and partly also how to finance local public services started to be utilised by municipalities soon after the establishment of local self-government in Czechoslovakia.

In this chapter, selected factors/dimensions of the efficiency of local service delivery in the Czech Republic and Slovakia are assessed. The first, analytical, part presents results obtained from externalisation and analyses the main results in relation to achieving greater effectiveness. The subsequent analytical parts investigate the impact of the level of competition between suppliers on the costs of waste collection services and the core factors determining these service costs.¹

LOCAL SELF-GOVERNMENT IN THE CZECH REPUBLIC AND SLOVAKIA

Public administration reforms in Czechoslovakia started almost immediately after the Velvet Revolution in 1989. Local self-government was created under Act No. 369/1990. The rights and obligations of the former local committees in designated areas were transferred to municipalities, and the basic functions of municipal self-governments were defined.

In both countries, regional self-governments were created before joining the European Union in 2004. Fourteen regions were established in the Czech Republic in 1997, the first regional government representatives were elected in November 2000, and the regional governments took office on 1 January 2001. Eight regions were established in Slovakia in 1996, with the first regional self-government elections taking place in 2001.

Both countries are characterised by highly fragmented settlement patterns. In May 2016, there were 6258 municipalities in the Czech Republic and 2890 municipalities in Slovakia. The average Slovak municipality has an area of approximately 17 km² with only 1870 inhabitants.

Almost 70% of Slovak municipalities have less than 1000 inhabitants, but only slightly more than 16% of the total population of Slovakia lives in such municipalities. The smallest municipality, Príkra, has 12 inhabitants, but according to the legal provisions, it has the same competence as the largest Slovak municipalities/towns. In the Czech Republic, such small municipalities have a limited range of delegated responsibilities, though when it comes to their own responsibilities they have the full range.

Local government responsibilities in both countries are divided into two groups: autonomous competences and delegated powers. The autonomous competences include every aspect of their own management, as well as the following main services: elementary schools, kindergartens, children's homes, rest homes and social housing, theatres, libraries and museums, primary health care, leisure facilities, water quality and delivery, sewage, waste management, the cleaning of public spaces, cemeteries, the provision of public roads, public lighting, public transport, municipal police, fire service, public green areas, and environmental protection. Local government finances are summarised in Table 1.

Table 1 Self-government finances in the Czech Republic and Slovakia (2013)

	<i>Slovakia</i> (million €)	<i>Czech Republic</i> (billion CZK)	<i>Czech Republic</i> (million €)
Tax revenues	1721.5	161.7	5988.9
Non-tax revenues	543.0	28.3	1048.1
Capital incomes	416.0	7.3	270.3
State transfers and grants	921.4	58.8	2177.8
Local governments' revenues in total	3601.9	256.1	9485.1
Education	1409.6	26.010	963.0
Culture, church, media	219.5	11.228	416.0
Physical culture and leisure		6.889	255.1
Transport	247.8	32.121	1190.0
Environment		16.640	616.3
Housing and communal services	338.5	16.972	627.0
Administration	832.7	39.210	1452.2
Capital expenditures	576.9	85.440	3164.4
Local governments' expenditures in total	3503.1	263.940	9775.6
Gross domestic product (billion €)	74	157	x

Source The authors, on the basis of data from the Ministry of Finance

Note on currency €1=27 CZK

CONTRACTING-OUT AND OUTSOURCING ON THE LOCAL LEVEL IN SLOVAKIA AND THE CZECH REPUBLIC

Our main long-term research findings are summarised in two monographs, Meričková et al. (2010) and Mikušová Meričková and Fanta (2012), and have been updated by recent articles in journals and conference proceedings (for example, Nemeč et al. 2014; Soukopová et al. 2016). The topics have also been covered by other authors such as Pavel (2007) and Sičáková Beblavá and Beblavý (2009).

Unfortunately, our data cannot be compared with any publicly available evaluations of local public service delivery because such evaluations are not regularly provided (either as a part of local benchmarking, or by regular public or third sector creators of such evaluations). Regular local service performance benchmarking does not exist in the Czech Republic. In Slovakia a few limited initiatives once existed or currently exist, but there is no systematic and transparent benchmarking process in place. This situation is well documented by academic research—possibly the most recent article on the topic at the time of writing (2016) is Plaček et al. (2016). Third sector organisations only deal with this issue in exceptional situations, such as when investigating a few selected specific cases (like the allocation of waste disposal sites in some cities, which is a rather sensitive issue for inhabitants). The existing non-profit evaluatory bodies² do not deal with local services, their focus being EU funds and main expenditure programmes. The non-existence of participatory local service delivery has been documented in several recent articles (for example, Nemeč et al. 2016).

The scale of contracting-out is summarised in Table 2. The table shows the proportion of the selected services that are provided by external

Table 2 Contracted-out local public services (%)

<i>Service</i>	<i>Year/country</i>							
	<i>2000/ CZE</i>	<i>2005/ CZE</i>	<i>2014/ CZE</i>	<i>2016/ CZE</i>	<i>2001/ SK</i>	<i>2005/ SK</i>	<i>2009/ SK</i>	<i>2015/ SK</i>
Waste	71	80	65	74	49	64	80	75
Cemeteries	42	26	x	x	27	12	13	75
Public green areas	45	24	x	x	16	18	6	56
Communications	31	38	x	x	21	41	55	78
Public lighting	23	60	x	x	30	35	38	78

Source The authors

parties—it is visible that contracting-out was already widespread even at the time when the first data was collected, and that its scale may slightly increase in subsequent years. The most contracted-out service is waste management.

Table 3 shows the results of comparing the costs of contracting-out and internal production for the selected areas. The results indicate that the costs per capita seem to be higher under contracting arrangements, however, this is deceptive because internal costs are underestimated. Municipalities do not use full cost accounting systems and the costs of internal production include only direct costs. Because of the limited reliability of the data obtained it is difficult to say if there is one mode of delivery which is clearly more effective. It is much better to state that results differ and depend on specific local conditions.

Our results show that internal services like cleaning, catering, information technology networks, maintenance, security and transport are frequently provided for municipal bodies by external suppliers. As with contracting-out, we also tested results from outsourcing using simple efficiency scores, but also via in-depth audits (especially those performed by our students during the production of their Master's theses, e.g. Kufová 2016). The most important findings are delivered by in-depth audits. In many cases, the mode of service production chosen by the municipality is less effective compared with the alternatives; if outsourcing is selected, in-house solutions can be less expensive, while if in-house production is chosen, externalisation has the potential to decrease costs.

Table 3 Costs of contracting-out vs. internal production (internal production = 100)

<i>Service</i>	<i>Year/country</i>						
	<i>2005/ CZE</i>	<i>2014/ CZE</i>	<i>2016/ CZE</i>	<i>2001/ SK</i>	<i>2005/ SK</i>	<i>2009/ SK</i>	<i>2015/ SK</i>
Waste management	137	125	158	94	94	60	210
Cemeteries	95	x	x	64	13	66	422
Public green areas	86	x	x	82	192	133	135
Maintenance of local communications	142	x	x	70	109	104	130
Maintenance of local lighting	118	x	x	100	138	127	81

Source The authors

Factors Determining the Results of Contracting-Out and Outsourcing

The limited success of externalisation suggests that there is clearly a need for detailed research into the factors influencing the situation. These factors (see e.g. Mikušová Meričková and Fanta 2012) can be divided into two main groups:

- a. External environmental factors, such as level of corruption, the level of competitiveness, adherence to the rule of law and social attitudes.
- b. Internal organisational factors, such as the quality of contract management.

External Environmental Factors

If we look at the external environment, it is much more complicated to assess the chance of successful externalisation in developing and transitional countries than it is in the more developed world. This is because several socioeconomic preconditions needed for contracting-out to function successfully are insufficiently developed in the former. Markets may not yet have become fully competitive, and may be characterised by monopolistic or oligopolistic structures and behaviour. Under these conditions, it is rather optimistic to expect a comprehensive supply of competitive bids, and therefore the argument that contracting-out will possibly lead to unit cost savings is far more controversial than in developed countries. Corruption also reduces efficiency and limits the potential of contracting-out. The system of the democratic control of government on the central and local level comes with several flaws. These include paternalism, fiscal illusion (citizens have a limited understanding of how public finance works) and the lack of a sense of individual responsibility, all of which remain important features of citizens' behaviour. The possible success of externalisation is also connected to the quality of the rule of law and the regulatory quality of government. If the state switches its role from provider to the regulator, but regulatory guidelines do not exist and the law is not respected, then efficiency improvements are impossible. Externalisation also occurs with no recommendations or guidelines for users. To be effective, externalisation also needs to be supported by new control and audit approaches that focus both on legality and results. However, the current systems of public

sector control/auditing employed in most if not all Central and Eastern European (CEE) countries are predominantly based on the old-fashioned administrative procedural type of control.

Internal Environment—Limited Competition and Contract Management

The following text focuses on only two “internal environment” determinants for successful externalisation—competition and contract management. Because competition in the supply of public services is investigated in depth in the next parts of this chapter, we shall deal with another dimension of competition here. We would like to highlight the fact that even if the competitive selection is mandated, it often does not happen due to the artificial and intentional limiting of competition by local bodies during the process of selecting an external supplier. Table 4 uses the example of Slovakia to show that the open competitive procedure is not the standard method for the selection of suppliers and that, despite being forbidden by law, direct awards still exist (our findings are confirmed by e.g. Sičáková Beblavá and Beblavý 2009).

The absence of systemic contract management is another core reason contracting-out fails. The literature discusses many factors determining the success of contracting-out related to the quality of contract management (see, for example Brown and Potoski 2003). Using standard methodology, we calculated the quality of selected factors of contract management for more contracting-out and outsourcing samples (see, for example Mikušová Meričková and Nemeč 2013). Two examples of such calculations are provided in Tables 5 and 6. The results show flaws in management practices (the maximum possible score is 100).

Table 4 The use of procurement methods in the selection of external suppliers in Slovakia—different samples (%)

<i>Procurement method used</i>	<i>Year</i>				
	2000	2005	2008	2009	2015
Open procedure	16	17	32	7	14
Restricted procedure	5	0	3	14	7
Negotiated procedure	0	13	0	7	25
Price bid	0	0	25	4	47
Direct purchase	31	17	30	11	7
No information	48	55	25	66	-

Source The authors

Table 5 Quality of contract management for the contracting-out of local public services (2015 sample)

<i>Service</i>	<i>Competitiveness</i>	<i>Ex-ante evaluation</i>	<i>Monitoring</i>	<i>Sanctions</i>	<i>Payment conditions</i>
Waste	92.50	58.33	83.33	30.00	66.67
Public lighting	88.75	50.00	80.00	34.00	68.75
Local communications	96.25	57.14	78.57	28.57	75.00
Public green areas	81.11	50.00	90.00	20.00	100.00
Cemeteries	75.55	50.00	87.50	30.00	75.00
Average	86.83	53.09	83.88	28.51	77.08

Source The authors

Table 6 Quality of contract management for the outsourcing of internal services (2015 sample)

<i>Service</i>	<i>Competitiveness</i>	<i>Ex-ante evaluation</i>	<i>Monitoring</i>	<i>Sanctions</i>	<i>Payment conditions</i>
Cleaning	62.50	75.00	75.00	47.50	50.00
Catering	44.29	64.29	64.29	75.71	42.86
Maintenance	85.00	75.00	75.00	65.00	100.00
IT	40.00	62.50	62.50	82.50	75.00
Transport	30.00	83.30	16.70	65.00	100.00
Security	42.00	90.00	50.00	52.00	40.00
Average	50.63	75.02	57.25	64.62	67.98

Source The authors

COMPETITION AS A FACTOR IN THE COST EFFICIENCY OF WASTE MANAGEMENT SERVICES

Competition is expected to play a crucial role in the provision of public services at the local level. As many authors have stated in the recent past (e.g. Bel and Fageda 2011), there is strong evidence that competition has been one of the most significant factors influencing the efficiency and cost ratio of municipal waste service delivery. Furthermore, competition prevents the exploitation of dominance on the market, has the potential for innovation and represents an important prerequisite for the benchmarking of service prices and quality among municipalities.

In this part, we examine the level of competition in waste management service provision in four regions in the Czech Republic. Our

research question is: Does competition have a significant influence on municipal waste management costs and efficiency?

The aim is therefore to analyse the strength of competition as a factor influencing municipal waste management costs in four regions in the Czech Republic using the Herfindahl-Hirschman Index (HHI) as a method of measurement, and to discuss the relationship between this factor and cost efficiency.

We used linked open data on municipal waste management costs from the Czech Ministry of Finance's internet portal of the state treasury, MONITOR, and population data from the Czech Statistical Office (CZSO). Primary information was acquired from the waste management companies and from the mayors of municipalities. Theory of groups and cluster analysis were applied.

After creating four groups of municipalities according to the region and 21 groups of municipalities according to the district, we applied statistical analysis and the HHI. The data on the average costs per capita, the mean value of expenditure per capita and the standard deviation of costs per capita were compared with the data from the whole sample and data from whole regions (Olomouc Region, South Moravian Region, Zlín Region and Vysočina Region). The research area consists of 1962 municipalities with 2,730,166 inhabitants.

The HHI is currently one of the standard methodological tools used to analyse absolute concentration in an industry. The index takes into account both the number of firms in the sector as well as their market share. The HHI is calculated by squaring the market share of each company (waste collection company) competing in the market and then summing the resulting numbers.

The HHI formula for the waste collection market:

$$H = h(q_1, q_2, \dots, q_n) = \sum_{i=1}^N \left(\frac{q_i}{Q} \right)^2 = \sum_{i=1}^N r_i^2 \quad (1)$$

where

H is the Herfindahl-Hirschman Index (HHI);

r_i is the market share of waste collection company i in the waste collection market (in %);

N is the number of waste collection companies.

The HHI takes into account the relative size distribution of the companies in a market. It approaches zero when a market is occupied by a large number of firms of relatively equal size and reaches its maximum of 10,000 points when a market is controlled by a single firm. The HHI increases both as the number of firms in the market decreases and as the disparity in size between those companies increases. The usual classification of the rate of concentration by value H is as follows (Calkins 1983):

- An H below 100 indicates a highly competitive environment.
- An H below 1500 indicates an unconcentrated environment.
- An H between 1500 and 2500 indicates moderate concentration.
- An H above 2500 indicates high concentration.

Results

Expenditure per capita was used in the comparison of individual municipalities. The acquired data cover the period from 2010 to 2014 and represent the expenditure of all 1963 municipalities from four regions in the Czech Republic. The HHI for the research sample is 434.646, which indicates an unconcentrated competitive environment. More details are shown in Table 7, which also includes cost data. The results indicate that the competitive environment in each region is different and the aforementioned HHI does not correspond to average municipal solid waste management cost per capita.

Table 7 Results of HHI analysis and average municipal waste management costs in the period 2011–2015

Region	H	Number of municipalities	Population	Number of waste collection companies	Municipal solid waste management cost per capita [CZK/capita]		
					Mean	Median	St. dev.
South Moravian	1535.065	641	1,129,970	24	584.37	550.89	177.88
Olomouc	1129.766	368	608,165	30	553.24	519.23	163.49
Vysočina	859.381	670	440,029	26	639.28	615.56	197.99
Zlín	998.572	283	552,002	22	590.64	563.29	188.08

Source The authors

From the perspective of the HHI, the worst situation is in the South Moravian Region, where the HHI is higher than 1500. Such an HHI indicates moderate concentration, and that strong waste management companies have a dominant position with regard to small companies. However, the mean and median values for municipal solid waste management cost per capita are not the worst of those obtained. The highest mean and median values for municipal solid waste management cost per capita are in the Vysočina Region, which has the best HHI value. These results may lead to the conclusion that the presence of a competitive environment is not a key factor in waste management cost efficiency and that competition does not have a significant influence on municipal waste management costs and efficiency.

This paradox is very interesting. In the South Moravian Region, there are 24 waste collection companies. More than 60% of the market share is held by public companies, and more than 20% of the market share is held by public companies owned by cooperating municipalities (inter-municipal cooperation is relatively widespread in the area of waste management). The structure of the competitive environment in the South Moravian Region is shown in Table 8.

From this table, it is evident that the companies with the highest average waste management costs per capita are those with low market share. An exception is a public company SAKO Brno, which is a company with a significant position in the market, holding more than 35% of the market share. This company has a specific position. It operates in the area of Brno, the second largest city in the Czech Republic, and is owned by the city of Brno. Brno has five universities, a number of foreign companies have branches there, and there are many students and other people in the city who are not residents and have not been included in the calculation of waste management cost per capita.

Our results are not in accordance with our previous studies (for example Soukopová and Malý 2013) which confirmed that competition is a key feature underlying theoretical claims for cost savings. Our results may be different because we examined a larger area with almost 2000 municipalities, and different regions with different competitive environments and waste management market structures. From the results of our detailed analyses of the South Moravian Region, it seems that other factors, such as mode of production or economies of scale, can influence municipal waste management cost to a greater extent than has been found in other existing studies. The next subchapter is therefore devoted to factors determining waste management service costs.

Table 8 Structure of the competitive environment in the South Moravian Region

<i>Company</i>	<i>Market share [%]</i>	<i>Number of municipalities in collection area</i>	<i>Population in municipalities in collection area</i>	<i>Ownership</i>	<i>Municipal solid waste management cost per capita [CZK/capita]</i>	
					<i>Mean</i>	<i>St. dev.</i>
A.S.A. EKO Znojmo	5.041	52	56,964	PPP	686.05	158.10
A.S.A.	4.332	38	48,948	Private	678.93	155.38
A.S.A. Dalčice	0.097	6	1095	PPP	853.10	238.38
AVE CZ	4.410	29	49,829	Private	591.27	167.51
AVE	1.673	31	18,900	Private	654.18	164.82
CTS Kuřim	0.965	1	10,900	Public	481.60	-
EKOR	5.929	44	66,994	Public	523.83	160.95
ESKO-T	0.353	7	3990	IMC	486.41	112.50
HANTÁLY	5.034	35	56,884	Public	561.58	192.74
Jan Klíčník	0.995	13	11,239	IMC	669.75	277.25
KTS	2.314	16	26,146	Private	577.61	111.35
EKOLOGIE				Public		
MEGAWASTE	0.729	6	8236	Private	795.78	346.56
RESPONO	8.026	79	90,694	Public	549.11	121.41
RUMPOLD	1.006	6	11,367	IMC	516.02	98.86
UHB				Private		
SAKO Brno	33.409	1	377,508	Public	842.34	-
SITA CZ	13.417	186	151,612	Private	554.24	178.69
STKO	1.561	15	17,640	Public	568.93	237.38
TAZS	0.052	2	591	IMC	768.16	177.03
TS Letovice	0.879	17	9928	Public	587.78	138.28
TS Bystřé	0.255	6	2887	Public	542.45	23.12
TEMPOS	2.319	2	26,202	PPP	743.86	103.86
Břeclav						
TESPRA	5.063	22	57,205	Public	599.07	168.77
Hodonín						
TSMB	0.061	5	706	Public	519.55	185.88
van	2.080	22	23,505	Private	466.29	82.57
Gansewinkel						

Source The authors

Factors Determining Waste Management Service Costs

To obtain more detailed and specific information about the main factors determining waste management service costs (efficiency) we carried out specific research on a selected sample of Czech municipalities. The research was performed with respect to data collected for 2013 and a sample of all 673 municipalities in the South Moravian Region.

Linked open data on municipal areas and population from the CZSO and linked open data on municipal solid waste expenditure/costs from the Czech Ministry of Finance's Internet portal MONITOR were used for the analysis. The data relating to waste collection firms and inter-municipal cooperation was obtained via a questionnaire-based survey. The survey was carried out from September 2014 to the end of January 2015.

In order that we could compare our results with studies published elsewhere (for example, Bel and Fageda 2011) the econometric model applied here is similar to that used in the studies reviewed above. The basic municipal solid waste expenditure (cost) function takes the following form:

$$TC = f(Out, Pop, Area, Rec, Dis, Prod, Coop, Scale) \quad (2)$$

The dependent variable (TC) is the total cost of solid waste services in the municipalities of the South Moravian Region in the Czech Republic. This includes collection, transportation and disposal or treatment, as well as other waste management services.

In our study, we have dealt with the following descriptive variables in a similar manner as in the case of the factors affecting the selection of a waste collection company that we examined above:

1. Output (*out*)—This variable is defined as the amount of total municipal solid waste (MSW) per year (in tons). We expect that the costs increase with the amount of MSW, and we have based our assumption on existing evidence.
2. Population of the municipality (*pop*)—Information on generated waste could not be obtained from all municipalities. Very small municipalities did not have information on the amount of generated waste. We expect that the costs increase with the size of population.
3. Area of municipality (*area*)—Area of municipality in square kilometres. We expect a significant positive effect on costs.

4. Percentage of recycling (*rec*)—This variable is defined as the recycled waste per total solid waste. We expect that the costs increase with the percentage recycled.
5. Distance (*dis*)—This variable is defined as distance to landfill/incinerator in kilometres. We expect a significant positive effect on costs.
6. Mode of production (*prod*)—This variable captures the influence of either public or private production of the service on costs. The expected effect is ambiguous.
7. Inter-municipal cooperation (*coop*)—delivery of service by inter-municipal companies. We assume that municipalities tend to cooperate in order to achieve a reduction in costs, and therefore the variable is expected to have a negative effect.
8. Economies of scale (*scale*)—This variable is constructed as a dummy variable and takes the value 1 if the collection area is larger than 20,000 inhabitants and the value 0 otherwise. We expect a significant negative effect on costs.

The analysis, which involved both explorative data analysis and multiple regression analysis, was conducted at the municipality level and used data from the year 2013. We used the software packages Microsoft Excel 2011 and STATISTICA for the analyses.

Table 9 presents the results obtained from the estimation of the equation for the sample. The results indicate that the descriptive power of the model is high—over 90%—and almost all variables deliver the expected

Table 9 Results obtained from the estimation of the equation for the sample ($n = 664$, $R = 0.934245$, $R^2 = 0.87126046$)

<i>Variable</i>	<i>Coefficient</i>	<i>Std. error</i>	<i>p-level</i>	<i>Hypothesis</i>	<i>Real effect</i>
Constant	5.940248	0.1920	0.00000		
Output (log)	0.043860	0.0182	0.01631	+	+
Pop (log)	0.929134	0.0330	0.00000	+	+
Area (log)	0.141670	0.0328	0.00001	+	+
REC (log)	0.127156	0.1251	0.30992	+	Not significant
Dis (log)	-0.002110	0.0021	0.32551	+	Not significant
Prod	0.019457	0.0603	0.74707	Ambiguous	Not significant
Coop	-0.154121	0.0628	0.01440	-	-
Scale	0.041649	0.0441	0.34483	-	+

Source The authors

results. The model clearly shows the trend of gradually rising total waste management cost with increasing population and amount of solid waste. The population has a very significant relation to total cost, with a confidence level of over 99%, and its coefficient is the highest of all variables. This result corresponds to the outcomes of previously mentioned studies conducted outside the Czech Republic.

The results for the inter-municipal cooperation variable are very interesting, as they confirmed it as the second strongest variable in terms of its impact on municipal solid waste management cost, again with a 99% confidence level, and its effect is negative. This contradicts the results of Soukopová et al. (2016). This result corresponds to the outcomes of studies conducted outside the Czech Republic and indicates that inter-municipal cooperation may decrease costs. The results for economies of scale are almost non-significant.

The fact that delivery of waste services by inter-municipal companies may have a positive impact on costs per inhabitant can to some extent explain the findings from the previous part—even without competition, this form of delivery can be effective.

CONCLUSIONS

The first part of this chapter summarises existing data concerning the results of externalisation—the delivery by the private sector of local and internal services on the local level in the Czech Republic and Slovakia. This summary clearly indicates that externalisation does not deliver the expected results (i.e. according to New Public Management) and that there are multiple factors behind this situation—especially limited competition and limited quality of contract management.

It also provides the results from two focused research studies realised under Czech conditions. The first of these analyses the level of competition for waste management services, arriving at slightly contradictory results. The results are rather surprising and are not in line with those obtained by most other authors—the lowest municipal waste management cost values are in municipalities with no competing waste management company in neighbouring municipalities. Nevertheless, lower values also arise among municipalities with a high level of environment competitiveness.

The goal of the second in-depth study was to examine the factors determining waste management costs—our results confirm the common finding that the main factor is the number of inhabitants, but also provide

some interesting results—for example, economies of scale were not confirmed as an important cost factor. This part also provides one possible explanation as to why the competitiveness of the environment did not have a significant influence on waste management costs—if this service is delivered by inter-municipal companies, the costs are comparatively low.

Several very important conclusions can be derived from our results. The most important is the fact that under Czech and Slovak conditions the New Public Management assumption regarding the dominance of externalisation over in-house delivery was not confirmed, whether for contracting-out or outsourcing. Results do not depend on the form of delivery, but rather on specific local conditions (local will and accountability). The fact that very good results (economical delivery) are achieved via inter-municipal cooperation is another important issue—and explains why positive results are also possible without competition.

The study also highlights some other facts—especially that the decisions being made between in-house and external production are not data-based decisions: municipalities do not know the real costs of services and also do not use costs regularly to decide on the most effective mode of delivery under their specific conditions. Moreover, the fact that competitive selection, prescribed by the law, is not used in many cases indicates that the degree of corruption in this area is potentially very high.

Two policy recommendations may be proposed. From the technical point of view, as a short-term goal, municipalities need to obtain more precise information about the real costs of their services, by employing full cost accrual accounting (cost centred accounting). Its implementation would ensure that municipalities get comprehensive information about the total costs of services, which may be higher than they seem at first sight. This may contribute to their financial and contract management as well.

In the long-term perspective, a systemic response to the well-documented lack of accountability (Veselý 2013) is needed. Development of effective accountability mechanisms and reorientation from compliance-based public sector control (Meričková et al. 2010) to a well-balanced mix of compliance and performance control (audit) system may pave the way for local politicians to shift from rent seeking to their focus on improvement of local services for which they are accountable to local communities and citizens.

Both groups of recommendations seem applicable not only to the Czech Republic and Slovakia but also to other countries with similar problems in local service delivery.

NOTES

1. Our research was supported by the Czech Science Foundation project GA15-08032S “Unfair competition and other economic factors influencing the efficiency of the provision of public services”.
2. See <http://www.czecheval.cz/> and <http://www.evaluacia.sk/en/>.

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AUTHORS' BIOGRAPHY

Jana Soukopová born 11 March 1975, is Professor Associate of Public Finance and Public Economics at the Faculty of Economics and Administration, Masaryk University in Brno, Czech Republic. She published over 50 books, book chapters and research articles. Her research activities are focused on the economic analysis, public finance, public utilities and waste management. She has been the main investigator of several R&D projects dealing with efficiency analysis and economic analysis in the area of environment and waste management.

Beata Mikušová Meričková is Professor of Public Economics and Services at the Faculty of Economics Matej Bel University in Banská Bystrica, Slovakia. She has focused her research activities in the areas of public sector, public finances and new approaches to the provision of public services. These activities are documented by several monographs, many research studies and articles published in current academic journals and conference proceedings at home and abroad. Her research activities include cooperation in projects of international and national significance (SRDA, FP7-SSH, Horizont 2020, NISPAcee, COST, NASPAA, Strategy of Slovak Society Development...). Her research is quite extensive and results have focused mainly on the implementation of market tools of management in public sector. The most significant contribution of her research on the theoretical and practical levels includes outlining the recommendations and guidelines in the area of the legislative, institutional,

economic and organizational requirements of successful implementation of different forms of partnerships of the public and private sectors in Slovakia.

Juraj Nemec Ph.D., born 22 November 1960, is Professor of Public Finance and Public Management at the Faculty of Economics and Administration, Masaryk University in Brno, Czech Republic and at the Faculty of Economics, Matej Bel University Banská Bystrica, Slovakia and, with 34 years experience in teaching in public finance, public sector management, health economics and policy. He published over 400 books, book chapters and scientific articles. He holds several positions in international organisations in the public administration area. He serves also as the senior advisor and has a track record of 20 years professional experience in various transition countries and as a key advisor to the governments of Slovakia and the Czech Republic.

Effects of External Agentification in Local Government: A European Comparison of Municipal Waste Management

*Harald Torsteinsen, Marieke van Genugten, Łukasz Mikula,
Carla Puiggrós Mussons and Esther Pano Puey*

H. Torsteinsen (✉)

Department of Social Sciences, University of Tromsø,
Campus Harstad, Norway
e-mail: harald.torsteinsen@uit.no

M. van Genugten

Institute for Management Research, Radboud University,
Nijmegen, The Netherlands
e-mail: m.vangenugten@fm.ru.nl

Ł. Mikula

Institute of Socio-Economic Geography and Spatial Management, Adam
Mickiewicz University, Poznań, Poland
e-mail: mikula@amu.edu.pl

C.P. Mussons

Fundació Carles Pi I Sunyer, Barcelona, Spain
e-mail: cpuiggros@pisunyer.org

E.P. Puey

Faculty of Law, University of Barcelona/Fundació Carles Pi I Sunyer,
Barcelona, Spain
e-mail: epano@ub.edu

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INTRODUCTION

Agentification¹ seems to have been one of the most characteristic features of local government reform during the New Public Management (NPM) phase. It comprises processes of both internal and external agentification aimed at transforming municipal service units into agents providing services to the municipal principals (the local council, the municipal chief executive officers (CEO) and/or the governors). Internal agentification implies that service-providing units do not have separate legal personality and that the lines of accountability (mostly) follow the traditional political-bureaucratic principles regulated by democratic control and quasi-contracts. In the case of external agentification, the distance between the principal and the agents becomes greater and the relationship more formalised: since the agents have or gain status as separate legal entities, lines of accountability are broken by the insertion of new formal bodies (annual general meetings, boards). External agents may be divided into four types: public law or private law agents owned by the municipality (the municipalities) itself (themselves); agents owned by other public authorities; private agents; agents with mixed ownership.

Based on the NPM paradigm, politicians have justified internal and external agentification by claiming that these reforms will bring economic, political and organisational benefits (Overman 2016; Pollitt et al. 2001; Verhoest et al. 2012). Lately, there have been some reports on the pendulum swinging back (Wollmann and Marcou 2010), from NPM-inspired agentification to re-municipalisation of public service provision. However, this does not seem to be a general European trend. Torsteinsen and Van Genugten (2016), for instance, did not find any convincing signs of re-municipalisation in Dutch and Norwegian municipal waste management, probably because neither of these countries had experienced any large-scale de-municipalisation in the field of waste management. Nonetheless, agentification is well known and widespread even in these countries, but then in terms of various forms of inter-municipal cooperation through public law companies and private law-limited companies. This means that these agentified entities have been and remain under municipal ownership.

The purpose of this chapter is to evaluate and compare the effects of external agentification on different aspects of the municipal waste service in four countries: Poland, The Netherlands, Norway and Spain (Catalonia). The selection of these countries is motivated by an intention

to give a broad picture of the effects of agentification at the local level in Europe. With this selection, we include different municipal systems like the Eastern, Northern and Southern European systems, with stronger local government traditions in the Northern than in the Eastern and Southern systems, and with different historical economic and social backgrounds (including the transformation of former communist countries). This diversity in systems and backgrounds in its turn presents us with challenges relating to differences in definitions of municipal and household waste, country-specific differences in organisational forms, selection of relevant and “measurable” effect variables and attribution of these effects to the selected independent variable, external agentification. Our ambition in this chapter, therefore, is limited and our approach consequently is exploratory.

THEORY

Agentification may be defined as a process whereby local government (as principal) disaggregates its service-providing units into more or less autonomous operative units or agencies (agents) and regulates the relationship between itself and these units by contracts or quasi-contracts (Pollitt et al. 2004). Internationally, many forms of agentification exist (Verhoest et al. 2012). Our conception of agentification is based on the typology of Van Thiel (2012); a typology with values running from 0 to 4 (or 5). The scale 0–4 indicates increasing arm’s length distance from the political–administrative centre of the municipality. Each degree also signifies a specific form of agentification. Number 5 is a miscellaneous category, including forms that do not fit into the scale of increasing distance.

The in-house decentralised form (type 0) includes traditional integrated service provision, whilst the in-house agentified type (type 1) refers to a more radical model of decentralisation inspired by NPM. The agentified version implies that the municipal organisation is disaggregated into single-purpose service-providing entities (units, bodies). These entities do not have separate legal personalities. They constitute integrated parts of the municipal organisation and report directly to the municipal CEO (with some exceptions though²). The line between type 1 and 2 is a border between internal and external agencies. External agencies hold separate legal personalities, although owned by one or several municipalities. These are often organised as companies/corporations (see also Grossi and Reichard 2008). We tentatively place public

law companies in type 2, assuming this is a less externalised form than private law companies in type 3. When we arrive at type 4, we meet an institutional form at an even greater distance from the municipal political-administrative centre. This form comprises different entities: agencies or companies owned by *other* public authorities (including municipalities), for-profit business companies or non-profit associations. We have called this the contracting-out form because the municipality enters into a purchaser relationship with external provider entities; entities in which it holds no ownership interests.

Based on a systematic review of the literature, Overman (2016) has identified three types of expected effects of delegation in general and agentification in particular: economic, political and organisational effects. The expected economic effects refer to increasing efficiency and technical performance or effectiveness of service delivery. In this chapter, we therefore formulate the following expectations for waste management. External agentification in the municipal waste service will:

1. make the service provision more efficient;
2. increase the effectiveness of the service in terms of environmental effects.

The expected political effects are categorised as citizen interests (such as satisfaction and trust), accountability and political stability (Overman 2016). Here, we focus on the first two dimensions. External agentification in the municipal waste service will:

3. increase citizen satisfaction with the waste service;
4. create accountability problems.

Organisational effects refer to benefits of agentification for the internal organisation. Two categories of expected effects can be distinguished: expectations regarding staff and expectations regarding organisational structure (Overman 2016). We focus on the first category. External agentification in the municipal waste service will:

5. lead to lower capacity/competence of the municipal staff on the service because municipal specialists often move to the agentified entity;
6. affect behaviour and satisfaction amongst employees.

AGENTIFICATION IN MUNICIPAL WASTE IN FOUR EUROPEAN COUNTRIES

In all four countries, we observe a trajectory of external agentification. To describe this process, we distinguish between three stages of reforms: pre-NPM, NPM and post-NPM. In this section and in Table 1, we describe the reforms in these stages in the four countries.

In Poland, until 1990 all local public utility services were provided by provincial state-owned companies, subordinated to the Ministry of Public Utilities. The prime way of dealing with waste was deposition in landfills. This situation lasted even after the political and economic transformation. Shortly after the reintroduction of local self-government in 1990, most state-owned public utilities were divided and turned over to municipal ownership and operation (type 2 in the transitional period 1990–1996). At the same time, waste management was largely *demonopolised*, although most landfills remained in municipal ownership and operation. Each property owner had to sign an individual contract with the freely chosen waste collector, municipal or private. Dozens of private companies providing waste collection were established, especially in larger cities, bringing real competition to the market (non-municipal type 5), whilst in smaller municipalities usually there was only one municipally owned entity operating in the field of waste management (in 1996, municipalities were obliged to transform type 2 into either type 1 or 3). The period 1990–2013 seems to be quite a confusing mosaic of type 1, 3 and 5 organisational solutions. In 2013, a year of “revolutionary” change in Polish waste management, the control of household waste management was transferred to the municipalities in order to meet the EU directives on reuse and recycling of waste. However, they are obliged to put the operation of waste collection and disposal out to tender. The recent reform is a quite original mix of re-municipalisation of regulation and control and a strong push towards type 4 agentification of operation, imposed by central government. In urban areas especially, this represents a step back from the former free-market solution (type 5), which implies a kind of reverse agentification.

In The Netherlands, household waste collection and treatment has traditionally been the concern of municipalities. Waste treatment is organised separately and differently and therefore will not be part of the analysis in this chapter. Although municipalities bear the responsibility for the periodic collection of household waste, even from the Waste Act

Table 1 Institutional form of waste management entities in Poland (P), The Netherlands (NL), Norway (N) and Spain (Catalonia) (S) in three phases

Type	Institutional form	Phase 1: Pre-NPM					Phase 2: NPM					Phase 3: Post-NPM					
		P	NL	N	S	X	P	P	NL	N	S	X	P	P	NL	N	S
0	In-house		X ^a	X	X	X		X	x	x	x		X	x	x	x	x
1	In-house agentified	X ^b		x	x	x		x	X	x	x		x	x	x	x	x
2	Inter-municipal companies (public law)		x		x	x		x	x	x	x		x	x	X	x	x
3	Municipally owned limited companies (private law)												x	X	x	x	x
4	Contracting out to public or private companies		x	x	x	x		X	X	X	X		X	X	X	X	X
5	Other forms												x	x	x	x	X

^aCapital X means the form is prevalent, x means the form exists.

^bIn this phase in Poland, public services at the local level were provided by provincial state companies, so in this case, the term in-house does not refer to local government, which had been abolished by the communist regime in 1950

of 1979, municipalities have been explicitly allowed to decide whether to provide this service in-house, to contract it out to a private firm or to organise household waste collection in cooperation with other municipalities. Furthermore, local authorities are free to decide how citizens have to pay for waste collection, on the basis of a volume-, frequency-, bag- or weight-based pricing system. Some forms of external agentification could already be found in household waste collection before the 1980s (type 2 and 4). In addition to these forms, at the end of the 1990s, private law-based limited companies (type 3) became popular. Since 2005, there have not been any substantial reforms. At present, there still is a large variety of forms with only 15% of the municipalities—mainly large ones—still providing waste collection in-house (type 0 and 1), whilst contracting-out to private providers (type 4) and private law-based limited companies (type 3) are chosen mainly by smaller municipalities (Rijkswaterstaat Leefomgeving 2015).

In Norway, the Waste Act of 1981 required municipalities to organise the collection and treatment of all household waste within their respective borders, including dangerous waste. Although the municipalities may put the operations of collecting and treating household waste out for tender (type 4), and historically they have done that to a large extent (The competition authorities of the Nordic countries 1998: 78), today the majority of them take care of these tasks themselves, either alone or mostly in cooperation with other municipalities, through public law (type 2) or private law companies (type 3) (see Table 2). User fees determined by the municipal council finance the activity and they should not exceed the costs of providing the service (principle of self-cost). Further, the municipalities may and often do collect industrial waste and take care of waste treatment, but then they have to abide by ordinary competition rules. This means that they have to organise the waste service in such a way as to avoid subsidising industrial waste and waste treatment by revenues from household waste. However, allegations of cross-subsidising are many and recurring. This happens although the corporations leave these activities to legally separated “daughter” companies.

Spain (and more specifically the region of Catalonia) has a high number of small municipalities. Almost 35% have fewer than 500 inhabitants and approximately 78% have fewer than 5000; only 6.5% have more than 20,000 inhabitants. Nonetheless, waste management is a responsibility of the municipality. The Local Government Act of 1985 (post-Franco regime and current local act in force) defined the responsibilities

Table 2 Status of agentification in Poland, The Netherlands, Norway and Spain (Catalonia) in 2015 (percentage of municipalities using the different institutional forms)

Type	Institutional form	Poland	Netherlands	Norway	Spain (Catalonia)
(N)		(2479)	(393)	(428)	(612)
0 and 1	In-house and agentified units	0.0	15.0	6.6	9.5
2	Inter-municipal companies (public law)	0.0	16.0	78.0	17.5
3	Municipally owned limited companies (private law)	0.0	30.0	14.7	1.6
4	Contracting out to public or private companies	100.0	35.0	0.7	38.7
5	Other forms	0.0	4.0	0.0	35.1

Source Authors

of municipalities and included waste management as a compulsory task for all municipalities. The municipalities enjoyed (and still enjoy) complete autonomy to decide on forms of provision and delivery. In general, before the 1990s, provision was guaranteed by public law (type 0), although some kinds of pre-NPM partnerships (type 1 and 2) could also be detected. The system was, and in fact still is, highly bureaucratic. Furthermore, this period was characterised by a very low level of legal requirements. From the 1990s until approximately the first decade of the twenty-first century, there was an increase of agencies, grounded in both traditional public law and NPM (type 2). There was also a dramatic increase of functions and legal requirements (some of them introduced by European regulation). During this period, the support from higher levels of government (second tier) was crucial and this situation often resulted in the creation of cooperation entities (multi-level bodies) (type 2). At present, because of the mentioned fragmentation of the municipal map, almost 40% of the municipalities contract the household waste service to private companies (type 4). Further, 35% of the municipalities leave the provision of waste services to higher levels of government, mainly the counties, the *Consells Comarcals*. This organisational form (*delegación*) does not seem to fit into our categorisation. Therefore, it is classified as type 5.

In conclusion, on their way to the contemporary status of agentification, the four countries have followed trajectories characterised by both

similarities and dissimilarities. All of them were influenced by NPM in one way or another, but at different times and in varying degrees. The Netherlands was the first mover in the 1980s whilst the other countries followed suit a decade later. In the beginning, the impact of NPM was relatively moderate in the three Western European countries, but over time it became more significant. In Poland, the pre-1990 situation was very different with state domination and no local self-government. However, the collapse of the communist regime in the 1990s coincided with the introduction of NPM-inspired ideas and ideals, two events that may explain the total marketisation of waste collection and disposal in this country. After several decades of communist rule, citizen distrust in all public institutions was high and widespread, and the market symbolised a better future with freedom and prosperity. It was not before 2013 that the national assembly decided to make waste management a local government responsibility. Finally, in Spain, agentification in local government reflects traditional Spanish administrative law, and NPM has become more or less a new way to justify these structures. Table 2 illustrates the status of agentification in the four countries at present. The most striking difference is the hybrid character of the organisation of waste management services in The Netherlands, Norway and Spain, and the one-sided choice for contracting-out in Poland as explained previously.

METHODOLOGY

In this chapter, we explore the effects of external agentification of municipal waste management. The independent variable is external agentification, operationalised as different organisational forms with varying degrees of arm's length from the political-administrative centre of the municipality (type 2 and onwards).

The dependent variables are economic effects, political effects and organisational effects. When studying four different countries with different traditions and trajectories, it is a great challenge to find comparable data on these three types of effects, especially when we have to rely on secondary data collected for other purposes. However, the ambition of this project is limited to making use of existing data and research findings. Consequently, we have used public statistics, municipal ownership reports, annual reports from municipalities and municipal companies, evaluations and academic studies, including case studies and perception studies. Data may be both quantitative and qualitative.

The *economic effects* we are interested in are efficiency and effectiveness. The level of efficiency is indicated by the level of user fees as shown in public statistics, policy reports and academic studies. Effectiveness is understood in environmental terms and operationalised as the separate collection of waste and the proportion of waste that is reused, recycled or used for energy production, as shown in public statistics and policy reports.

Concerning *political effects*, we distinguish between citizen satisfaction and accountability. Findings on citizen satisfaction are based on survey data, evaluation/research reports and media analyses. Accountability is understood in terms of political and administrative accountability, transparency about the service and the type of accountability regime. These findings are based on narrative descriptions in case studies.

When it comes to *organisational effects*, we look at the capacity and competence of the municipal administration indicated by changes in the number and competence of employees working on waste management in the municipal administration, as shown in public statistics and case studies. In addition, we analyse staff satisfaction and behaviour in terms of the level of satisfaction with the service organisation and changes in behaviour based on qualitative data in case studies.

We acknowledge that it will be difficult to link these possible effects specifically to external agentification, because other developments may also influence these variables.

EFFECTS

In Table 3, we present our findings and link them to the six expectations (H) listed in the second section. Economic effects comprise H1-H2, H3-H4 refer to political effects and H5-H6 to organisational effects.

In summary, our findings for the four countries are as follows. Our findings regarding *economic effects* indicate that inter-municipal (type 2) and limited company forms (type 3) may lead to higher cost efficiency than in-house provision (H1), but that transaction costs may be higher. Contracting-out (type 4) may also give higher cost efficiency, especially in the first stages of reform when the potential for savings is normally the greatest. Over time, the differences in cost efficiency, as measured by the level of user fees, seem to diminish. Regarding H2, concerning the effectiveness of the service, we do not find much support, mainly because it is difficult to verify a relation between organisational form and

Table 3 Effects of external agentification in Poland, The Netherlands, Norway and Spain (Catalonia)

<i>Hypotheses (H)</i>	<i>Poland</i>	<i>The Netherlands</i>	<i>Norway</i>	<i>Spain (Catalonia)^a</i>
1/Make the service provision more efficient (economic effect)	Evidence after contracting-out not clear: in rural areas, there are lower fees than before, but in urban areas fees are higher. Principle of self-cost difficult to achieve: some municipalities have a deficit, while others a surplus—roughly 40:60 relation (NIK 2015)	Cost advantage in the first stage of reform for outside provision (type 4); in later stages, cost advantage is higher for inter-municipal companies and limited companies (type 2 and 3) than for contracting-out to private providers (type 4) (Dijkgraaf and Gradus 2003, 2008, 2013) In terms of total costs, better results for inter-municipal companies and limited companies and contracting-out to private firms; in terms of transaction costs, the results are different: municipalities with a limited company (type 3) have comparatively high transaction costs (Van Genugten 2008)	1999: User fees highest for type 0 and 1 (in-house), lowest for type 2. In 2014, small differences, in-house slightly cheaper than type 2 and 3 (author's calculations based on data from Statistics Norway) ^b Generally, type 2 less cost-efficient in one study (Sørensen 2007) and most cost-efficient in another (Dahlberg 2008). Case studies of type 2 and 3 companies indicate better economic results than in type 0 and 1 forms (Andersen and Torsteinsen 2015)	According to our data no trends, can be detected in terms of a different level of fees related to the creation of agencies. The fees depend essentially on the political will of the municipalities. We have identified a wide range of different types of fees, some of them are extremely sophisticated and sometimes the payment of the fee is included in other taxes

(continued)

<i>Hypotheses (H)</i>	<i>Poland</i>	<i>The Netherlands</i>	<i>Norway</i>	<i>Spain (Catalonia)^a</i>
2/Increased the effectiveness of the service (economic effect)	Increasing level of recycling (2012: 10.0%, 2013: 13.5%, 2014: 19.8%) (BDL GUS 2016). Increasing number of illegal landfills in transitional period (2012: 10,623, 2013: 15,178, 2014: 12,707) (BDL GUS 2016)—problems with regular collection of oversized waste items (mainly disused home equipment) (GOAP, personal communication)	Degree of separate collection is not related to the organisational form, but to the pricing system (volume-, frequency-, bag- or weight-based) (Rijkswaterstaat voor de Leefomgeving 2015)	Recycling lowest in 2011 in type 0 and 1, highest in type 3; in 2014 the same pattern, but smaller differences (author's calculations based on data from Statistics Norway). Recycling slightly reduced from 2009 to 2014, mainly due to increased use of incineration. Use of landfills almost eliminated (Statistics Norway 2015)	According to our data, the most specialised entities include a wide range of collection and treatment methods and are therefore better able to achieve environmental goals. Consortiums (multi-level cooperation organisations) are the most active in this field. Inter-municipal organisations do not show differences in this matter compared with other types of delivery.
3/Increased citizen satisfaction with the service (political effect)	Employees are blamed for many failures and shortcomings of the new system of contracting-out. Lower quality of service in transformation period: delays in waste collection, problems with providing recycling bins, etc. (GOAP, pc)	In general, citizens are quite satisfied with the municipal waste services; no distinction observable between forms	Generally high satisfaction, but not linked to organisational forms. However, according to a survey presented in the annual report of Arim IKS (2013), citizen satisfaction increased in all 12 municipalities when the waste service changed from in-house provision to inter-municipal company (type 2) provision in 2010	Qualitative data indicates that there is not a direct effect on citizen satisfaction

(continued)

<i>Hypotheses (H)</i>	<i>Poland</i>	<i>The Netherlands</i>	<i>Norway</i>	<i>Spain (Catalonia)^a</i>
4/Create accountability problems (political effect)	After re-municipalisation (de-marketisation) of waste management: problems with political accountability of new-established inter-municipal associations and indirectly elected representatives of municipalities within their statutory bodies (GOAP, pc). Problems with evaluation and benchmarking of the new system of contracting-out: obligatory reports on waste management not reliable, verified with a huge delay and marginalised in the Ministry of Environment (NIK 2015)	External agentification seems to weaken accountability: because of the distance between autonomous entity and municipalities, lack of interest among municipal council members, asynchronous budget periods of the autonomous entity and the municipalities, multiple owners with different interests (Van Genugten, 2008)	External agentification seems to weaken accountability because: lack of interest among local politicians, absence of institutional arrangements for ownership management, several formal accountees and organisational complexity (multiple owners, multiple subsidiaries, cross ownerships) (Torsteinsen and Bjørnå 2012; Renå 2013)	Formally, there are fewer ways to control agencies, and control mechanisms are difficult to implement. In addition, some legally independent bodies and inter-municipal associations tend to be less transparent than average (in terms of information on their websites). On the contrary, Consortiums tend to make more efforts in terms of communication. Agentification therefore leads to lower levels of accountability. More specifically, there are two types of problems: 1. Corruption and legal problems due to difficulties in controlling processes, and 2. Political problems related to the relation between the political bodies in the municipality (mainly the assembly, and the dichotomy government—opposition).

(continued)

<i>Hypotheses (H)</i>	<i>Poland</i>	<i>The Netherlands</i>	<i>Norway</i>	<i>Spain (Catalonia)^a</i>
5/Lead to lower capacity/competence of the municipal staff on the service (organisational effect)	Radical increase of municipal administration working with waste management (2012: 1704, 2014: 4631) due to new organisational and regulatory tasks (NIK 2015)	In case of external agentification, staff often transfer to the autonomous entity which leads to a loss of capacity and competence in the municipal organisation which is still necessary to adequately act as principal/commissioner (Van Genuyten 2008)	n.a.	n.a.
6/Affect behaviour and satisfaction among employees (organisational effect)	Dissatisfaction can be observed among employees as they are blamed for many failures and shortcomings of the new system (GOAP, pc)	n.a.	Case study indicates positive effects on both behaviour and role conception and on innovation (Andersen and Torsteinson 2015). Innovation an explicit goal for many companies. In their annual reports, they present multiple examples of actual innovations	Case studies indicate mixed effects (positive or non-existent) in behaviour and satisfaction among employees. In the opinion of CEOs, the positive effects can be linked to the size, structure and internal shape of the agency. Bigger and better structured agencies show positive effects while no effects are associated with smaller organisations

^aSources for the findings are the project Local Government Observatory (available at: <http://pisumyer.org/observatori-de-govern-local/projects/catalunya/2014/>); secondary data (websites of the agencies, municipalities and other entities devoted to this service), official publications (DOGC—Official publication of the Catalan Government, and BOP—Official Bulletin of the Province) and official registers (MUNICAT—Catalan government's registers about municipalities, IDESCAT—Catalan Statistics Institute). Some cases were analysed in depth on the basis of interviews with CEOs and people in charge of the service. The interviews took place in May 2016. To ensure variety, cases were selected on the basis of municipal size and type of organisation

^bUnpublished data received from Statistics Norway

^cGOAP (*Gospodarska Odpadarna Aglomeraciji Poznansticci*) is the largest waste management inter-municipal association in Poland. The basis for some empirical findings are interviews with the General Manager of GOAP, and members of the GOAP Assembly

environmental effects. In the Norwegian case, however, the percentage of recycling seems to be higher with increasing agentification, but this effect is reduced in the period 2009–2014.

When we move on to the *political effects*, the impact of external agentification on accountability (H4) seems to be rather negative. In that sense, we find a relatively clear support for our expectations. As for citizen satisfaction (H3), the relationship is not clear. In the three Western European countries, citizens are generally quite satisfied with the waste services, irrespective of organisational form. However, the case of Årim IKS (2013) in Norway indicates that the transition from in-house to external provision may lead to increased citizen satisfaction. Finally, lack of data makes it difficult to conclude on *organisational effects* (H5–H6) of external agentification. Concerning possible changes in capacity and competence of the municipal staff on waste management (H5), the Dutch case shows a decrease whilst Poland experiences an increase. The Polish case, however, is not related to more agentification but less, that is, reverse agentification. Thereby, the Polish findings do not contradict our expectation. When it comes to effects on employee satisfaction and behaviour (H6), our data are rather insufficient. A Norwegian case study indicates positive effects, and data collected from another case, not yet analysed, point in the same direction. Both cases also seem to contain several examples of strengthened attention on innovation, especially in terms of technology and practical operations. These findings align with findings from Sweden (Smith 2014).

DISCUSSION AND CONCLUSION

The overall result of our analysis seems to be partially inconclusive due to considerable lack of data and, not least, lack of comparable data. However, this work gives us some indications of how agentification affects processes and performance. First, type 2 and 3 organisational forms seem to have some positive economic effects, although transaction costs may increase. Second, our findings on political effects seem relatively robust and are mostly negative. Both transparency and political accountability are reduced, thereby raising serious concerns about democratic steering and control. This concern is relevant for type 2 and 3 forms, although contracting-out (type 4) must be expected to reduce control even further. Citizens, however, do not seem to care much about how the waste services are managed as long as the services are provided.

Third, the organisational effects are interesting and important because they may say something about the mechanisms linking agentification and performance, but our data are not sufficient to make any comparative conclusions. All in all, the findings on these three types of effects correspond with the mixed results Overman (2016) finds in his systematic review of delegation and agentification effects in particular. Finally, the hybrid character of local waste service provision has become more evident over the years, combining organisational forms and operational logics of hierarchy (for example, municipal ownership), market (for example, competitive tendering) and network (for example, inter-municipal cooperation). In addition, we observe some differences between the countries included in our study. Poland deviates considerably from the Western European countries due to its abrupt transformation from communism to capitalism and democracy. Municipalities in Norway and the Netherlands, countries with strong local government traditions, seem to play a more important role in local service provision than municipalities in Poland and Spain with weaker local government traditions.

NOTES

1. Although we build on the work of Van Thiel (2012) about “agencification”, we prefer to use the term “agentification” to underline the theoretical relationship to principal agent theory (Jensen and Meckling 1976; Eisenhardt 1989).
2. The Norwegian form municipal firm (*kommunalt foretak*) exemplifies such an exception; it has its own board (appointed by the local council), its own managing director and does not report to the municipal CEO, although its budget is integrated into the municipal budget. However, municipalities seldom use this form now for waste services.

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AUTHORS' BIOGRAPHY

Harald Torsteinsen is Professor of Political Science and Public Management at the Department for Social Sciences at the University of Tromsø (UIT—the Arctic University of Norway), Campus Harstad. Torsteinsen received his master's degree in political science from the University of Oslo and his PhD from UIT. His doctoral thesis focused on disaggregation and autonomization of local government service provision. In his current research he studies the internal and external governance of municipally owned companies. He is also interested in the organization and governance of public service provision at the local level.

Marieke van Genugten is Assistant Professor of Public Administration at the Institute for Management Research at Radboud University in the Netherlands. She received her PhD in Public Administration at the University of Twente. In her current research, she is examining the

internal and external governance of municipally owned companies. She is also interested in the organization and governance of public service provision at the local level.

Łukasz Mikula is Associate Professor at the Institute of Socio-Economic Geography and Spatial Management at the Adam Mickiewicz University (AMU), Poznań in Poland. His education comprises Master in Spatial Management (2005), Master in Law (2007), and PhD in Human Geography (2009). His research interests are local and metropolitan governance, spatial policy, strategic planning. Mikula is a member of the Metropolitan Research Center (CBM) team at AMU. He is also chairman of Spatial Policy Committee of Poznań City Council and Metropolitan Planning Commission for the Poznań Metropolis.

Carla Puiggròs Mussons graduated in Political Science from the Autonomous University of Barcelona, Spain. Since 2006 she has been a researcher at the Fundació Carles Pi i Sunyer Foundation where she is involved in several projects related to local government. She also collaborates with the Research Group on Local Studies (GREL) which is part of the Political Science Department of the University of Barcelona. Above all, her research interests are related to local government, and she is the author of several papers about local transparency.

Esther Pano is Associated Lecturer at the Department of Constitutional Law and Political Science at the University of Barcelona. She is also the coordinator of the project “Local Government Observatory” held by the Fundació Carles Pi i Sunyer (<http://www.pisunyer.org/>), a non-profit organization devoted to gathering and analyzing data regarding the operation and performance of local institutions. She is currently member of the GREL (research group in local politics, www.ub.edu/grel). Her research interests are related to empirical institutional analysis, local government, and questions connected to institutional design, both from a political perspective and an organizational point of view.

The Emergence of Performance Evaluation of Water Services in France

Pierre Bauby and Mihaela M. Similie

INTRODUCTION

Since the 1790s, the 36,000 French communes have possessed the legal competence to organise their own water services. Over time, their powers have been broadened and integrated into a multi-level public governance framework. More recently, the scale of their management has increased as a consequence of voluntary regroupings of communes. The so-called NOTRe Law (*Nouvelle organisation territoriale de la République*) of 7 August 2015 accentuated this process by withdrawing from communes and conferring on intercommunal establishments compulsory powers regarding the organisation and management of water services as from 1 January 2020. As a consequence, the number of organising authorities of water services will be reduced from about 25,000 to about 1500.

P. Bauby (✉) · M.M. Similie
RAP, Paris, France
e-mail: asso.rap@orange.fr

M.M. Similie
e-mail: asso.rap@orange.fr

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The development of the delegation of management to private enterprises is another characteristic of water services in France. The country has a long tradition of delegated management of water services, which has been developed since the middle of the nineteenth century (Bauby 2009). In recent decades, delegated management has undergone major growth. The population served by private operators increased from 20 million persons in 1968 to 30 million in 1978, 40 million in 1988 and 48 million in 1998. In the 1980s, more than 40% of water volume was distributed by *régies* (public enterprises); at the end of the 1990s, they only represented about 20% of distributed water volumes (Migaud 2001).

These changes were due to a combination of factors, in particular, the growing complexity of the water sector, which involves advanced technological and management skills that are rarely held by small- and medium-sized communes. During the decades from the 1960s to the 1980s, delegated management was also used as a means to finance French political life (Bauby 2009).

At the beginning of the twenty-first century, public management has developed again through remunicipalisation. Today, public operators provide water services to about 35% of the French population and wastewater services to about 47%. The remaining part of the population (essentially in big municipalities or urban areas) is served by private operators in the framework of contracts of delegation concluded for periods typically ranging from 7 to 20 years. France remains the only European country where the delegated management of water services to private operators is so important. This explains the fact that the two big French groups are the international leaders in this sector (*Générale des Eaux-Véolia* and *Lyonnaise des Eaux-Suez*).

Most delegation contracts today take the form of lease contracts, where the operator has been conferred with the tasks of less intensive investment, whilst those requiring greater investment remain the responsibility of public authorities.

Since the beginning of the 1990s, a series of legislative and managerial reforms have been introduced to answer the growing public concern regarding water in France, as well as at global level. These reforms have given organising authorities larger powers in terms of definition of objectives, control and regulation to reinforce competition, develop transparency, set up incentive mechanisms and built a certain expertise at their disposal. The “Sapin Law” (no. 93–122 of 29 January 1993 on the prevention and fight against corruption) in particular defines the

conditions under which public authorities would make use of delegated management to private operators. It limits the duration of all new delegation contracts and provides for a publicity procedure and prior agreement on competition.

From the end of the 1990s, following implementation of the Sapin Law, the proportion of contracts that changed contractor saw a certain evolution: 8% in 1998, 18% in 1999. Between 1998 and 2010, however, the outgoing operator had its contract renewed in 87% of cases (Eau France 2013). The average duration of the new contracts reduced, from 17 years on average in 1998 to about 11 years in 2012 (Roche 2001). For several years, the average number of applications by procedure was generally stable but since 2009 their number has decreased. Thus, in 2012, there were about two applications per procedure.

The new legal and regulatory framework did not put an end to the structural asymmetry between local authorities and delegates, however. The evaluation of public services performance may contribute to reduce such asymmetries. Our paper observes the conditions of emergence of performance evaluation of water services in France. To this end, we use a selection of official reports, economic research and the main conclusions of our recent case study on the remunicipalisation of water services in Paris (Bauby and Similie 2014).

MEASURING THE PERFORMANCE OF WATER PUBLIC SERVICES

Evaluation tools for water services have been progressively developed in France since the 1990s.

Legal and Regulatory Requirements of Reporting on Price and Quality of Water and Wastewater Public Services

The “Barnier Law” (on the strengthening of environmental protection) of 2 February 1995 organised an information mechanism by requiring annual public reports on the price and quality of water and wastewater public services to be presented by mayors to local councils. On that basis, Decree no. 95–635 of 6 May 1995 provided for technical (physical and qualitative) and financial (including price) indicators to be included in the reports. Yet, these reporting documents are not exhaustive accounts of the management of the service but rather scorecards that present the essential characteristics of services. They represent minimal

legal obligations that can be completed by each community according to its interests and willingness.

Until 2005, in the absence of a common framework to be used by all services, data concerning different services could not be compared. Moreover, the quality of the reports was very variable and, in the case of delegated management, mayors' reports seemed to have been realised by the operators themselves (Roche 2001). Reports essentially presented financial data and, despite their name, data on the quality of services were less developed or entirely absent. In their study based on the analysis of 400 reports, Salles and Inglès (1998) showed that even the presence of compulsory information was not systematic. To meet these issues, the Decree of 2 May 2007 on the content of the report of the mayor introduced 89 performance indicators.

The Barnier Law of 1995 also required delegated authorities to present annual financial and quality reports of their own. The lack of explicit provisions on the content of the reports, however, led to different presentations by the various delegated services. In the absence of a regulatory text defining the content of reports, reporting templates were published by the *Institut de la gestion déléguée* (IGD) and the *Ordre des experts comptables* together with the *Syndicat professionnel des distributeurs d'eau* (SPDE). But it was soon noticed that even if reports made possible a greater visibility of the service management, the transparency mechanisms provided for in the regulations did not meet their objectives and the asymmetry of information still remained evident (Salles and Inglès 1998). In fact, reports could not be understood easily and they did not allow the delegating public authority to play its control tasks effectively (Roche 2001). As a consequence, the Decree of 14 March 2005 was adopted to formalise the content of the annual report of delegates.

The Interest of Defining Performance Indicators. Positions of Public and Private Actors

During the 2000s,¹ whilst in total there were rather few external experiences of implementation of performance indicators of water and wastewater services, the interest in defining such indicators developed in France.² This was linked to the more general context of demands for evaluation of public policies. For some actors, the objective was to gather data which could be used to control, to evaluate and to create incentives

for progress. For others, the interest was broader, to include comparisons between management models.

In 2000, the French Social and Economic Council emphasised that “available statistics do not allow [one] to compare the performances of direct and delegated management”; “available means at our disposal are less adapted or very partial to really apprehend the impact on the price and quality of services” (Conseil économique et social 2000).

In 2003, the French Court of Auditors (Cour des comptes 2003) considered the necessity of common standards of quality and performance of water services, recognised by all partners, to provide means of control, in particular of the relationship between the price and quality. In fact, as the Court noted, “public operators and delegates are rather more willing to report the means they are implementing than the results to which they are committed to meet”. Controls of performance of services have been rather rare and the means local public authorities had at their disposal “were not sufficiently developed”. Efforts to define indicators are as yet too recent to have significant effects. According to the Court, quality indicators should consider “the sustainable guarantee of a safe provision, the continuity of the operation to be mainly ensured through the continuity and security of installations (their maintenance and renew), the quality of water distributed and of discharges, and the respect of norms regarding the relationships with users”. They should relate to adapted and predefined objectives.

At the same time, *Directions départementales de l'agriculture et de la forêt* (DDAF) (the county departments for agriculture and forest) have also started to propose municipalities should use template tender specifications containing lists of indicators for water and wastewater services. The DDAF network considers there should be a distinction between performance indicators (reporting results), complexity parameters (characterising the service) and activity indicators (presenting the means used). A database was also created (*Gestion des services publics*, GSP), but this tool was mainly addressed to rural and delegated services and therefore it was too incomplete to allow analysis of the impact of the reorganisation of services that were taking place in urban and suburban areas (Canneva and Pezon 2008). Besides, the first years of experience of this application have shown some resistance with regard to the implementation of a transparent approach.

A public report for the Ministry of Ecology (Cousquer et al. 2005) noticed that local public authorities lacked the means to achieve

competition between operators and more generally to control the management of their services. It considered that the implementation of performance indicators could be a factor of progress and modernisation for water public services and for their local control and regulation. According to Cousquer et al., “the interest and the validity of the principle of a strictly local regulation, in the absence of a national regulator,³ could not be ensured unless the auto-evaluation tools determine the diffusion of practices of definition of remuneration specifications according to the performance and a multi-annual programming allowing to adapt answers to local constraints and specificities” (Cousquer et al. 2005, p. 13). By choosing a list of adequately diverse indicators, with numerical targets, the community would develop its capability to express in a more concrete way what it expects from the service. “Therefore, indicators are tools of ex ante contractualisation (...) tools of adaptation during the implementation of the contract” (Cousquer et al. 2005, pp. 30, 34). This report considers the importance of results indicators rather than activity indicators. They should cover all the main aspects of the performance and should be shared by most local authorities. They should also be adaptable to the local context.

The big French private water enterprises, associated in the framework of the SPDE, have also considered performance indicators as essential tools for the modernisation of the water and wastewater services they manage. During the 2000s, they participated in several collective initiatives, in particular those undertaken by IGD, in order to define common standards of performance indicators which could be applied to all water services. Subsequently, ten indicators had been defined together with the *Fédération nationale des collectivités concédantes et régies* (FNCCR) setting minimal standards of performance of services. Operators also defined internal performance indicators.

Indeed, whilst in the 2000s, the number of local public authorities using performance indicators remained rather small, a growing proportion of delegation contracts—about 70% between 2007 and 2010—integrated performance objectives to be met by the delegatee (Eau France 2013). Objectives are accompanied by sanctions or, sometimes, liability to premium payments. Very often they are about engagements as to the quality of distributed water, network performance or the conformity of discharges.

More recently, in its annual report of 2010 on water and law regarding water management, the Council of State invited local public

authorities to use water contracts to impose objectives and to measure their performance through indicators, which should be the same for all management models. The Council insisted on the role of indicators in comparisons between the performances of different management models to create conditions for free and informed choices between public and delegated management. The Council of State also insisted on the necessity to distinguish clearly between organising authority functions and operator tasks. To favour performance comparison between management models, the Council considered it would be essential also to organise the convergence between the different systems of indicators and reporting to which all operators are subject. It also considered that the State should collect and centralise all data regarding the price and the quality of services, and should update, analyse and publish them at the level of a national observatory in order to allow *ex ante* objective evaluation of the short-term and long-term performance of different management models (Conseil d'Etat 2010).

The Progressive Implementation of a National Information System

At the end of the 2000s, the *Office national de l'eau et des milieux aquatiques* (ONEMA) was set up to ensure technical coordination of a national information system on water and wastewater and to offer analysis and performance assessment tools for water services. In practice, the creation of this database was confronted with many difficulties. In 2009, less than two-thirds of local public authorities provided the annual report on water and quality of services to inform this database. Most often, small rural communes failed to provide the information. In 2015, however, about 60% of water public services (representing about 90% of the population) and about half of collective wastewater services (representing about 83% of the population) informed ONEMA's database. Starting from 2016, all water and wastewater services supplying more than 3500 inhabitants will have to inform ONEMA's database (Decree 2015-1820 of 29 December 2015).

In 2012, ONEMA published its first annual report on the performance of water and wastewater public services, based on 2009 data. The 2013 report then included the situation of non-collective wastewater services (Eau France 2013) and the 2014 annual report was the first to propose an assessment of the evolution of the performance of services (Eau France 2014a). The 2015 annual report investigated for the first time the link between the price and the performance of services (Eau France 2015).

The main performance indicators included in the annual report are: distribution system performance, index of knowledge and management of networks, renewal rate of networks, drinking water quality and rate of conformity of non-collective wastewater systems. Data are also presented for other indicators provided for by national regulations: occurrence rate of unscheduled service interruptions, rate of complaints, amount of equalisation schemes and debt waiver, debt extinguishment time, rate of default on bills of the previous year, advancement index of the protection of water resources, linear index of network losses, linear index of uncounted volumes, regulatory compliance of treatment plant equipment and performance, and knowledge index of releases into the environment through wastewater collection networks.

DIFFICULTIES IN COMPARING WATER PUBLIC SERVICES

In France, due to the large part of water services whose management is delegated to private operators and to their oligopoly, comparisons tend to focus on the advantages and disadvantages of one model over another. Yet, to make such comparisons is a very complex and difficult task. Water services (access to natural resource, water treatment, transport and distribution) are subject to the competence of local public authorities, as water is rarely transported over long distances. The situation of each service and its costs varies widely according to the quantity and quality of the local resource, the quality of the networks and the quantity of losses, *et cetera*. It also depends on the protection measures that are implemented, very often inherited from the past. The concentration and the very heterogeneous density of population, as well as the types of habitat, should be also considered. Overall, the costs of “production” can vary from one to ten, which renders cost or price comparisons particularly difficult.

The Limits of Comparisons of Management Models Based on Prices

Typically, once the service is in place, evaluations and comparisons have been mainly realised in terms of price and costs of the service. In fact, in the 1980s, when the delegated management of water services underwent a major development in France, and in the following decade, which was marked by significant increases in water prices (Migaud 2001), price became the central indicator of comparisons between public and delegated management.

Thus, surveys realised by the *Direction générale de la concurrence, du commerce et de la répression des fraudes* (DGCCRF) have noticed that services under delegated management to private operators were on average more expensive, whilst one could expect rather different effects based on economies of scale. At the same time, the difference in prices was falling (from 20% in 1994 to 13% in 1998). Yet, other surveys (*Service central des enquêtes et des études statistiques & Institut français de l'environnement*, Migaud 2001) have revealed a more important difference of prices than that shown by the DGCCRF: 27% for water distribution and 20.5% for wastewater. Some public reports have tried to identify the causes of price rises and have mentioned in particular: new quality exigencies, new investments required by the transpositions of the European law, the modification of tariff systems and the control of delegated management of the more complex and costly services. Sometimes the increase in prices was put in relation to the change of the management model, even if “the management model is often the consequence of a situation which involves in the long-term significant complementary expenses: investments beyond the capacities of local authority, reluctance of elected officials to assume the direct responsibility of significant raises of price or the costs of a poor previous management” (Cour des comptes 1997).

A parliamentary report by Didier Migaud who was member of the Parliament, before becoming the First President of the Court of Auditors (Migaud 2001) emphasised other factors to explain and justify differences: the distance and the importance of the resource, the density or the dispersion of the habitat, the topography and the quality of the resource. At the same time, the Migaud report noted that the choice by the local public authority of a management model would lead to relatively limited difference in prices. But it also found that “the control of the service by elected officials remains to be demonstrated” (Migaud 2001, p. 11); “therefore, it would seem that the smaller delegating communes, which possessed less expertise, concluded particularly unbalanced contracts in favour of delegates” (Migaud 2001, p. 22). “Therefore, for the authors of the report, the diagnosis of the relationship between the management model and the price level remains uncertain” (Migaud 2001, p. 23).

The Court of Auditors observed that, 10 years after the entry into force of the Sapin Law, “local public authorities have started to obtain more often than in the past price reductions or the improvement of services to a constant price, in the framework of consultations organised at the end of contracts or on the occasion of the negotiation for their

periodical review”. And even if the sector still remains insufficiently open to competition, “the duration of delegation contracts is significantly reduced”. Such “progress”, noted the Court, has contributed “to slow down the progression of charges linked to the realisation of services upgrading investments” (Cour des comptes 2003, p. 12).

On their part, delegates justify the differences of price by putting emphasis on the charges imposed on private enterprises: for instance, the fiscal charges and royalties for the occupation of the public domain. Furthermore, BIPE’s reports have considered that the difference of service delivery would explain price differences between public and private management. Operators have noticed that only “easy cases” would remain within a public management model, whereas delegated management would be chosen to make important investments. The modification of the legal and regulatory environment and the expected more extensive competition should play in favour of a certain fall of prices, they said. However, overall, a global growth of prices was to be expected because of the increasing demands for quality and public safety. Thus, the rising water bill, increasing at double the rate of the general consumer price index published by INSEE, was less the fact of the cost of water service in itself and it was more due to wastewater services costs and royalties incurred by water agencies (Haut Conseil du Secteur Public 1999).

A report by ONEMA (Eau France 2013) on the award procedures of delegation contracts from 1998 to 2010 showed that tariffs were in general renegotiated downwards for the delegating operator; contracts were now focusing more on performance, and their duration was more limited; the service offer, even if limited by the very concentrated sector, had slightly increased. The 2015 annual report on water and wastewater services and their performance (Eau France 2015) compared prices between public and delegated management and emphasised benchmarking difficulties. The broader analysis on the link between price and performance of service found that the single genuine link that could be made was between price and the percentage of imported water in the volume of water distributed (higher volumes imported determine higher prices). In other words, operators of water services which have no or limited water resource must import water from other municipalities but resource dependency puts them in a weaker negotiating situation as regards water price.

The economic literature has explained the higher prices of delegated management observed in the first part of the 1990s by possible higher

investment levels but without it being possible to distinguish catch-up efforts from a willingness to overcapitalise (Salles et al. 1996). For some authors, “water price doesn’t exist” (Nowak 1995); “water price is a puzzle”, it is composed of juxtaposed amounts dedicated to different organisms for different uses (Fauqueret 2007). Besides, several pricing systems can be used in France. Some studies concluded that “only a case by case analysis can bring an informed answer to the comparison of prices” (Mahevas 2003). Services are not provided in uniform conditions and the variety of contextual and contractual factors does not allow the simple comparison of prices between services (Fauqueret 2007). As regards the comparison between the public and delegated management, this study considers that competition is not really between operators but between operators and the future reorganised public service. Although the comparison of contexts, process and results could reveal some trends as regards the price of the service, a “fair price” of delegated water services does not exist. There could only be a “fair process” of price definition which results in an agreement considered as being balanced by stakeholders—operators in competition, elected officials and subscribers. Besides, the study remarks on the lack of studies on the impact of competition on the price of services.

Other issues are also observed, such as how the management of water services is more and more complex from technological, legal and financial points of view. Today the accent is put on the security of the resource, the protection of catchment areas, the improvement of the treatment of wastewater, improvements in relationships with users and fulfilment of their rights, and social and economic challenges. Thus, the implementation of performance indicators should be developed to allow analyses integrating more broadly the impact of different current issues on services.

Therefore, there continue to be real limits in comparing management models. In particular, information is incomplete and it is unlikely that national databases could be used as a tool allowing a real benchmarking between services.

We Can Make Comparisons in Time for the Same or Comparable Services

The difficulties of comparing water services have been the subject of some analysis (Cousquer et al. 2005). Cousquer et al. have noticed that

an evaluation tool makes sense only when it concerns a shared assessment scale, allowing situation comparisons. Yet, indicators that are shared between many local public authorities make comparisons possible if the services are similar enough. Therefore, a fair balance should be found between a local definition adapted to local issues and the definition of collective and standardised tools making possible comparisons but without representing all the variety of local constraints and perceptions.

It could appear more feasible to engage in comparisons for the same service in case of change of the management model and/or the renewal of delegations. Comparison in time and for the same service could be relevant to some extent. Comparisons in space are more difficult, as much as the operating conditions are different. When there coexist different management models within the same geographical area (for instance, when water “competence” is conferred on a community or a metropolis, such as in the case of the Urban Community of Metropolitan Nantes in France), the organising authority has the means of orientation and control that allow it to implement efficiency and efficacy approaches, on both delegates and public operators, if one or another should abuse its territorial and/or temporal monopoly.

CONCLUSION

In France, public authorities have the free choice of local public services management models. They act as organising authorities for water services, in charge of defining the objectives of the service, its mode of organisation and management model. They must both ensure their control and monitor the adaptation of the service to the evolution of situations and needs.

Progressively, national legislation and regulation have defined a framework for the monitoring of water services performance: annual reports of mayors and delegates, definition of national performance indicators, creation of a national observatory managed by ONEMA. In 2016, national collection of data in respect of water services performance became compulsory. The growing quantity and quality of accessible public data could facilitate management transparency, evaluation and comparative studies, as well as the development of participatory process. However, previous studies have shown benchmarking difficulties, as much as the specificities of each water and wastewater service are important and critical data remain unknown or are not collected in the national database.

The NOTRe Law of 7 August 2015, which takes from communes the powers of organisation of water services to confer them on *communautés de communes*, *communautés d'agglomération* and *métropoles* (inter-communal establishments) as from 1 January 2020, will lead to a profound reorganisation of water services. Therefore, the new and larger organising authorities (about 1500) could have more means of definition, organisation, evaluation and control of public services, including of their performance, as regulated and encouraged by national regulations and at local level.

The newly created organising authorities (inter-communal bodies) could also have reinforced means to implement a real participation of all stakeholders, in particular of users. Until now, “consultative commissions on local public services” created by Law no. 92–125 of 6 February 1992 in average and large municipalities, which had to have amongst their members representatives of users, did not have a real impact. Users’ voices are rather expressed at local level when change of the management model is at stake, often on the occasion of elections (see for the Parisian case, Bauby and Similie 2014). However, some national associations of users publish investigations and surveys on water services and in particular their prices (for instance, the association *UFC Que Choisir*).

Research shows that what is important for an efficient water service is the policy willingness of the organising authorities, whether they decide to manage the service themselves or through delegated management, to ensure the capabilities that allow them to play their role, to assume responsibilities for defining objectives and operational specifications, to ensure a regular control of public and private operators, to inform the population and users, to organise the systematic expression of their needs and complaints and to engage their participation.

NOTES

1. For example, the *Charte des services publics locaux* (Charter of local public services) published by IGD and signed on 16 January 2002 with the associations of local authorities which expresses, in particular, the objective of implementing performance indicators.
2. From 1997, ENGREF started its analysis on the evaluation of the performance of water and wastewater public services. See, in particular, the research of L. Guérin-Schneider and her Ph.D. thesis (Guérin-Schneider 2001), which proposes to introduce a measure of the performance

through indicators, to answer the observed difficulties. Well-chosen indicators would allow definition of the expected objectives, control of whether engagements are met, as well as creation of a pseudo-competition by comparison.

- Given the low regulatory capacity of many local public authorities, proposals aiming to create a national regulatory authority have been formulated (for a review of these proposals, see Bauby 2009; Bauby and Similie 2014).

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AUTHORS' BIOGRAPHY

Pierre Bauby Ph.D., IEP-Sciences Po Paris, is a researcher and specialist on Public Action, Public Services—Services of General Interest in Europe, Chairman of Reconstruire l'Action Publique (RAP) Paris, Director of Public Action Observatory of the Jean-Jaurès Foundation Paris, is (co-)/author of several books and research, particularly of *Service public, services publics*, La Documentation Française, Paris, 2016, 2011; the “Europe” Chapter in UCLG (ed.), *Basic Services for All in an Urbanizing World*, Routledge, 2014; *(Re)légitimer l'action publique en Europe*, Fondation Jean Jaurès, 2014 (with Françoise Castex); *Providing High-Quality Public Services in Europe based on the Values of Protocol 26 TFEU*, report for CESI Brussels, 2012; *L'eupéanisation des services publics*, Presses de SciencesPo, Paris, 2011; *Mapping of the Public Services in the European Union and the 27 Member States*, Brussels, 2010.

Mihaela M. Similie Ph.D., in Law (2007), is (co-)/author of several studies and reports on services of general interest in Europe, in particular of: the “Europe” chapter in UCLG (ed.), *Basic Services for All in an Urbanizing World*, Routledge, 2014; “What is the contribution of Services of General Interest to the European Union’s Cohesion Policy?”, in Ph. Bance (dir.), *Public Action in the Crisis. Toward a Renewal in France and in Europe?*, PURH, 2012; *Providing High-Quality Public Services in Europe based on the Values of Protocol 26 TFEU*, report for CESI Brussels, 2012; *Mapping of the Public Services in the European Union and the 27 Member States*, report for CEEP Brussels, 2010.

Evaluation of Delivery Mechanisms in the Water Supply Industry—Evidence from Slovenia

Primož Pevcin and Iztok Rakar

INTRODUCTION

This chapter evaluates the delivery mechanisms, structure and regulatory framework of the water supply industry in Slovenia, an obligatory local economic public service. The cornerstone of this chapter relates to the institutional and outcome evaluation, that is, the possible explanation of the existing phenomenon, where water supply services are mostly provided by public entities, either in the form of public enterprises or integrated in-house service provision. If the system of water supply in

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P. Pevcin (✉) · I. Rakar
Faculty of Administration, University of Ljubljana, Ljubljana, Slovenia
e-mail: primoz.pevcin@fu.uni-lj.si

I. Rakar
e-mail: iztok.rakar@fu.uni-lj.si

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Slovenia is evaluated in the country-specific context, two main factors have changed this industry in the last three decades.

First, although Slovenia is regarded as one of the countries with the least problems when it comes to ensuring drinking water supply, the amount of water available through the system has decreased substantially in the last few years, but the amount of water lost in the system has also decreased. This was the direct consequence of the prevailing focus on increased managerial efficiency of the water supply system, where the majority of investments occurred (MOP 2006). However, in the last decade, major new investments occurred in building infrastructure, which generated additional costs for owners and subsequently service providers, and the focus has shifted from quality assurance of the existing infrastructure to building up the new one. Moreover, the main weaknesses of the water supply industry in Slovenia involve both diversity and dispersity of water supply system operators and lack of control of water supply systems and of their operators.

Second, the transformation of the economic, legal and social system led to the transformation of service providers. The organisational form in the socialist system involved so-called organisations of associated labour according to the United Labour Act of 1976. These organisations “owned” the infrastructure that they managed. They performed the technical functions in water supply, whilst local communities performed coordinative and supervisory functions, and so-called self-governed interest communities performed managerial functions. The transformation of the system led to the new legal regulation of organisational forms: public enterprises, in-house integrated municipal service providers and contracted-out service providers (that is concessionaires), managing water supply (all three according to the Services of General Economic Interest Act of 1993 [ZGJS]).¹ The legal provisions of the ZGJS mandate that the infrastructure came into the ownership of local authorities in 1993, and yet only in 2010 was the water infrastructure transferred from the balance sheets of municipal companies to the municipalities. This means that municipalities ought to establish business leasing relationships with service providers, and municipalities receive funds from providers to cover the depreciation costs of the infrastructure.

The evaluation of the water supply industry in Slovenia delivers very important lessons on the effect of the legal and regulatory framework on the industry structure outcomes, in particular, where provisions should be set up so that they actually enable functional privatisation. This paper

presents the first comprehensive institutional and outcome evaluation of the industry in Slovenia, as previous studies focused predominantly on the analysis of pricing policy or micromanagement within the industry.²

MAIN FEATURES AND INSTITUTIONAL EVALUATION OF WATER SUPPLY INDUSTRY IN SLOVENIA

In-house integrated service providers and public enterprises are the two major delivery mechanisms of the water supply industry in Slovenia. There are currently 95 service providers, providing the water supply for 212 municipalities (MOP 2016). The distribution and the amount of service provided vary substantially. For instance, whereas the majority of providers serve only one municipality, some are providing services for several municipalities. Specifically, some providers serve more than ten municipalities, the largest number being 27. Interestingly, there are 29 in-house integrated service providers, which indicates that these are rather small providers, where there was no economic justification to establish a separate company by the municipalities.³ The majority of other service providers are public enterprises. Only about 5% of water supply providers are contracted-out providers in the form of concessionaires. Both the structure as well as the number of service providers seems to be relatively stable in recent years, which can be attributed to the prevailing monopolistic nature of the industry with relatively large entry costs or even limited possibility to enter the industry. This chapter presents the reasons for this, as well as evaluating practical consequences of specific industry structure.

The first reform of public services in Slovenia occurred together with the transition to the new constitutional and political system. Before 1991,⁴ public services were known as services of special societal importance.⁵ After 1991, new organisational forms were introduced—for social public services, the public institute was introduced by the Institutes Act of 1991, and for economic public services the so-called in-house integrated municipal provision unit, economic public institute, public enterprise, concession (contracting-out) and public investment in private law organisations were introduced by ZGJS in 1993. Both laws determined which activities are regarded as public services, until their explicit determination in sector-specific laws, and thus enabled a unified transition from the old to the new legal arrangements. Special attention

was given to the infrastructure needed to perform public services, which mainly became the property of local authorities and central government (Trpin 2011, 101–102).⁶

Legal regulation of awarding concessions, that is, contracting-out, for providing economic public services (contractual public-private partnership [PPP] is quite complicated as the provisions of ZGJS and ZJZP are intertwined [Virant 2009, 150]).⁷ According to ZJZP, the public partner should inform the Ministry of Finance about the conclusion of a PPP (Article 70). However, in practice, municipalities and other public partners do not fulfil this legal obligation. Consequently, there is *inter alia* no database on concessions awarded by municipalities. In practice, municipalities award concessions for public passenger transport, waste management and so on.⁸

Public enterprise is the most widespread form of local economic public services provision in general. ZGJS provides that it may be used when it comes to the performance of one or more services of increased volume or when an economic public service has a monopoly character. In both cases, services should be able to perform profitably (Article 6). Public enterprise is organised in a form of company with shared capital and in the literature is mainly regarded as a legal entity of public law (Brezovnik 2008, 177). However, significant statutory changes occurred in what can be understood under the label of public enterprise. Namely, prior to 2005, private shares in public enterprises were also allowed, the major precondition for the status of the company was to be established by the government or municipality. This technically meant they were classical corporatised private law companies, and the substantial part of public enterprises had some amount of private ownership, thus being corporations serving the public interest.⁹

After 2006, when ZJZP was introduced, the status of public enterprise was subjected to the sole ownership of government or municipalities, in order to bypass the necessity to get concessions, as legal provisions also mandated that if public enterprises become companies of private law, they are subject to obtaining concessions in order to be eligible for service provision. This indicates that a process needed to be initiated, for a public enterprise to become either a public or private law company, where the former status meant avoiding legal provisions on concessions.

Although this process was initiated,¹⁰ the legal status of those public enterprises is still disputed and no evidence exists on the final outcome of this process. Moreover, the public enterprise concept does not have special

legal status, so it is more like a colloquial label. In essence, the majority of public enterprises operate like corporatised units, but they do not hold concessions to perform services. They behave like private law companies but have public law status, creating an interesting hybrid status.

Specifically, if we address the issues of the water supply industry from a developmental point of view, water supply regulation consists of different legal and other acts, as shown in Table 1.

To elaborate, legal provisions actually caused a situation that, in Slovenia, only so-called formal privatisation of water supply infrastructure occurred, as so-called material privatisation is not possible according to Article 76 of ZGJS, which stipulated that infrastructure, equipment as well as mobile and other assets, which are in accordance with the regulations aimed at providing services of general economic interest, became the property of the state and municipalities. Accordingly, only maintenance and control of the infrastructure network could be transferred to private law subjects. The introduction of public enterprises as a type of water supply provider reduced the incentive to use functional privatisation to a larger extent. Public enterprises are in fact companies, organised as joint-stock companies or limited liability companies, with some special features stipulated by ZGJS. As already said, use of this organisational form ensured or enabled a ‘velvet transition’ from socialist to the present-day system of public service providers. Ultimately, this also explains why public providers and specific organisational types of providers prevail in the water supply industry in Slovenia.

As far as consumers are concerned, ZGJS provides the legal basis for establishing councils for the protection of consumers of public goods (Chap. “[Less Plato and more Aristotle: Empirical evaluation of public policies in local services](#)”). Councils may be established by the state or by municipalities for single or several economic services. They are entitled to issue recommendations and remarks to public bodies and the latter are obliged to inform them on views and measures taken. In practice, 20 councils are established. Besides this institutionalised form of user participation, ad hoc forms exist, established especially for opposing increases in utility prices. It is also important to mention that in Slovenia the right to drinking water has been incorporated into the Constitution in 2016.¹¹ In terms of privatisation initiatives in Slovenia in general it must be explained, that in the last 25 years mainly left-wing governments were in power and that the term “privatisation” has a prevailing negative connotation in public and political debates—this phenomenon is additionally

Table 1 Water supply regulation scheme in the Socialist Republic of Slovenia and the Republic of Slovenia

<i>Legal acts</i>		<i>Water law</i>		<i>Other acts</i>
<i>Environmental law</i>				
<i>Socialist Republic of Slovenia</i>	Several laws, e.g. Air Protection Act (1975)	Waters Act (1981)	Municipal Ordinances	
<i>Republic of Slovenia</i>	Environment Protection Act (1993)	Services of General Economic Interest Act (1993)	Waters Act (2002)	National Environment Protection Action Programme (1999)
	Environment Protection Act (2004)		Rules on drinking water supply (2006)	Resolution on National Environmental Action Plan 2005–2012 (2005)
			Decree on drinking water supply (2012)	Action plan for water supply (2006)
				Municipal Action plans for water supply

Source: Authors' elaboration

amplified in recent years in relation to financial crisis, where nostalgia for socialism can be observed. Finally, in terms of law-making and policy-making procedures impacts on water should be assessed.¹² However, as in other cases of regulatory impact assessments in Slovenia, a relatively big gap between legal regulation and implementation exists (see Court of Audit of the Republic of Slovenia 2006, 2012).

OUTCOME EVALUATION OF WATER SUPPLY INDUSTRY IN SLOVENIA

The previous chapter identified the industry structure of the water supply industry, and this chapter presents the main outcomes associated with this structure.

Pricing Policy

The first main issue of the water industry in Slovenia relates to pricing policy. This has undergone substantial changes, the main contributors were the both water directives of the EU (1998/83 and 2000/60), which suggest complex treatment of water management (from the source to wastewater management) and substantially affect the water price structure. The environmental taxes and levies have been implemented, and they should be reflected within the end price of water supply. Nevertheless, the specifics of the Slovenian system relate to the long-lasting tradition of centralised administrative (price) regulation of utilities in general, where constant price limitations were utilised (LM Veritas 2012), the main purpose being to limit inflation pressures.¹³ This has led to production inefficiencies and infrastructural disinvestments (Rakar 2012; Cerkvėnik 2015a).

The main reasons for this trend were associated with the idea that privatisation of utilities is the best policy in order to increase efficiency,¹⁴ and consequently, the legal provisions were not set up appropriately to generate sufficient amount of revenues to cover depreciation costs. Namely, depreciation rates were either set too low for political purposes; or depreciation was not calculated due to the lack of evidence on infrastructure; or depreciation revenues were used, via bypasses, to cover current costs of service provision (Rakar 2012).¹⁵ Besides, the field experience indicates, that one of the main contributors to the exacerbating costs was related to the combination of the role of the EU funds

and the still existing “brigadier” mentality. Namely, often for pre-election political purposes and with the relative accessibility of EU funds, municipalities often focused on building new infrastructure, thus performing quantitative expansion of the water systems, and simultaneously neglecting the maintenance of the existing systems. Given the fact that in reality there is no growth of population, more focus should be given to the quality of the existing systems, not to the development of new ones, as this only inflates costs, but does not generate revenues.

Only in 2013 were new legislative provisions introduced, and the regulation of local public utilities was transferred from central to municipal level (*Uredba o metodologiji za oblikovanje cen obveznih občinskih gospodarskih javnih služb varstva okolja* MEDO). This means that, instead of central government regulation, municipal administration is now responsible for local public utilities regulation, and this includes industries like water supply, sewerage and waste management. New methodology also determines new modes of price setting for local public utilities, and the price system includes two parts: the first part includes covering the costs of public infrastructure and the second part includes covering the costs of the delivery of services. However, although the initial proposal for price setup comes from the service provider, and the municipal administration then approves the prices of local public utilities, the central government still determines the so-called comparable areas, so that the reasonable price of specific services is set. This framework should serve as a benchmark to approve suitable and justifiable prices for utilities in order to avoid information asymmetry.¹⁶ However, the central government should still have some responsibility in performing regulation, as it is often observed that municipalities do not have the capacity or capability to correctly perform regulation.

Costs of Service Delivery

Given the fact that regulatory activities have been transferred to the municipal levels, the main problem that arises is how to determine the appropriate costs of service delivery. Namely, service providers need to justify their costs of service provision, whereas, in contrast, municipal administrations as regulators need to assess which costs of service provision are really justified. It needs to be stressed that both interest groups have tried already to set up some sort of methodology to establish the system for assessing justifiable costs. For instance, in 2007, the Chamber

of Communal Industry started an initiative to develop the methodology for setting and monitoring the costs and prices of communal services at the local level.

The reason for this initiative was that water supply is one of those industries where costs of service delivery depend on both the natural characteristics of the system and the technological characteristics of the system. MEDO decree has set up the average prices of services in comparable areas as a basis for determining the justifiable prices of communal services. The unit under observation is the municipality, and municipalities in Slovenia are classified into three categories depending on the number of residents. Moreover, these three categories are then split into three sub-categories, where population density is taken as the second criterion for classification.¹⁷

However, some experts (for example, Cerkvenik 2015a) have stressed that these two criteria neglect not just natural but predominantly technological variations in production systems, which affect the price of a particular service. The natural and technological variations depend not just on the number of residents and the population density, but also on supply issues (that is, the length of water supply networks, the structure of drinking water sources etc.), quality of water sources (that is, deviation from minimum quality standards needed, necessity to ensure additional water treatments etc.), elements of service provision (that is, regularity of water supply), cost-effectiveness (that is, costs and quality of infrastructure, number of employees of service providers, the structure of costs etc.) and sustainability issues (that is, losses of drinking water due to failures in the system, consumption of energy for ensuring water provision etc.).

Moreover, the MEDO methodology has been also challenged due to its focus on regulating rates of return instead of focusing on setting price caps (Fajfar 2013). Namely, the focus on regulating rates of return diminishes incentives for providers to be more efficient and cost-effective, and this problem cannot be avoided even if comparable areas are set. This has even been confirmed by some research (Filippini et al. 2010), where the relative inefficiency of water supplying companies in Slovenia has been established, and if efficiency increases, it can be attributed only to technological factors.

If we focus on the regulatory framework, the main issue is not the quality assurance regulation, but rather setting appropriate prices of water for end users. The above mentioned 'velvet transition' also meant that previous institutional factors are still very important in current

policymaking. As local-level politicians sets prices, they tend to prefer lower prices for political purposes, as voters/users perceive water as a good that needs to be almost freely available. Indeed, it might be argued that EU directives demand higher standards, but the voters are not prepared to pay additional funds for those standards to be achieved. In addition, as public enterprises also tend to perform other business activities, municipalities, as their owners and regulators at the same time, often use this bargaining power to pressure for lower prices. Other business activities should serve as revenue generators to cover lower revenues associated with water provision.

Industry Structure

The lack of privatisation has also caused problems within the industry structure itself. Basically, the existing monitoring of the industry focuses on the quality of water provided, as this quality assurance is extensively performed by the National Institute of Public Health as the major performer of 'social monitoring'. Nevertheless, there is a lack of economic monitoring of this industry in Slovenia. This would be highly warranted, as the existing literature, although very limited in amount, also indicates problems related to scope and scale effects assurance.

For instance, the Chamber of Communal Industry and the Institute for Public Services have performed the analysis of service delivery for the water supply industry in 2014, where four factors have been assessed (quality of water, elements of water provision, cost-effectiveness and sustainability orientation). The analysis covered 47 service providers in 151 Slovenian municipalities. This means that the analysis covered almost 50% of all service providers, approximately three-quarters of all municipalities and supplied residents, and almost 90% of total water supplied. The findings have shown that the price of water depends predominantly on the population density in relation to a particular water supply system, which supports the importance of scale and size economies in the water supply industry.¹⁸ In particular, the evidence indicates that the 'network' costs tend to decrease with the increased density of water consumption, so size economies are important. Interestingly, the costs of water supplied also tend to decrease with the density of water consumption, but it seems that after some point costs of water supply start to increase, which suggests some optimal density of water consumption (see also Cerkevnik 2015b). However, this study has failed

to examine this question further, and also the issue of the appropriate number and size of service providers.

Another study was performed by Gašperin et al. (2014). They studied the cost-effectiveness of selected water supply companies, with the focus on the factors that affect the unit costs of water supply as the main determinant of price charged to end users. The reform initiated in 1995 caused increased fragmentation of local self-government. The consequence was establishment of new municipalities, and prices were set separately for each newly established municipality. This caused that predominantly smaller municipalities, with less favourable networks and distribution systems, exhibiting higher unit costs of water supply. Consequently, the fragmentation of local self-government led to higher prices for end users. Besides, water supply infrastructure investments generate larger current operating and depreciation costs, which thinly populated municipalities find difficult to cope with, resulting also in higher prices for end users. These results suggest the importance of scale in size economies, but also the importance of assuring efficiency in water provision.

It follows that, in the context of the evaluation of delivery mechanisms, efficiency problems with services and utilities delivery are especially exposed in smaller municipalities, which often face the problem that they are not large enough or do not have sufficient resources in order to perform their tasks effectively and efficiently. According to Vlaj (2012), Slovenia is one of the most centralised countries in Europe with a large number of inefficient municipalities. The point at which municipalities are economically capable of ensuring the provision of public services is still one of the main challenges of providing local public services in the future.¹⁹

CONCLUSION

As indicated, legal provisions only allowed for the so-called formal privatisation within the water supply industry in Slovenia, as the infrastructure needed to provide services of general economic interest was the property of the government. Moreover, the invention of a special statutory category of public enterprise, technically either joint-stock companies or limited liability companies established and owned by the government, reduced the incentive to use functional privatisation to a larger extent. This has caused a situation in which predominantly public providers

prevail. Table 2 summarises the main challenges of water supply delivery mechanisms in a specific Slovenian context.²⁰

One of the main assumptions that emerged within the water industry in Slovenia was the paradigm that privatisation of utilities is the best policy in order to increase efficiency, and consequently, the legal provisions were not set up appropriately to generate sufficient amounts of revenues to cover depreciation costs, a problem plaguing predominantly water industry companies (Rakar 2012). This indicates that public providers also experienced lack of appropriate regulation. Besides, difficulties exist in implementing the regulation, which was transferred to the local level. Moreover, inefficient production structure exists, with both diverse and dispersed system operators, and relatively small service providers. And finally, although pricing policy provisions involve the complex treatment characteristics of the water industry, small-sized providers cannot utilise size and scale effects in this very capital-intensive industry,²¹ so the end users in smaller municipalities tend to bear the costs of this production structure.

The consequences of lack of functional privatisation can be exhibited through the lack of legal provisions to generate sufficient amounts

Table 2 Challenges, pitfalls and outcomes in the water industry of Slovenia

<i>Challenges</i>	<i>Pitfalls</i>	<i>Outcome</i>
Privatisation	Only “formal” privatisation possible, lack of legal provisions, small-sized municipalities and transaction costs	Public providers prevail
Efficient regulation	Problems of regulatory capacity and capability of municipalities, insufficient methodology, municipalities as regulators and major stakeholders in companies	Difficulties in implementing regulatory framework
Efficient production structure, mergers of service providers	Diversity and dispersity of water supply operators	Small-sized producers, inability to cope with size and scale economies
Appropriate pricing policy	End prices depend on network and scale effects	Large variations in end prices, larger on average in smaller municipalities

Source Authors’ elaboration

of revenues of service providers to cover depreciation costs, leading to severe disinvestment trends in this industry. As the evidence on lack of privatisation became undeniable, legislative provisions were established, but this happened only in 2013. Furthermore, new legislation heavily decentralised the regulatory framework of industry, and new 'regulators' exhibited a clear lack of capacity and capability for efficient regulation, thereby supporting the thesis on political reasons for the decentralisation initiative. Notwithstanding, the effect of the current industry structure is also a lack of efficient production system. The accumulation of service provision within public entities discouraged mergers of service providers in order to avoid the problem of large diversity and dispersity of water providers and their ability to use scale and size economies in this very capital intensive industry, causing difficulties also in creating appropriate pricing policy. This implies large variations in end prices of water supplied to users, and prices tend to be higher in municipalities with relatively small service providers.

What potential lessons could be learned from the Slovenian experience in the water supply industry? First of all, the precondition needs to be set that, although politically plausible, not just investments are needed, but the costs of service delivery and maintenance should be taken into account. Thus, the availability of EU funds for developing infrastructure might be seen as an opportunity only, but the focus should be also on improving the quality of the existing infrastructure. Second, the appropriate size of the utility needed should be established clearly, as excessive capacity only generates excessive costs. Third, it is necessary that all stakeholders within government, that is, central, regional and local government, share their burden in creating and enabling efficient regulation, which is of particular relevance if local governments tend to be rather small, thus having limited regulatory capacities and capabilities. In this context, the experience should be valuable predominantly for those post-socialist and transition countries, where their relative underdevelopment enables them to receive infrastructural funds. They should refocus their policymaking and investment activities to increasing quality and efficiency of the existing water provision systems, as there is a clear link between maintenance and development costs and prices of service for end users.

NOTES

1. Some private providers in the form of cooperatives also exist.
2. In this respect, evaluation culture in Slovenia does not exist. Benchmarking studies on water supply are very rare (e.g. Petelin 2008; Petelin et al. 2008).
3. In essence, this form of service delivery is actually very rare in Slovenian practice, as addressed later on, except for several industries, one of them being the water supply industry.
4. Former Yugoslav legal regulation knew the term public services until the mid-1960s, when changes of the constitutional system took place (Trpin 2011, 98).
5. Social public services were known as social services of special societal importance and economic public services as services of special societal importance of economic infrastructure (Trpin 2011, 100).
6. In practice, central government and local authorities started to invest in this infrastructure as an in-kind contribution to public and other companies and thus lost property, which practically nullified the idea of competition in the field of publicly owned infrastructure (Trpin 2011, 102–103).
7. For more details, see Ferik and Ferik (2008).
8. For discussion on remunicipalisation in Slovenia, see Rakar et al. (2015).
9. For discussion on this issue, see Brezovnik (2009).
10. ZJZP provided a time limit for transformation of public enterprises in mixed (i.e. public-private) ownership. However, in practice, the transformation has not been implemented completely. Critically on this issue Brezovnik (2008, 252–254).
11. See Article 70.a of the Constitution of the Republic of Slovenia.
12. Ministry in charge of public administration issued handbook on regulatory impact assessment in 2011. See www.stopbirokraciji.si.
13. Namely, this enabled Slovenia to fulfil the conditions for entering Economic and Monetary Union, too. However, the Institute for Research in Energy, Ecology and Technology (IREET 2008) calculated that the price of water and sewerage service only covered approximately 70% of total unit costs of service delivery.
14. Interestingly, although privatisation was envisaged, the final outcome of this process is even less privatisation.
15. For instance, the depreciation gap (lack of revenues) amounted up to 310 million EUR for the period 2000–2010 in the water supply industry.
16. This means, as already stated, that the central government has no authority in determining the actual price of this local public service. This was a very elegant way to transfer the (political) burden of consequences of long-term price control to the municipalities.

17. For data, see Ministrstvo za okolje in prostor (MOP 2013).
18. For practical reasons, it is extremely important to differentiate scale and size economies, although the literature often does not pay particular attention to this distinction. This particular case shows the importance of size economies rather than scale economies, because the latter is a more technological notion depending on returns of scale.
19. See also Pevcin (2013).
20. Specifically, they should be seen as challenges, as clearly there is a lack of clear strategy on local public services, and legal provisions are often inadequate themselves.
21. Water supply is the industry with prevailing characteristics of local natural monopoly (Bailey 2002). Nevertheless, the local and monopolistic nature of the water supply industry often means that the provision is fragmented and cost inefficient.

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AUTHORS' BIOGRAPHY

Primož Pevcin is Associate Professor off Public Sector Economics and Management at the University of Ljubljana, Faculty of Administration, Slovenia. His research interests are widely associated with the public sector economics and management topics, mostly related to subnational government issues. He has been involved in several national and international research and developmental projects that addressed public sector reforms, efficiency, and transformation. Recent publications have dealt with topics like efficiency and consolidations of local governments, and local government financing and service delivery.

Iztok Rakar is Assistant Professor off Public Administration at the University of Ljubljana, Faculty of Administration, Slovenia. His research interests are associated with administrative law, local self-government, and comparative public administration. He is a titular member of Group of Independent Experts on the European Charter of Local Self-Government by Council of Europe from Slovenia. He has been involved in national and international research, consultative and training projects and activities (e.g., UNDP, TAIEX). Recent publications deal with public participation and local public services.

Apprentice Sorcerers. Evaluating the Programme Theory of Regulatory Governance in Italian Public Utilities

*Giulio Citroni, Marco Di Giulio, Maria Tullia Galanti,
Andrea Lippi and Stefania Profeti*

G. Citroni (✉)

Department of Political and Social Sciences, University of Calabria,
Rende (CS), Italy
e-mail: giulio.citroni@unical.it

M. Di Giulio

Department of Management, Economics and Industrial Engineering,
Politecnico di Milano, Milan, Italy
e-mail: marco.digiulio@polimi.it

M.T. Galanti

Department of Social and Political Sciences, University of Milan, Milan, Italy
e-mail: maria.galanti@unimi.it

A. Lippi

Department of Political and Social Sciences, University of Florence,
Florence, Italy
e-mail: lippi@unifi.it

S. Profeti

Department of Political and Social Sciences, University of Bologna,
Bologna, Italy
e-mail: stefania.profeti@unibo.it

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CENTRE-PERIPHERY RELATIONS IN ITALY: A BRIEF OVERVIEW

Since the mid-1990s, the Italian state has been undergoing a fits-and-starts process of decentralisation aimed at solving the main problems affecting the former Napoleonic arrangement: the lack of clear-cut responsibilities due to redundancy and overlapping competences amongst institutional tiers; the extreme fragmentation of authority; and the consequent shortcomings in effectiveness and democratic accountability (Lippi 2011, 496). All reforms approved between 1990 and the first decade of the new century, albeit incremental and somewhat incoherent (Bolgherini and Lippi 2016), followed in fact a “quasi-federalist” approach envisaging, at least on paper:

- a devolution of legislative competences from the central state to regional governments, ratified in the Constitutional reform of 2001 (that distinguished between exclusive competencies of the State, concurrent competencies—amongst them territorial planning and energy—and exclusive competencies of the Regions);
- the strengthening of local governments’ administrative capacity thanks to the introduction of New Public Management (NPM) tools;
- and the enhancement in the leadership capacity of mayors and regional presidents *vis-à-vis* their legislatures through their direct election (Bobbio 2005; Lippi 2011).

In structural terms, the current local government system is made up of three levels: 8054 municipalities, 97 provinces and 13 metropolitan cities (envisaged since 1990, but created between 2014 and 2015). All three tiers are steered by 20 regions which have legislative powers in all subject matters that are not expressly covered by State legislation, and are free in selecting tasks to be delegated to the local levels. Amongst the latter, municipalities are no doubt the key actors in policymaking, especially as far as service delivery and management is concerned: they have progressively dethroned provinces in the name of vertical subsidiarity, and are now charged with the most part of administrative functions. Since the mid-1990s, they have also been increasingly expected to coordinate efforts in joint service planning and management in second-level organisations on the basis of assumptions concerning economies of scale (Bolgherini and Dallara 2016). This trend is partly related to the

decreasing role of provinces, which are being divested of powers and, since 2014, are no longer democratically elected.

In April 2016, the Parliament approved a new proposal of Constitutional revision, which is now waiting for popular approval through a constitutional referendum to be held by the end of 2016. Should the electors approve the bill, it would produce quite extensive changes in the current system of centre-periphery relations.¹ The new Senate of the Republic, although with reduced powers, would be composed of members indirectly elected by regional councils. Provinces would be definitely removed from the Constitution. Concurrent competences between state and regions would be abolished, with a strengthening of the central government in some key policy areas such as energy, environment, infrastructure and active labour policies. According to reformers, this latter provision should reduce the recurrent judicial controversies between the state and regions which developed in the last decades because of ambiguity over shared competencies (Lippi 2011, 509).

Within this framework, the paper, therefore, analyses primarily the municipal level, including the forms of association amongst municipalities, given its pivotal role in the system of governance of local utilities. The energy sector will not be discussed, because it is structured in a completely different way, much more dominated by European Union (EU) and state legislation and government.

EVALUATING THE REFORM OF ITALIAN PUBLIC UTILITIES: THE ANALYTICAL FRAMEWORK

The paper aims at evaluating the process and the impact of regulatory design in Italian Local Public Utilities (LPU).

Two relevant arguments support this strategy:

- First, the regulatory governance of local public services is one of the most debated and contested issues of Italian politics in the last years, including two popular referenda in 2011. Decisions about LPU and their regulatory instruments repeatedly upset and divide the public opinion; however, no specific evaluation on results and the real impact with respect to the goals of the reforms has been implemented, confining public debate to ideological positions. Hence, an overall evaluation is needed, and it is vital in order to bring the debate back to empirical evidence.

- Second, since the early 1990s, the regulatory governance design has been profoundly incremental and disjointed (Citroni et al. 2016), and the rationale behind the programme turned out to be scattered across many laws and a redundant stream of micro-legislation. Such a process of continuous adaptation effectively redefined the initial pattern of the regulatory arrangement, but without altering its nature and original background. So doing, one could pay attention to the incremental readjustment without looking at the underlying regulatory design and its goals and principles. The regulatory design needs to be inferred and put into evidence. Evaluation can be a means of “speaking truth to power” (Wildawsky 1979).

Furthermore, there is a specific claim for evaluating LPU reforms in Italy because their reform theoretically implied the implementation of performance assessment and impact evaluation, too. For this reason, an “evaluation of the evaluation practice” is due because of its implicit impacts on the Italian public sector as a whole. In 2012, the central government assigned the national authority on energy and gas the task to evaluate the water and sanitation service. However, no specific evaluation has yet been provided, whilst there is no national supervision or monitoring on waste and transports, apart from some limited authorities at regional level. Indeed, no indicators, benchmarks, databases and assessments have been provided from national institutions. Hence, Italy still lacks systematic evaluation as well as sectoral assessments at national level; this hinders general overview and evaluations on the reforms in the political debate, as well as in this chapter. Accordingly, the overall landscape is scattered and contradictory. Pilot projects and innovative techniques, often launched by the epistemic community of the Italian Evaluation Association since the early 1990s, had not been equally supported by the central government and the public agencies. On the other hand, in Italy, the impact of EU pressures towards the adoption of sound evaluation tools through Cohesion Policy and Structural Funds remained confined to the few central and regional offices involved in the management of European programmes, having very limited effects over public administration as a whole (Fargion et al. 2006), and LPU in particular.

The case in question, therefore, stands out because of its complex, stratified and layered nature. Hence, we suggest a Program Theory Evaluation (PTE) (Weiss 1997; Rogers et al. 2000) that is particularly well suited to analyse “black box” policies (Weiss 1995, 68), that

is, policies where the theory of the programme is non-transparent and blurred by many changes and adjustments.

PTE is addressed to reconstruct the rationale underlying behaviours and results of policymaking processes when they seem unpredictable and not directly deducible. As Chen and Rossi (1989), Wholey (1987) point out, PTE aims at situating policymaking in a given context to understand why actors play their roles in a certain way according to a “theory of the expected change” that has to be identified and revealed by the evaluator. Theory of change includes the policy design and its following modifications, the expected outcomes and the implicit (or only partially explicit, whenever confused or incremental) strategy to achieve the stated goals. As Stame (2004, 61) says, “theory is not a theory that is unaffected by politics, but a good theory of how politics works in practice”.

Hence, PTE is particularly well suited for the analysis of policies in three sets of circumstances (Posavac 2015, 50–52): (i) when the programmes are implausible, namely planned without a carefully thought-out impact model; (ii) when the programme does not match the values of the stakeholders or the needs of the people to be served; (iii) when the programme does not fulfil the original plan because of different errors such as: misleading knowledge, not valid or not empirically proved assumptions, overestimation, organisational resistance or biases in the implementation.

Assuming this strategy, the paper reconstructs the theory of change and the policy design (Sect. “[The Reform of Local Utilities: Theory of Change and Policy Design](#)”), to describe in Sect. “[The Overall Implementation: An Assessment](#)” changes and impacts according to the stated PTE. A final recommendation will be provided in Sect. “[Conclusions and Policy Recommendations](#)”.

THE REFORM OF LOCAL UTILITIES: THEORY OF CHANGE AND POLICY DESIGN

At present, in Italy, there is no distinct and consistent law on public services but a piecemeal strand of legislation enacted by Parliament and the central government since 1994. This scattered and redundant framework was issued in the light of a regulatory approach and moderately inspired by NPM tools, but it repeatedly seemed ambiguous and inconsistent. Indeed, this design was enacted separately for each sector (water and sanitation, waste and disposal, transportation) even if the

basic pattern was almost the same but adapted to different needs and specific constituencies, technologies and profitability. As said before, the fragmented and only partially coherent rationale behind state intervention may be inductively identified *ex post facto*, looking first at the situation of local utilities before the reforms, then analysing how the problem was framed by decision-makers in order to understand the theory of change underpinning the reform programme.

Since the early twentieth century and until the early 1990s, in Italy, public utilities were governed through a quite complex and fragmented setting, with poor—not to say absent—coordination by the state and a very residual role for private actors and organisations (Citroni et al. 2016). Municipalities were assigned the key responsibility in the sector since 1903: in fact the Giolitti Law (Law no. 103/1903) allowed them to acquire the direct management of several public services including water and waste management (formerly in the hands of private providers), and to create public-law municipal companies (the so-called *aziende municipalizzate*) carrying out public utilities on their behalf. In the following decades, with the lack of a binding, overarching national framework, municipal practices developed unevenly across the country, within a framework of high fragmentation. This holds true especially for water and waste services, as well as for local transportation. Instead, the strong influence of EU directives in the energy sector, and its nationalisation in 1962 (Prontera and Citroni 2007), produced a very different set of constraints and opportunities which downsized the role played by municipalities and would require separate discussion; that is why in this contribution we leave energy out of the discussion.

In the late 1980s, more than 5500 operators were involved in the management of water services, most of them being the municipalities themselves (about 82%) or their companies (14%), with a very limited presence of private organisations (no more than 2%) (Citroni et al. 2008, 27). The same applied to waste management (about 4000 operators, 89% of which were municipalities and 6% municipal companies²) and local transports (1234 operators in 1996, half of which had less than five employees; see Bentivogli et al. 2008, 20). Fragmentation was widespread but some relevant interregional differences did exist, with the most part of municipal companies being located in the North (Lippi et al. 2008). In addition to fragmentation, and largely related to that, all three sectors were generally affected by underfunding and poor performances, especially in the South.

Against this backdrop, in the early 1990s, the critical juncture between the creation of the European Market and the domestic crisis of the political system due to widespread corruption scandals opened up a window of opportunity for change, providing also the key to framing the problem and the main ingredients for a “less politics, more performance” reform recipe:

- First, in line with the rhetoric underpinning administrative reforms in the same years, it was necessary to de-politicise public services to bring their management out of the direct influence of politics and its formal (appointments) and informal (patronage) ties.
- NPM principles and a regulatory approach envisaging a clear-cut separation between regulation and provision fitted well with the aforementioned objective, providing also an extraordinary chance to reduce public burdens through service externalisation and/or privatisation of former municipal companies.
- On the other hand, the opening up of the EU service market, and the introduction of free competition mechanisms for awarding services across the European Member States, could seriously challenge small local incumbents and domestic players, thus encouraging processes of aggregation and further industrialisation of local utilities.

Based on the analysis of legislation, on a wide array of expert interviews and press analysis (in particular Citroni et al. 2008), as well as on the existing literature (in particular Cassese 1996, 2010), we can identify four different policy solutions supporting these general goals:

1. *Separation between regulation and provision.* A clear distinction of responsibilities between regulation and service delivery was envisaged. Planning, regulation and control were entrusted to municipalities, and service delivery assigned through concessions to public, private or mixed companies according to the principal-agent approach. The goal was to empower the regulatory capacity of the representative bodies and the establishment of a quite complex multi-level governance system involving the state (charged with overall policy design), ad hoc national observatories (supervision, monitoring, data collection and delivery), the regions (laws setting the organisation of service and steering functions) and municipalities (responsibility for service delivery). Municipalities also play the

key role through their direct participation in new supra-municipal “local authorities” (*Autorità d’Ambito Territoriale Ottimale*, AATOs, whose perimeter has to be decided by regions) deputed to planning, awarding service contracts to operators, as well as controlling and evaluating the quality of service provision through periodic performance assessment and customer satisfaction techniques. The expected outcome of this new system was threefold: fostering mechanisms of monitoring and control over performance; improving planning skills; and reducing political influence over management issues.

2. *Competition and privatisation.* In all sectors, preexisting direct management of services should be substituted with formal mechanisms of awarding contracts to public, private or mixed companies, with an explicit preference for competitive tendering in order to increase transparency and “value for money” (as well as, of course, complying with EU competition rules). Moreover, national laws clearly promoted the formal privatisation of former municipal companies, providing that services of general economic interest must be managed by private-law companies. Material privatisation was encouraged, too, but no binding rules were issued on that matter. The main expected impacts of both competition and privatisation were the improvement of the quality of service provision (in terms of customer satisfaction, access and costs) and an increase in private investments to strengthen infrastructure.
3. *Integration.* Optimal territorial districts (AATOs for water and waste) or basins (for local transportation) were envisaged at supra-municipal level, and must be defined by regional regulation. Unitary service management within each district (horizontal integration) and the coordination of the various segments of the service chain (vertical integration) were also promoted. The expected impacts were a decrease in fragmentation of service delivery and an increase in size of service providers, in order to benefit from economies of scale, achieve a higher degree of industrialisation, and possibly compete with other European players.
4. *Sustainability.* The principle of full-cost recovery through tariffs was introduced, in order to reduce state/municipal burdens and make local utilities a self-financed business. Tariffs were expected to substitute former taxes, in some cases with the adoption of fixed remuneration of capital (in order to attract private capital in less profitable sectors) and price-cap mechanisms established at the

central level. The expected impact was twofold: on the one hand, to restore state financial health by shifting costs from public pockets to private ones; on the other—as far as water and waste are concerned—to create more responsible users, linking the cost of services to their behaviour.

All these changes outlined a “new regime” of governance of local utilities that emphasised vertical subsidiarity between municipalities and the upper levels of government on the one side, and horizontal subsidiarity between the public sector and private players, on the other. In this design, however, no role was envisaged for users and/or citizens and their representative bodies; nor were strong mechanisms for coordination by the central government set up, in spite of the existing differences in local legacies, and the well-known North-South divide which traditionally characterises the administrative capacity of the various Italian regions (Vassallo 2013). In other words, as we will explain in the next sections, the policy design was modelled within a policy frame which left aside some key elements for ensuring successful implementation.

THE OVERALL IMPLEMENTATION: AN ASSESSMENT

Whilst the “new regime” of local utilities appeared reasonably clear on paper, from 2001 onwards it was challenged by both local resistance (at municipal, province and regional levels) and by negotiations in Parliament where governing coalitions did not systematically uphold it. Further strengthening of the model was repeatedly discussed in Parliament (compulsory competitive tendering always being “imminent” on the agenda), but temporary loopholes always allowing the continuation of previous management models.

In the following, we look at the dynamics and effects of the implementation as it muddles through such negotiation and rethinking processes; we do so by analysing each of the sets of policy solutions identified in the previous section.

Separation Between Regulation and Provision

The planned separation of regulation—carried out by political authorities—and provision—carried out by competitive industrial players—has failed in at least three significant ways.

First, as will be clearer under the next heading (Competition and privatisation), provision is still mainly carried out by municipal or public-private corporations: thus, the separation is only virtual, and municipalities are both purchasers of the service and providers of it.

Second, local and central regulatory authorities have not been made capable of significant control and sanction powers. Local authorities for water and waste were created in the form of consortia of municipalities, but have generally been understaffed and underfinanced, and they suffer from major asymmetries of information *vis à vis* the service companies. National authorities have been created very late or not at all: there is no national authority for local transport or for waste management, and the one for water has been repeatedly dismantled and reinstated. Only in some regions have some “observatories” or agencies been established, with limited success (Citroni et al. 2015)

Third, within the wave of “austerity” measures, all local regulatory authorities of water and waste sectors (AATOs) were abolished between 2010 and 2012, crippling the regulatory system completely. Supposedly, AATOs were to be substituted by some form of new agencies to be devised by each region; this, whilst making the cost reduction unlikely, is still to prove effective as several regions have delayed implementation.

Competition and Privatisation

The issue of privatisation has been the most prominent in the political agenda and in the public debate. Whilst on the one hand Parliament has been permanently discussing sweeping reforms aimed at making competitive tendering compulsory, negotiations between local governments and national coalition partners have always guaranteed that municipal corporations and mixed companies could carry on with service delivery. The most heated moment in this debate was the referendum of 2011, when a majority of Italian people voted to repeal a law introducing compulsory privatisation.

On the ground, this dynamic of privatising rhetoric and permissive practice translated into contradictory trends. On the one hand, a first phase in the very late 1990s–early 2000s saw a number of privatisations, partial privatisations and the strategic positioning of private and multinational companies: municipalities opened up to the market believing this would soon be compulsory, and wishing to anticipate the trend; (some) companies were keen to occupy strategic positions, albeit uncertain of

return, in view of future expansion once the market would definitely open up. On the other hand, since the beginning and especially in later years (after the referendum, after the economic crisis...), many municipalities opted for much more conservative paths of reform—especially corporatisation, transforming their public bodies into fully owned stock companies—or took no steps at all.

Water services were the most debated, and are those where privatisation has been the most limited. Only about 3% of water management bodies operate on the basis of competitive tendering (and almost only in Sicily), whilst 24% are direct municipal bodies (serving 11% of the population), 13% are mixed companies (serving 26% of the population, prevalently in Central regions) and 15% are “old” contracts of different sorts (Utilitatis 2014a). None of these figures, except that of mixed companies, is radically different from the situation of the late 1990s (Citroni 2007). In the urban waste sector, we have data on 409 companies (Utilitatis 2014b): 17% of them are private (covering 16% of value of production), 55% are public (46% of value of production) and 28% are mixed (38% of value of production). A more general analysis of the waste services field (Citroni and Lippi 2009) showed that mixed companies took over a significant part of the market at the expense both of public bodies and of private companies; also, this is most notable in the more innovative fields, like door-to-door collection of recyclable waste, or in the management of more industrially complex plants. So in these two fields industrialisation and a controlled process of corporatisation and partial privatisation have prevailed, rather than full privatisation, let alone competition which is almost non-existent: even when tenders are held, seldom does more than one company apply, and the incumbent usually wins (for the water sector, see Citroni et al. 2008).

The situation is slightly different in the field of urban transportation, where competition and privatisation are indeed still limited but a new wave of tenders is expected. However, many of these tenders are planned to take place over wide regional districts, aiming at integration and economies of scale but posing a serious limit to competition.

Integration

Indeed, the issue of competition is strictly connected to territorial and vertical integration. Whilst a certain amount of integration is required to make districts large enough to be palatable for private investors, too

much of it is detrimental to competition because it creates extensive monopolies once the tender is closed.

However, in the water and waste sectors, integration of districts has been rather limited. There are still hundreds of operators (over 200 in water, over 400 in waste, according to Utilitatis data), many municipalities run their own service directly (almost 2000 in water services) and vertical integration is not always completed.

The most relevant, indeed massive phenomenon of integration is represented by the territorial expansion and consolidation of four major former municipal companies which have been partly privatised and listed on the stock exchange: Acea (controlled by the municipality of Rome), A2A (Milan, Brescia), IREN (Genoa, Turin) and HERA (Bologna and others). These companies, albeit with different strategies, have become macro-regional actors of integration (Galanti 2016), through successive mergers, acquisitions and takeovers. Political and managerial strategies are strongly intertwined in most of these companies, and the equilibrium between mayors and managers is a fundamental variable to understand their functioning (Galanti 2016). These companies are primarily interested in energy services, but also in water and waste. Thus, integration has been more of a bottom-up process, taking place in mergers and acquisitions of firms than as a result of consistent regulation and district planning.

Again, it must be noted that excessive integration is detrimental to competition: the Antitrust authority³ has recently fined HERA for sending all the waste paper it collected to one affiliate company for recycling; a recent report by the same authority expresses many worries about excessive vertical and horizontal integration.

Sustainability

The issue of economic sustainability of service delivery, and of the effectiveness of tariffs in favouring environmental behaviours, is a very complex and highly disputed one.

In the waste and water sectors, successive and contradictory legislative changes have proven that no clear policy is at hand. In waste, a first attempt to switch from a tax (TARSU) to a tariff (TIA) system was soon changed again (TIA2) and then aborted and a new tax system was introduced (TARES, then changed again to TARI) whereby the price paid by families no longer depends on the quantity of waste produced, but on

the size of the house, like it did before the reforms. In water, too, the tariff system has changed several times (MTN, MTI1, MTI2). In neither sector is there evidence of full self-sufficiency of service delivery based on tariff revenue, but of course it is very hard to monitor results due to the instability of norms, the lack of national monitoring or benchmarking, the regional and municipal autonomy in defining criteria and standards, and the lack of transparency in investment plans.

Environmental sustainability is also difficult to assess; apart from scandals and disasters which occasionally stir up the debate, environmental accounting and sustainability reporting depend entirely on the voluntary initiatives of municipalities or firms, and these are both limited. Rather, in the field of waste disposal, there are a number of environmental conflicts taking place against waste-to-energy incineration plants—which testifies to the difficulty in communication between communities, politics and firms, and to the mistrust of part of the community towards the firms.

This last point on emergent social unrest in the field of waste leads to some very brief considerations on unintended effects of the overall reform process. At least three different orders of consequences appear to have emerged which were not envisaged by the promoters of reforms. First, there appears to be an increased problem of transparency and accountability: separation of purchaser/regulator and provider may have made balance sheets more transparent, but it has also created a longer and more complicated chain of command and control, and regulators and providers are often shifting the blame from one to the other. Also given the lack of monitoring and evaluation, the overall principal-agent relationships between citizens, political representatives and service companies have thus become increasingly complex and ambiguous. Second, this lack of transparency leads to unrest, protest, dissatisfaction and political conflict in the field of social utilities: the politicisation of the issue of water at the time of the 2011 referendum was an unheard-of phenomenon; the protests arising against incineration plants are aggravated by the uncertainty as to the relevant opponent (politicians or companies?). Finally, local political leadership itself is called into question by the increasing engagement in revolving doors politics between public and private roles caused by corporatisation and unclear separation of roles.

CONCLUSIONS AND POLICY RECOMMENDATIONS

The reconstruction of the agenda of the “new regime” of local utilities carried out in Sect. “[The Reform of Local Utilities: Theory of Change and Policy Design](#)” has highlighted four sets of policy solutions, on the basis of which Sect. “[The Overall Implementation: An Assessment](#)” has assessed the results of the reform. The principal–agent, purchaser–provider model envisaged by the reform has been applied to a very limited extent: local administrations have opted for the “arm’s-length” solution of corporatisation in all fields, especially in water services, not least because there was no regulatory and evaluative apparatus to substitute shareholders’ powers; this has had an impact on competition, which however has been limited also when tenders have been in fact carried out; a partial exception might be the field of local transport, where, however, tenders are beginning to be held over districts which are so wide as to reduce competition again; the tariff systems of all sectors are not transparent or stable enough to guarantee economic sustainability and environmental incentives. As a result, three main problems go against the requisites of PTE stated by Posavac (2015, see Sect. “[Evaluating the Reform of Italian Public Utilities: The Analytical Framework](#)”). First, the policy was implausible. A large part of the observed impacts have only been partially imagined by policymakers over more than 20 years. The policy assumed a consolidated regulatory attitude in the country and a well-prepared industrial and financial background that was evidently lacking. The expected results were overestimated with respect to their real feasibility. Second, stakeholders’ and policy takers’ values were very far from the ideational framework assumed by policymakers: the implementation in three different sectors showed that choices and cultural background of local authorities were deeply rooted in consolidated patterns of management. Indeed, the popular referendum held in 2011 confirmed that Italian citizens completely disliked or anyway did not appreciate the change implied by regulatory governance. As a consequence, there were manifest and indirect resistances, biases, redefinitions and a continuous reshaping induced by national and local policymakers that re-adjusted (and partially betrayed) the original policy design. The theory of change underestimated them, nor did the central institutions try in any way to coordinate and to support the implementation at local level. The regulatory governance has only promoted grounding on ideological assumptions without evidence and a political commitment in steering the implementation and in solving local hindrances.

A misleading and overestimated theory of change strongly influenced by theoretical assumptions and without any piloting or evidence-based knowledge supported the initial design of regulatory governance.

Against this backdrop, three recommendations are suitable for the Italian case. First, we recommend more feasible governance for LPU in Italy looking at the real and potential resources at national and local level. A less ambitious and more evidence-driven theory of change is a second recommended step. It could highlight the limits and attitudes of implementation stakeholders and users, also suggesting a good strategy to deal with or to avoid them. Indeed, the described evidence shows a strong lack of the pillars of the new governance: a lack of financial resources, a weak cultural background in regulatory approach, political divergence at local level with respect to the aims of the reforms, political resistance by the users and, last but not least, the total absence of controls (assessments, benchmarks, customer satisfaction) on management results. Finally, the third recommendation includes a reinforcement of benchmarking, performance assessment and transparency. All these problems suggest anyway a softer approach to a new management of LPU through a more serious commitment at the central level in terms of addresses, steering and supervision and a diversification of management at the local level.

NOTES

1. Whilst early polls documented a majority of the Italian population intended to vote “Yes” to the reform, over time the tendency has been towards a majority of “No”: at the time of writing (September 2016), 54% declare they will vote Yes, 46% No, but 25% still do not know how they will vote (see all data and time series at <http://www.sondaggipoliticoelettorali.it>).
2. See Cima (1999).
3. AGCM—Autorità Garante della Concorrenza e del Mercato, Decision on case A444, March 10th, 2014.

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AUTHORS' BIOGRAPHY

Giulio Citroni is Associate Professor of Political Science at Università della Calabria (Italy). He is engaged in a number of national and international research projects on local government, governance and administration. His works on local public service delivery and the politics of local government reforms have been published in the *Public Management Review*, *Local Government Studies* and the *European Political Science Review*.

Marco Di Giulio is a Post doc research fellow at the Polytechnic of Milan. His main research interests concern the governance of regulated sectors in Europe and the impact of technologies on public policies. His works appeared in reviews such as *Competition and Regulation in the Network Industries*, *Utilities Policy*, *International Journal of Public Administration*, *International Review of Administrative Science*.

Maria Tullia Galanti is a Post doc research fellow at the Department of Social and Political Sciences, University of Milan. Her research interests include local public services and urban policies, leadership, entrepreneurship and policy advice in the policy process. She has recently published a monograph on the privatisation of local utilities (in Italian). Her work also appeared in journals such as *RIPP-Rivista Italiana di Politiche Pubbliche*, *Utilities Policy*, *IPSR-Rivista Italiana di Scienza Politica*, *Comparative Italian Politics*.

Andrea Lippi is Associate Professor at the Department of Political and Social Sciences, University of Florence. His research interests include local public services and local governance, evaluation, public sector reforms, policy instruments and political legitimacy. He is engaged in a number of research groups and his works have been published in journals such as *Policy sciences*, *European Political Science Review*, *Local Government Studies* and *Public Management Review*.

Stefania Profeti is Assistant Professor at the University of Bologna, where she teaches Administration and Public Policies and Organization Theory. Her research interests include public services, local governance, administrative reforms, regionalism and EU Cohesion policy. She has recently published in several journals including *European Political Science Review*, *Local Government Studies*, *Public Management Review* and *West European Politics*. Since 2015, she is a senior copy editor at the “*Rivista Italiana di Politiche Pubbliche*” (Italian Journal of Public Policies).

Evaluation of the Decentralisation Programme in Croatia: Expectations, Problems and Results

Ivan Koprčić and Vedran Đulabić

INTRODUCTION

Croatia underwent strong centralisation during the 1990s, characterised by a limited role of local self-government (Koprčić et al. 2016a). The government's programme for the period 2000–2004 then offered a clear political basis for decentralisation. Decentralisation was constitutionally enabled by the adoption of amendments to the Constitution in November 2000. After legislative changes, decentralisation in four sectors (education, health, social care and fire services) started in 2001. It was intended to become one of the most profound institutional reforms since the country's independence at the beginning of the 1990s.

This chapter evaluates the decentralisation reform by establishing the impacts, effects and outcomes of decentralisation in four sectors

I. Koprčić (✉) · V. Đulabić
Faculty of Law, University of Zagreb, Zagreb, Croatia
e-mail: ivan.koprčić@pravo.hr

V. Đulabić
e-mail: vedran.dulabic@pravo.hr

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and by comparing the results with the goals and expectations of reform. It employs the three-phase evaluation approach proposed by Wollmann and Kuhlmann (2011) which distinguishes institutional, performance and outcome evaluation. This chapter also identifies problems which have influenced the possibility of successful implementation of the decentralisation programme. The manner of evaluation follows the programme theory model (Rogers et al. 2000; Sharpe 2011; etc.).

No systematic (official or scientific) evaluation of the 2001 decentralisation reform has been conducted during the last 15 years, nor have the policy and service delivery sectors been compared. The lack of evaluative approach is recognised in the current 2015–2020 Public Administration Development Strategy (PADS 2015).¹ The same has been confirmed by the assistant minister competent for this sector in the Ministry of Public Administration. He reported that “... the Ministry does not have almost any data about the effects of the 2001 decentralisation reform and, what is more, the Ministry has never instigated evaluation of any aspect of 2001 decentralisation” (Interview conducted by Ivan Koprić with Boris Milošević, an assistant minister of public administration, at the Ministry of Public Administration, on 24 March 2016, for the purposes of this research).

Such a lack of interest amongst the official bodies and other subjects that are supposed to be interested in the process (associations of local governments, research institutes, professional bodies, big cities etc.) raises further questions about the evaluation culture and possible reasons for such neglect of evaluation practice in Croatia. Admittedly, some analyses of particular issues and aspects of decentralisation have been published. The majority of them come from administrative science and law, but the fiscal approach is also represented.

Besides these scientific analyses, this chapter takes into account legal, policy and other official documents, reports, statistics and semi-structured interviews with the main actors of the decentralisation process that started in 2001. The goals, expectations, main problems and the most important effects of the decentralisation policy in the period 2001–2016 are determined on that basis. Overall conclusions and lessons learnt from the Croatian case are offered.

DECENTRALISATION IN THE PERIOD 2001–2016

Constitutional amendments adopted in November 2000 enabled transformation and strengthening of previously weak local institutions, decentralisation and harmonisation of the local self-government system with the standards of the European Charter of Local Self-Government.² Decentralisation was perceived not only as an instrument for strengthening local autonomy but also as a prerequisite for further democratisation of society and abandoning nationalistic politics of the 1990s. This was necessary because of *etatisation*, centralisation and exaggerated authoritative politicisation (Koprić 2003a).

According to the government's programme for 2000–2004 (Government's Programme 2000), the general goals of the "wide decentralisation and strengthening of local and regional self-government" were:

1. Conceptual changes of local self-government. Alignment of the local and regional self-government system with the newly proclaimed concept of local autonomy and democracy (political instead of administrative decentralisation), along with functional decentralisation, introduction of the subsidiarity principle and general clause in delimitation of local scope of affairs, and narrowing of state supervision over municipalities;
2. Widening the financial autonomy of municipalities. Transfer of funding responsibilities for education, health, social care and fire services had to be accompanied by the improvement of local financial capacities (new local taxes and other revenues, improved position of municipalities in tax share, etc.);
3. Strengthening local democracy. Each local functionary had to be elected by the local representative body and be accountable to it. Influence of state bodies over local functionaries had to be eliminated, in contrast to the previous competence of the president of the Republic to confirm, refuse and—in certain cases—appoint county governors and to influence their work.
4. Improvements of the legal framework. Legal rights to establish local institutions had to be transferred to the municipalities, towns and counties. This referred mainly to schools, healthcare centres, some hospitals, social care centres, eldercare homes and fire brigades. Management of these institutions by appointment of the governing boards had to be improved.

5. Gradual transformation of territorial organisation. “By merging counties and correcting their boundaries, a smaller number of regions will be established whose area will be, as a rule, harmonised with the natural and historical Croatian regions. At the municipal level, efforts will be made to implement the process of consolidation of local governments in order to increase their capacity and achieve a greater degree of rationality of local structures” (Government’s Programme 2000). This also included strengthening the position of large towns and widening their scope of affairs.

No comprehensive document with a plan for decentralisation was prepared by the state bodies. Instead, two major scientific projects served as a theoretical frame and the main source of ideas for decentralisation.³ The first one, “Legislative Frameworks for Decentralisation in Croatia”, launched in 1999, identified and elaborated the following components of the decentralisation programme: (a) adaptation of the existing territorial structure, (b) extension of the self-government scope of affairs and narrowing of administrative supervision, (c) strengthening of the financial capacity and autonomy of local governments, (d) decentralisation of social services, (e) personalised local elections and rational management of local governments, (f) greater role of local governments in multicultural issues and ethnic conflicts and (g) more efficient legal protection of the right to local self-government. The project was focused on social assistance, education, health and social housing as the services that should be decentralised (Koprić 2003a). Expectations from the decentralisation reforms were savings, better quality of local services and improved user satisfaction. A serious theoretical, professional and policy preparation of 2001 reform resulted in a country-tailored decentralisation theory developed by the Croatian policy community (comp. Koprić 2008, 96–104). Another project, “Decentralisation of the Croatian Public Administration”, was intended to elaborate professionally the decentralisation reform measures of 2001–2003 and continuously develop the reform programme (ongoing evaluation and elaboration: Perko-Šeparović 2003, 2010).

Although the theoretical framework for the 2001 decentralisation was elaborated soundly, official documents projected decentralisation in four policy and service delivery sectors in a rather general, formalistic and blurry manner. For example, two goals of the healthcare sector reform were financial consolidation of the health system and institutional

redesign for better delivery of health services. Neither of them was defined and accompanied by measurable implementation indicators. In education, the main goals were alignment with the new constitutional concept of local democracy and transfer of the right to establish primary and secondary educational institutions to local governments.⁴

The preliminary analyses of fiscal and personnel capacities and their comparison with the networks of public institutions in education, health and social care guided the government to decide, in a muddling-through manner and semi-formally, that decentralisation may be implemented in just 32 towns, not in all local governments (Lukeš Petrović 2002). Two additional towns were included at their own request, one at the beginning, and another at a later stage. It is interesting and unfortunate that this *ex ante* evaluation has not been published, particularly because the data show a significant difference in fiscal capacity of the respective towns in 2000, a year before the reform started: the ratio of their tax revenues was almost 1:6 (Jambrač 2017).

These 34 towns stand for only 6% of the 556 local governments in Croatia. In the rest of the territory decentralised functions, for example, competences and tasks in the reform-encompassed sectors, were assigned to counties.⁵ Secondary education was decentralised to counties. Although the assignment of functions to counties deviates from the constitutional provisions, it has not been legally questioned or resolved (more in Koprić 2014). The situation is different in the fire service sector in which 161 local governments have gradually taken over the responsibility during the 15-year period. Still, it is less than 29% of all local governments.

The reform created a system of shared responsibilities for financing decentralised functions in education, health and social care. The share of income tax received was increased for the affected towns and all of the counties so they would be able to finance decentralised functions. Moreover, as most of them did not have sufficient revenues even with the increased income tax share, special equalisation funds were ensured within the State Budget for financing the rest of local expenditures for decentralised functions.

The reform officially started on 1 July 2001. In the second part of 2001, towns and counties generated only 48% of total new expenditure for decentralised functions, whilst 52% was covered from the State Budget. A similar pattern has been identified for the whole reform period. To illustrate, in 2003 the State Budget contributed 61.2%, in

2004 59.5% and in 2005 62.7% of the total costs of decentralised functions. Almost 59% of total expenditures for decentralised functions in the second part of 2001 were spent on education. An additional 34.6% was spent on health, whilst only 6.5% went on social care (Lukeš Petrović 2002). In the next ten years, the share of central grants for the four services changed, putting health on the tail end. Even the total amount of grants for health in 2015 was smaller than in 2002 (Jambrač 2017).

An additional central influence has been the government's annual calculations of the costs of decentralised functions (minimal standards) which enable the central state to decide about grants for decentralised functions according to its own budgetary priorities. Although these standards have varied, without any sound explanations or precise indicators, towns and counties are not particularly motivated to search for alternative ways of financing the decentralised functions or to improve their internal financial management. That is particularly strange because of huge differences in the amounts of grants per inhabitant given to different counties and towns, for unknown reasons (Jambrač 2017). Interestingly, intermunicipal cooperation which reduces service costs exists only in fire services. In the remaining three areas, towns and counties simply rely on the central state equalisation grants even though they are not able to predict or influence their calculation.⁶

Apart from the financial particularities, there are some other, more general problems with the decentralisation reform of 2001. The first one reflects constitutionality concerns, since the government has made various decisions about decentralisation which are in sharp contrast with the constitutional provisions. "Decentralised functions", which are in reality treated as the transferred scope, are guaranteed by the Constitution as "the basic powers and responsibilities of local authorities" protected also by the provision of Articles 3 and 4 of the European Charter (more in Koprić 2014).

Fragmented territorial structure, uneven level of economic development and huge variations in the capacity of local governments are probably the most important obstacles for genuine decentralisation in line with the adopted constitutional concept. These obstacles, which resulted in overall lack of local capacities, also serve as the excuse for misinterpretations and poor realisation of the decentralisation programme. From the very beginning, there has been a silent but strong resistance to decentralisation by certain powerful central ministries which participated in the design and implementation of the 2001 decentralisation (more in Koprić 2008).

An overall evaluation of the 2001 decentralisation recently prepared by the World Bank (2016) offers a list of the main problems and concludes that “[d]espite legislative improvements after 2001, the degree of decentralization remains low” (WB 2016, 58). The World Bank assesses that “current fragmentation of LGUs makes it hard to serve citizens effectively”. It finds “inequality in service provision because small municipalities and cities with little fiscal capacity cannot provide residents with the same range and quality of public services as larger cities ... large cities provide most decentralized public services” (WB 2016, 59). The World Bank also discusses EU structural funds and stresses the need for territorial and functional reform because “stronger LGUs would have a better access to EU funds” (WB 2016, 61).

EVALUATION OF THE 2001 DECENTRALISATION IN HEALTH, EDUCATION, SOCIAL CARE AND FIRE SERVICES

Health

Health care in Croatia has a rich history.⁷ The compulsory health insurance system guaranteeing lifelong universal health protection based on the principles of inclusiveness, continuity and accessibility of health services is a legacy from the socialist period (Vončina et al. 2007; NHRS 2012, 145). During the 1980s, the health sector was managed, as all other public services, by a network of *samoupravne interesne zajednice* (self-management interest councils), established at all governance levels, which used to represent “... both decentralisation and citizen participation in health planning and decision-making” (Šogorić et al. 2010; Koprić et al. 2016b).

The main problems of the healthcare system reported during the 1990s were inefficiency, regional inequalities, imbalance between the number of health professionals and support staff and fragmentation. On top of that, there were inadequate infrastructure, old and outdated technology, ineffective governance of institutions and underutilisation of staff (NHRS 2012). The result was an imbalance between users’ demands and expectations and high operating costs. Major reforms in the health sector were undertaken in 1993 (centralisation and privatisation), in 2000 (decentralisation) and in 2006 (financial issues and introduction of the new vision of the health system) (Zrinščak 2008).

Along with decentralisation as a general goal, two officially proclaimed goals of the 2001 reform were solving financial problems and institutional redesign. The concept of shared funding was introduced, according to which "... the central government funds clinical hospitals and clinical hospital centres, counties fund general and special hospitals and primary health care centres in their ownership" (Vončina et al. 2007). However, financing the health sector continues to be a problem. Total health expenditures in Croatia from 2000 onwards declined in 2000–2002, and grew after that period until 2008. From 2008, they have been stable. In 2010, they were approximately 7.76% of GDP, which was still below the EU average (around 10%). The structure of the expenditures has changed with slowly decreasing public share and continuously increasing private share and simultaneous constant transfer of healthcare costs to the users. The decentralisation of 2001 also resulted in rather unbalanced health service expenditures in the counties, with expenditures up to three times higher, per capita, in the smallest counties (Jambrač 2017).

Education

During socialism, the education system was decentralised and managed by the network of local self-management interest councils, causing significant regional and local differences and system fragmentation. It faced extreme centralisation in the 1990s. The official goals of the 2001 decentralisation in education were purely formalistic. Amendments were concentrated on the transfer of property rights of secondary schools and student dormitories to the counties, which became responsible for their operation, maintenance and investments. Parallel with the transfer of property rights of primary schools to counties and 33 (later 34) towns, they became responsible for the appointment of school board members.

The share of the education sector in the state budget of 1999 was 8.7%, out of which 5.44% went to primary and 2.63% to secondary education. The largest part of the funds was spent on salaries (80%) and material costs (14%), whilst only 5% remained for capital investments and equipment (Ljubić 2003, 187). Decentralisation resulted in the share of 18.22% of total local expenditures for education, which is the second largest share of local expenditures. However, this is not a result of increased local financial capacity, but of central state grants for decentralised functions. Hence, it is concluded that "... problems of decentralized

financing of education must be looked for in the weaknesses of the current system of local self-government” (Nikolić 2007, 225).

Costs per primary school student doubled during the first ten years (2001–2011), from 1,354 to 2,713 kuna (€180–360), simultaneously with a significant increase of regional imbalances. The highest average costs per student in primary education are found in towns with up to 20,000 inhabitants, whilst average costs decrease with increase of the town’s size. Significant regional differences persist over time if total expenditures for primary and secondary education are analysed. Some of the reasons for such results are unequal geographical, climatic and other circumstances in different parts of the country, significantly different school infrastructure inherited from previous periods, and bureaucratic and inflexible financial planning practices (more in Jambrač 2017).

Social Care

Decentralisation, deinstitutionalisation and privatisation are the main processes in social care (Šučur 2008, 219; Koprić et al. 2016b). In the 1990s, the system of social care was centralised and overwhelmed with refugee problems, war devastation, human losses, unemployment and poverty. Part of the Social Programme launched in 1993 was the Social Card for about 5.4% of the total Croatian population. The programme entrusted the decisions regarding the relief distribution to local governments in which special “social councils” were established to support the already existing social care centres (Šučur 2008).

Decentralisation started in 2001. It was based on the amendments to the Social Care Act which transferred founding rights of social care centres from the state to the counties, redesigned management of social care centres, and demarcated responsibilities for financing their activities. Nevertheless, some local governments, mostly towns, had already developed their own social policies. About 10% of all social care expenses were spent through such parallel social care systems at that time (Stubbs and Warwick 2003, 337). Not only did local governments show reluctance towards decentralisation, but also real problems were triggered because of the territorial structure which unveiled significant disparities in local welfare capacities and dissimilar development potential of various parts of the country (Bežovan and Zrinščak 2001).

In the very beginning of the decentralisation process, there was a warning that it was “... very difficult to assess the extent to which

decentralization contributes to increased efficiency, fairness, cost reduction, greater democracy, higher quality of service, et cetera” (Bežovan and Zrinščak 2001, 242). The experts adverted to unreal expectations that decentralisation may significantly reduce costs of social care, since “[d]ecentralisation can only move financial resources... to lower levels of government and relieve the state level of certain tasks” because local governments lacked financial and human resource capacities (Šučur 2008).

Differences in the amount of money intended for social care amongst counties are even larger than in the education and health sectors, with a ratio of 1:9 in 2011. The City of Zagreb decreased its social care expenditures from 77 to 54 kuna per inhabitant (from €10 to €7). Dubrovačko-neretvanska County decreased the total amount of money for social care, but the amount was much smaller than in Zagreb. Social care expenditures have increased in all other parts of the country. Not only expenditures, but also the standard of welfare care significantly differs from county to county: whilst some of them provide a high level of welfare services, public homes for elderly and disabled people simply do not exist or are disproportionately rare in other counties (Jambrač 2017).

Fire Service

Decentralisation in the fire service sector started in 2003, two years later than in the other three sectors. The Croatian fire service sector includes 61,421 firefighters of whom 94.5% (58,036) are volunteers and 5.5% (3,385) are professionals. They are organised in 95 professional fire brigades and 1889 volunteer non-professional fire brigades. The sector has huge assets at its disposal, including 1,119 fire stations, 952 fire store-rooms, 3,117 vehicles and 2,170 firefighting backpacks (NSFP 2013).

Massive volunteer participation is what makes the difference between the fire service and all the other evaluated sectors. Responsibility for the fire service has been gradually taken on by 161 local governments, 73 towns (57% of all towns) and 88 municipalities (20.5% of all municipalities), compared with 53 in the other three sectors. Furthermore, inter-municipal cooperation is more visible: there are 95 public fire brigades established by 161 local governments.

Responsibilities for financing fire brigades are not shared by various governance levels. They are locally financed and only if a local government is not able to bear the financial burden of the fire service may the equalisation mechanism be used (Skec 2015). After the initial period,

when the state budget was completely exempted from financing fire services, the amount of money for this sector from the central budget has started to increase. Its share of total central grants was 17% in 2015, probably because of constantly decreasing local revenues and the increasing costs of providing fire services.⁸

The main problems of the fire service sector that have to be addressed in the future are: better integration, coordination and chain of command within the fire service associations at various governance levels; better regulation of financing arrangements; in-service training and more. Funds for decentralised functions in the fire sector have been provided only for those local governments that are founders of public fire brigades. This stimulates the establishment of professional fire brigades at the expense of volunteer associations (Popović 2011, 37–38). The availability of state resources explains why the number of local governments that took over decentralised functions in fire services increased from 86 in 2003 to 161 in 2013. If a public fire brigade is founded, local government can improve the service with equal or even decreased expenditures from its own budget.

CONCLUSION AND LESSONS LEARNED

The reform launched in 2001 could be called confusing decentralisation because goals, responsibilities, resources, local capacities, monitoring and evaluation mechanisms were neither coherently designed nor well connected. Its effects have not been systematically evaluated, sometimes not even registered, by the respective authorities. If the three-step evaluative approach (Wollmann and Kuhlmann 2011) is applied, there are observable shortcomings in all three steps (Table 1).

If the main reform goal was political, for example, democratisation of the country, then we can conclude that certain results have been accomplished. A lot of people have been included in certain political, policy, managerial and administrative roles in the four sectors, as councillors, mayors, local public servants, members of managerial boards of the respective public institutions, representatives of users, volunteers and so on. Moreover, voters can participate in local politics more directly than in politics at the central level, information and data are increasingly accessible and the accountability chain is shorter at the local level.

Full-scale decentralisation could not be implemented because of the weak fiscal, economic, personnel and organisational capacities of the vast

Table 1 Three-step evaluation of the 2001 decentralisation in Croatia

	<i>Health</i>	<i>Education</i>	<i>Social care</i>	<i>Fire service</i>
Institutional	Change of laws Division of responsibilities Strengthened position of the private sector Reduced role of the public sector	Change of laws LGs as founders co-finance schools Various instruments allowed (public-private partnerships, private schools)	Change of laws Transferring competences to counties Further strengthening of the private sector	Change of laws Intermunicipal cooperation Changing the ratio of public and voluntary provision
Performance	Lack of clear goals, objectives and indicators Implementation deficit Increased costs Lack of official evaluations	Lack of clear goals, objectives and indicators Increased costs Lack of official evaluations	Lack of clear goals, objectives and indicators Increased costs Lack of official evaluations	Lack of clear goals, objectives and indicators Transfer of tasks without ensuring adequate financing in the first stage Increased costs Lack of official evaluations
Outcomes	Externalisation Privatisation (concessions) Continuously narrowing public health sector Co-payment	Limited privatisation (private schools: elementary 1%; secondary 8%) Students' plena and general public protests	Privatisation, especially in eldercare (26% in private; 73% in county homes)	Citizens' engagement through volunteering Several critical events with fatalities Renewed stress on public sector provision

Source: Authors

majority of local governments. Territorial restructuring, although proclaimed as one of the goals, was never implemented because of strong resistance within the ruling political parties. The territorial structure remained intact, perpetuating the problems of local capacities which are necessary for further decentralisation. One of the officially proclaimed reform goals, regarding the stronger position of large towns, has been partly achieved as “large towns” (those with more than 35,000 inhabitants) were established in 2005. They were granted additional competences. Counties have become the true winners of the 2001 decentralisation because they have appeared as a “salutary” solution for weak local capacities.

The existing financing mechanism, which relies on grants and transfers from the central budget, is inadequate because it does not stimulate local governments to do more with less. The system of grants is non-transparent (WB 2016, 60). Expenditures for decentralised functions have increased by 53% in the period 2001–2016 (Jambrač 2017). The number of local governments that took over decentralised functions has remained unchanged, despite the fact that approximately 60% of finances for decentralised functions come from the central budget through the equalisation fund.

Weak local capacities have not led to intermunicipal cooperation for effective provision of services except, to a degree, in the fire service sector. Cross-sectoral learning is non-existent and the holistic approach towards decentralisation is still missing. There is still considerable dependence by local governments on state grants. Bureaucratic logic has led to a practice in which savings are not probable. If a local government does not spend money for decentralised functions, the Ministry of Finances simply reduces the next year’s grant by the amount that was not spent in the previous year. The only effect of the severe economic and financial crisis in Croatia has been a decrease of equalisation grants since 2010.⁹

The use of market mechanisms and private sector initiatives for service provision is sector-specific. It is more frequent in the health and social sectors, but limited in education and practically non-existent in the fire service sector in which there is volunteer participation.

The development of indicators for assessing the success of decentralisation in various sectors is still missing, although some aspects of quality measurement have been performed (for health, see for example Došen et al. 2010). Users’ satisfaction has been monitored from time to time only in the health and primary education sectors. The health sector was

graded by users with an average mark of 3.3 (on scale 1–5) in 2015 (3.1 in 2012 and 3.2 in 2014) and is slightly behind primary education which was graded with 3.7 in 2015 (3.5 in 2012 and 3.7 in 2014) (Ipsos 2015, 3).

Finally, the 2001 decentralisation was conducted without systematic evaluation of its results, effects and outcomes.¹⁰ There was no ex ante evaluation, ongoing evaluation ensured through the project ‘Decentralisation of Public Administration’ in 2001–2003 was neglected, and no ex post evaluation has been performed. Because of that, knowledge that could serve as a basis for further decentralisation is missing and political assessments prevail.

NOTES

1. PADS requires the establishment of a comprehensive monitoring and evaluation system in the Croatian public administration. Moreover, monitoring, reporting and evaluation of the implementation of the Strategy are constituted as one of its strategic goals (PADS 2015, 21–23, 62–64).
2. Croatia ratified the Charter in 1997. After the mission to Croatia, the Congress of Local and Regional Authorities of the Council of Europe in its Report on the State of Local and Regional Democracy in Croatia (CE 1998) criticised the Croatian system of local self-government, the course and results of the ratification process and the national legislation on several grounds. One of the goals of the constitutional reform was to instigate harmonisation of the Croatian constitutional and legal framework with the Charter’s standards.
3. Professor Stjepan Ivanišević, who was the Minister of Justice, Public Administration and Local Self-Government from January 2000 to September 2001, exerted a strong influence on that part of the government’s programme, constitutional and legal changes. Previously, he advocated for decentralisation, democratisation and local government reform. He led the initial stage of the project ‘Legislative Frameworks for Decentralisation in Croatia’ (Ivanišević et al. 2001, 223–224; Koprić 2003a, b).
4. These goals are distilled from the government’s explanations accompanying new pieces of legislation. The explanations included in the bills are usually written in a formalistic manner, in line with the dominant legal and administrative culture in Croatia. Regulatory impact assessment was not an issue at that time; it was put on the agenda years later.
5. In addition to 20 counties, the City of Zagreb has the status of a county.

6. The equalisation fund is allotted as a 6% share of income tax in the whole country. However, because of the particularities of the tax system, only 300 local governments (5%) contribute to the fund (Bajo and Bronić 2004, 450).
7. The first pharmacy was established in Trogir in 1271, followed by those in Dubrovnik (1317) and Zagreb (1355). The first local health centre (*Dom zdravlja*) was established in 1951, specialisation for family medicine in 1961. Croatian Professor Andrija Štampar was a cofounder of the World Health Organisation (NHRS 2012, 145).
8. Croatia has a very long coastal zone with extremely high danger of field and forest fires. Even during marginally hotter summers, the danger of forest fires increases inland, especially in wooded areas. There was a critical juncture in the development of the fire service during decentralisation, in 2007, when 12 volunteer firefighters died in the largest ever fire accident in Croatia, on the island of Veliki Kornat.
9. The total amount of equalisation grants was 1.5 billion kuna in 2002 (about €200 million), which was the first full year after the beginning of decentralisation on July 1 2001. The largest amount, 2.8 billion kuna (€373 million) was granted in 2010, after the period of constant yearly increase. In the period 2013–2015, equalisation grants stabilised on a lower level, amounting to about 2.2 billion kuna (€293 million).
10. Evaluation culture is *in statu nascendi*. Its development coincides with the EU influence but pressure from the EU side in that regard is not particularly strong. Evaluation society has not been established in Croatia, and only an informal network of evaluators has emerged. Evaluation studies in local service delivery or in any other field connected with local autonomy and decentralisation are scarce.

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Ivan Koprić Ph.D., born 6 January 1965, Professor of Administrative Science and Local Government at the University of Zagreb, Croatia; editor-in-chief of the international scientific journal *Croatian and Comparative Public Administration*; author and editor of numerous books and articles. Recent books: *Public and Social Services in Europe: From Public and Municipal to Private Sector Provision*, Palgrave Macmillan, 2016 (with H. Wollmann & G. Marcou), *European Administrative Space*, NISPAcee, 2017 (with P. Kovač), and

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Vedran Đulabić Ph.D., born 18 April 1978, Associate Professor of Administrative Science at the University of Zagreb, Croatia. Research interests include local government, regionalism and EU Cohesion policy, public services/services of general interest, public management; assistant editor of scholarly journal *Croatian and Comparative Public Administration*; editor of the book series *Handbooks for In-Service Training* published in Croatian language by the Institute of Public Administration, Zagreb.

Evaluating the Impact of Decentralisation on Local Public Management Modernisation in Croatia

Jasmina Džinić and Romea Manojlović

INTRODUCTION

Decentralisation is a highly advocated concept, present in all European countries (see in Alonso et al. 2011; Koprić 2016), in spite of the fact that some analyses have shown that it could also produce negative effects (Alonso et al. 2011, 10; Kuhlmann and Wayenberg 2016). A number of potential benefits of decentralisation are often listed, a part of them related to changes in public management practices (Kuhlmann and Wayenberg 2016; Marcou and Wollman 2008; Perko-Šeparović 2006; Treisman 2007).

Decentralisation of Croatian public administration started in 2001. The government's programme for 2000–2004 (2000) designed several reform components: widening the scope of activities and strengthening

J. Džinić (✉) · R. Manojlović
University of Zagreb, Zagreb, Croatia
e-mail: jdzinic@pravo.hr

R. Manojlović
e-mail: romea.manojlovic@pravo.hr

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the autonomy of local governments, introduction of general clause and subsidiarity principle, limitation of state supervision to supervision of legality, strengthening of local democracy and local financial capacities and territorial reform.

Taking into account theoretical postulates on positive effects decentralisation may have on public management modernisation, the main question is whether “limited decentralisation” affected modernisation of local management in Croatia. Methodologically, the chapter relies on interviews conducted in local units performing “decentralised” functions and showing some signs of modernisation of local management. After the theoretical formulation of the hypothesis, the research methodology is presented and the results of the empirical study are discussed.

DECENTRALISATION AND LOCAL PUBLIC MANAGEMENT MODERNISATION

The modernisation of public management, including on the local level, expanded from the 1980s forwards according to the postulates of the New Public Management (NPM) doctrine (Hood 1991).¹ In spite of the general lack of evaluation studies examining the effects of NPM-like reforms (Hood and Dixon 2015), there is some research (Walker and Boyne 2006; Kuhlmann et al. 2008) showing that certain NPM measures of public management modernisation have had positive effects on organisational performance.² Given that public management modernisation can create benefits to local service provision, the question is what are the drivers of public management modernisation at local level. Since decentralisation is present worldwide (Marcou and Wollmann 2008; Koprić et al. 2014), this chapter examines whether decentralisation has any effect on public management modernisation.

Decentralisation strengthens political and public control over local bureaucracies and makes them more accountable to the local constituencies, thus it is expected that local public servants and organisations providing local services are more oriented to results, efficiency, economy and quality (Koprić et al. 2014; Treisman 2007). This kind of orientation may push them to implement NPM-like modernisation measures. Kuhlmann and Wayenberg (2016) listed a number of potential benefits of decentralisation, among them the potential for innovation due to flexibility of adjustment and room for policy experiments. In other

words, decentralisation allows local units to experiment and innovate in, among other things, their management styles. Marcou and Wollmann (2008) stated that the increase in responsibilities (decentralisation) combined with the need to rationalise the use of resources require local governments to improve their management.³ The modernisation of public management can be considered as a way of assuring its rationalisation. Perko-Šeparović (2006) points out that an important reason for decentralisation is the managerial one. There are serious theoretical indications that decentralisation has an influence on public management modernisation. Therefore, the basic hypothesis of the chapter is that decentralisation stimulates the modernisation of local management.

In order to formulate indicators for the assessment of local management modernisation, the following modernisation paths will be observed: quality orientation, goals and performance orientation, market mechanisms in the provision of public services and better regulation (Koprić et al. 2014; Đulabić 2014) (Table 1). Principally inspired by NPM, all of them are intended to achieve economic values of rational, efficient and user-oriented public administration. They also include values characteristic for local democracy, such as citizen participation.

The quality reform of the public sector in the 1980s was based on the concept of Total Quality Management (TQM) which considered customer expectations and satisfaction as the ultimate goal of administrative organisations. Specific quality improvement instruments (QII) taken over from the private sector (e.g. BSC, BPR, EFQM Excellence Model, ISO standards, etc.) or developed especially for public sector organisations (CAF, citizen charters, public sector quality awards, etc.) are used to a significant extent on the local level (Džinić 2015). These practices might be linked to decentralisation processes, the introduction of the subsidiarity principle and international efforts to make local authorities responsible to “regulate and manage a substantial share of public affairs” (Art. 3 of the European Charter of Local Self-Government), but also to be responsible and accountable in doing so.⁴

Goal and performance orientation is most visible in the form of performance management which is characterised by the quantitative measurement of different performance dimensions (mostly outputs and outcomes, but also efficiency, effectiveness, cost-effectiveness etc.) and the incorporation and use of this information in the decision-making process (Van Dooren et al. 2010). There are a number of functions

Table 1 Modernisation of local public management

<i>Modernisation component</i>	<i>Indicator</i>	<i>Item</i>
Quality orientation	Use of quality improvement instruments	Use of citizen charters'
		Customer satisfaction surveys
		ISO standards
		Business process reengineering
		Balanced scorecard
		Plan-do-check-act circle
		Common assessment framework
		Quality awards
		EFQM excellence model
		Existence of comprehensive strategic plan
Goals and performance orientation	Strategic planning	Use of output indicators
		Use of outcome indicators
	Performance management	Performance reports
		Use of performance appraisal and performance related pay
		Changes in budgeting process
		New accounting systems
Financial management	New auditing practices	
	Existence of privatised public service providers	
Market instruments	Privatisation	Payment of participation for public service provision
		Existence of voucher practice
	Vouchers	Existence of contractual partnerships between local unit and private sector
		Existence of institutional partnerships between local unit and private sector
		Existence of services provided by private contractors
	Public private partnerships	Existence of public consultations
		Outsourcing
Better regulation	Public consultations	Ratio between public consultations conducted and number of general acts passed
		Reduction of regulation burdensome to business
	Administrative simplification	Percentage of e-services
		Existence of one-stop shop

Source Authors

in which performance information is used (Van Dooren et al. 2010; Hatry 2006), such as performance budgeting, performance related pay or performance reporting. Performance management is interconnected with strategic planning and strategic management (Moynihan 2008) since it is necessary to have strategic plans in order to know which outputs and outcomes have to be achieved and how to measure the achievements thereof. The “performance culture” has spread in local units all over Europe, potentiated by the decentralisation process and financial constraints (Marcou and Wollmann 2008). Goal and performance orientation is also visible in the form of financial management which shares key objectives of performance management: the setting of financial objectives, measurement and reporting of financial performance and establishing the system of rewards and sanctions for financial gains/losses. It can be visible through changes in the budget-making and implementation process, accounting systems which record financial decisions and transactions (i.e. accrual accounting) and auditing of these processes (Pollitt 2001).

Market mechanisms are at the core of NPM-inspired reforms. Their usage changes the landscape of local administration which is withdrawing from its role of public service provider and is left as regulator and controller over the provision of public services by the private sector. There are different types of market mechanisms (Alonso et al. 2011; Đulabić 2014; Nemeč and De Vries 2015; Pollitt and Bouckaert 2011), among which privatisation, use of vouchers, outsourcing and public-private partnerships can be singled out. The main argument for their use at the local level is economic since it is expected they will enable savings to local administration and better quality of services to citizens. However, the tendency toward “remunicipalisation” has been also examined (Wollmann 2011).

Better regulation relates to better quality of the content of regulation and the procedure with which regulation is designed. It is promoted by the OECD through the policy of regulatory reform (OECD 1997). The EU is the source of various documents in support of better regulation (EC 2001, 2007, 2010). Among the key elements that form a part of the better regulation concept, administrative simplification and public consultations are singled out.

LOCAL PUBLIC MANAGEMENT AND DECENTRALISATION IN CROATIA

The existence of the described modernisation paths in local public management can be traced also in Croatian local government.

Recent research (Džinić 2015) shows that QII were a novelty in Croatian local government. There are 40 (out of 128) towns implementing these instruments, the most used of which are ISO standards, customer satisfaction surveys and participation in quality awarding. Obviously, quality orientation has begun to emerge, although it is still the exception rather than the rule. The implementation of QII is not obligatory, and the central state neither has specific policy on quality improvement in public administration nor does it provide public organisations with material, human or other types of support in this respect (Džinić 2016).

Performance measurement was recently introduced to Croatian local units. However, only outputs are being measured to any great extent and other performance dimensions are being neglected. The usage of performance information is still rather elementary and not systematic, so it is not possible to speak about performance management (Manojlović 2016a). There is no performance related pay (Manojlović 2016b) and while performance budgeting is an emerging trend, it is still not possible to speak about its real implementation (Bajo and Jurinec 2016). Goals and performance orientation, especially in the form of strategic planning, is being stimulated by the requirement of use of EU funds as well as by the new Laws on Budget and on Regional Development which require strategic planning on the county and urban conglomeration level.

The use of some market mechanism in Croatian local units was researched by Koprić et al. (2015) who state that the public sector is still the main provider of public services but there is an increasing influence of EU policy of liberalisation, commercialisation and privatisation. In the sector of non-economic services of general interest, the privatisation trend is most visible in the area of health protection, especially in respect to pharmacies, but the areas of elderly care, preschool education, primary and secondary education have also been open to private sector providers. Local communal services are mostly offered by locally owned

public companies, although there is also a moderate use of concessions as a mode of provision of local services (Koprić et al. 2015).

Better regulation in Croatian local units is being implemented through the processes of public consultations and administrative simplification. As of 2013, all public authority bodies, including local ones, are obliged to conduct public consultations when passing laws, by-laws, general acts and other strategic documents. In spite of this obligation, local units limit public consultations to spatial planning, development strategies and local budget drafting and bypass the rest of general regulation (Information Commissioner 2014). Although there are no aggregate data on e-services in local units, general data shows that usage of ICT solutions in Croatian public administration is insufficient and inadequate, which results in lack of e-services for citizens and business entities (Croatian Parliament 2015). The majority of local units (especially municipalities) do not offer e-services to their users, and only several of the towns have a wider range of electronically available services.

After the socialist period, characterised by the non-democratic but strong position of local government, an extremely centralised system was introduced in 1993 (Koprić 2003). The decentralisation process began only in 2001 with the adoption of the general clause and a slight increase in local governments' fiscal capacity. In addition, the state decentralised some functions in the areas of social assistance, primary and secondary education and health. Although called "decentralised functions", only the fire service has been completely decentralised to the local units, while in three areas only some competences have been transferred to local governments. Only 34 towns (6% of first-level local units) were able to take over decentralised functions.

Local governments have not conducted evaluations of the effects of decentralisation. The first steps towards a local evaluation system can be noticed only in the Town of Pula (integral management system), but there are no official data available on the results of evaluation conducted through this system. Having in mind the theoretical postulates on the effects decentralisation could have on local management practice, the aim of this chapter is to examine whether the set hypothesis can be confirmed in Croatian circumstances, that is, whether the decentralisation of 2001 contributed to local public management modernisation in Croatia.

RESEARCH METHODOLOGY

In order to verify the hypothesis, the empirical research was conducted, in two phases, during the first half of 2016. First, desk research was carried out and the results of previous studies used in order to identify local governments having decentralised functions and implementing one or more QII. Namely, QII are voluntary instruments and their implementation is a novelty in the Croatian public administration. This could indicate that local governments which apply quality management instruments have some experience with other public management modernisation tools, too. Thus, the use of QII formed the basis for the selection of local governments for the implementation of the second research phase. In the second phase, semi-structured interviews were conducted in towns having decentralised functions and implementing some of the QII. These interviews were used to assess whether the “limited decentralisation” has caused local public management modernisation and in what respect. They were also used to evaluate other effects of decentralisation according to the local actors’ answers.

DECENTRALISED FUNCTIONS AND USAGE OF QII

The results of the desk research from March 2016 showed there were 24 towns (18.9%) having decentralised functions and implementing one or two QII. The majority of them use only one QII, while there are nine towns that applied two QII. The latter participated in the contest for quality awards and applied customer satisfaction surveys or ISO standards of quality management. There are 16 towns (12.6%) without decentralised functions which use QII, but only two of them use two QII. Although having decentralised functions, ten towns (7.9%) do not apply QII. Finally, the majority of towns in Croatia (60.6%) neither have decentralised functions nor use QII.

Statistically, there is a significant difference between the group of towns having decentralised functions and those not having such functions when the usage of QII is concerned (Table 2). That could be an indication that decentralisation affects public management modernisation. In order to test the hypothesis further nine towns applying two QII and performing decentralised functions were chosen for the second part of the research.

Table 2 Allocation of decentralised functions and the usage of QII in Croatian towns (χ^2 test)

	<i>Decentralised functions</i>		<i>No decentralised functions</i>		<i>Total</i>
With QII	24	70.6%	16	17.2%	40
No QII	10	29.4%	77	82.8%	87
Total	34	100%	93	100%	127

$\chi^2 = 32.49272343$

Level of freedom: 0.05

Critical value: 3.84

Source Authors

THE FEATURES AND IMPACTS OF LIMITED DECENTRALISATION ON LOCAL PUBLIC MANAGEMENT

Four out of nine towns⁵ positively responded to the request to conduct interviews with their officials and civil servants.⁶

In relation to quality management, decentralisation has not impacted the usage of special QII, at least not in a simple and direct way. ISO standards of quality management (mainly ISO 9001:2008 version) started to be implemented in 2003 in Rovinj, in 2008 in Labin, in 2009 in Pula, and in 2011 in Opatija, coinciding with the decentralisation efforts of subsequent Croatian governments. Neither the participation in awards contests nor application of e-services is connected to decentralisation processes directly, but decentralisation certainly has created a new atmosphere and context in which the expectations of citizens have been increased. It is stated that decentralisation resulted in better communication processes between the public service providers (e.g. schools, fire services) and the town (i.e. its administration) as the founder thereof. Special procedures facilitating information and documentation flow in everyday activities have been established (Rovinj).

Interviewees did not consider decentralisation had any direct impact on orientation to goals and performance at local level. Performance management in the examined towns seems underdeveloped, in spite of the fact that a kind of strategic planning (or several strategies related to various thematic fields) has been adopted. Deadlines for the achievement of indicated goals are often not respected and no special analysis of the overall performance is done (Labin). Nevertheless, the internal audits are implemented and the reports on budget execution have to be prepared

and submitted to the financial department due to obligations stipulated by law (all towns). In addition, decentralisation had an indirect impact on the self-evaluation done by public service providers obliged to submit a report to their founder (i.e. town) according to the Law on Fiscal Responsibility (Pula). The budget is to be formed according to the plans and goals stipulated in the strategy, so that the execution of the budget and achievement of strategic goals can be monitored at the same time (Opatija). Nevertheless, the prerequisites for monitoring are not developed in all towns (e.g. action plans and working group responsible for monitoring process are still lacking in Opatija). Neither is performance appraisal fully implemented in local administrations. Some local units abandoned the implementation of appraisal (Labin) while others just apply it formally. The problem is that most of the public servants are assessed with the highest grades and, on the other hand, objective criteria for performance measurement are not determined (Labin, Opatija).

Although market mechanisms in providing certain public services exist (e.g. in Pula, 21 out of 25 kindergartens are founded by private entities), the respondents deny it is a consequence of decentralisation processes. In some fields, the central state terminated its support to private initiatives in providing public services (e.g. primarily and secondary education), and there are no interested and financially capable non-state investors. Public-private partnerships are rare, and most partnership initiatives include two or more public partners (e.g. partnership of Rovinj with the County of Istria and the Ministry of Education, Science and Sports).

Improvements made in the field of better regulation are not the consequence of decentralisation process either. Towns conduct public consultations, but only in respect of regulation directly affecting citizens' interests (e.g. spatial planning, utility services etc.). Although the public is invited to submit comments and to participate actively in consultation processes by various means of communication (web portals of local media and towns, invitations sent to specific groups of public, e-consultations etc.), the general response is often quite low (esp. Labin, Opatija). In Pula, which has developed the system of e-consultations, participation in public consultation process is higher and the public interest in some issues required the prolongation of the period provided for the consultation process. At the same time, the amount of citizens' proposals submitted in written form has been decreasing. Cooperation between town administration and central state bodies (e.g. tax administration, ministry of internal affairs) is the result of the intention

to improve the quality of the services for the citizens, and no special link to decentralisation can be noticed in this respect (Pula).

Although it might seem that decentralisation had no influence on public management modernisation, some improvements in general management resulting from limited decentralisation can be noticed.

In spite of limited competences in the management of schools, it is stated that decisions on financing made in cooperation between the town and schools result in better management of financial resources, faster repairs and better equipment for schools, better scheduling of classes and better quality of nutrition, in other words, better quality of service in general (Pula). Due to the decentralisation process, most providers (i.e. schools) are included in the common treasury system of the towns, which has resulted in the improvement of financial management of all local resources (especially Labin and Pula). Significant savings are obtained through the system of common public procurements for all schools, which is also the effect of the decentralisation process. Decentralisation also resulted in better equipment of fire services which prior to decentralisation used to be under the responsibility of the Ministry of Internal Affairs. It has been shown that local planning in this field was much more appropriate and efficient than that performed by central state bodies.

In general, all respondents state that real decentralisation in the sense of transfer of responsibilities and financial resources for the performance of decentralised tasks has not been fully implemented.

Respondents especially stressed the problem of insufficient resources for the financing of transferred functions and, in close relation to this, frequent changes of state regulation which reduce the amount of resources designated for decentralised functions (share in the income tax). Since local financial resources are not commensurate with their responsibilities, all towns use additional revenues (mainly direct local budget resources) in order to maintain or improve the standard of decentralised functions. Furthermore, standards of decentralised functions are regulated by law and local governments do not have any influence in that regulation (Rovinj).

Although the central state announced a second phase of decentralisation, it never happened, which now represents an obstruction for further local development (respondent from Pula). Respondents from Pula stated that central state had transferred logistics in the form of ownership rights and financial resources, but very few decision-making

competencies. In the field of education, the consequence is that towns as owners of the schools do not have an influence on the appointments of school managers, on civil service issues or on enrolment of children in schools, so they cannot affect the management issues. Their responsibilities are limited to financing of “roof repairs”, but whenever any problem occurs the town is perceived as accountable by the citizens (Pula).

The example of Pula shows that the empowerment of towns to manage functions of direct interest to citizens (e.g. fire-fighting, primary and secondary education, etc.) irrespective of the wideness of fiscal decentralisation could improve the quality of services and even result in economic benefits in the sense of savings and acquisition of financial resources. This is in accordance with the statements that, in addition to the scope of financial authorities as the indicator of local autonomy, decentralisation represents the extent of the local units’ accountability for quality and offer of local services (Rogić Lugarić 2005). In Croatia, the limitations of decentralisation only partially arise from the lack of financial resources (Rogić Lugarić 2005). Therefore, in the circumstances where no complete accountability in the management of decentralised functions exists, complaints of insufficient financial resources could be used by local political and administrative leaders as an excuse for failures in local management and as a blame-avoidance strategy (Hood 2007).

CONCLUSION

The goal of the chapter was to examine whether “limited decentralisation” in Croatia had any influence on managerial practice and modernisation of local public management. The empirical research showed that the decentralisation process did not directly affect public management modernisation in any of four examined aspects. Nevertheless, a modest indirect effect of decentralisation on quality management (improvement of communication processes and self-evaluation) and a direct effect on financial management as part of goals and performance orientation can be noticed. Decentralisation has created a new atmosphere with increased expectations of citizens with regard to delivery of local services. This is in line with the hypothesis that decentralisation stimulates the modernisation of local management.

More positive effects of decentralisation on local management modernisation in Croatia failed due to the incompleteness of the decentralisation process. It seems that wider decentralisation of responsibilities

in combination with the need to rationalise resources could stimulate local governments to improve their management. In case limited decentralisation is turned into real decentralisation and competences are transferred to local units, local units will lose the possibility of using the blame-avoidance strategy. Local leadership has the possibility of blaming the central state for every problem occurring within the decentralised functions, since in reality these responsibilities are being delegated and not decentralised (COE 2007, 931). In case these competences are decentralised, local governments would have to learn how to manage them autonomously with their own resources and accept the full responsibility without the possibility of blame shifting. That would probably push them to experiment with various management modernisations.

Having in mind that only 6% of local governments have been able to take over the decentralised functions, it is questionable whether the rest of them are able to improve their managerial practice, since they have rather weak financial, organisational, personnel, evaluation and other capacities. On the one hand, real functional, political and financial decentralisation needs to be conducted in order to allow local governments to manage local affairs independently and implement new managerial instruments for more efficient and effective service provision. On the other hand, lack of local administrative and financial capacities is an obstacle for public management modernisation. Even worse, decentralisation of new functions to local governments with insufficient capacities might jeopardise efficient and quality provision of public services (also Bronić and Bajo 2007).

NOTES

1. For the literature overview on NPM see Alonso et al. (2011).
2. Walker and Boyne (2006) examined the UK Labour government's programme of public management reform which is based on public management modernisation and found that planning, organisational flexibility and user choice were associated with higher performance of local governments. The study conducted by Kuhlmann et al. (2008) showed that the New Steering Model, as a NPM-inspired public management modernisation, had increased citizen and customer orientation of German local units, as well as some aspects of their performance.

3. In Germany, for example, the competences of local units have increased constantly since 1960s, causing the rise of local spending and debt. One of the reactions to this was the adoption of the German type of NPM as a means of public management improvement (Wollmann and Kuhlmann 2008).
4. However, it is stressed that the concept of quality on the local level should be broadened in such a way that it comprises a quality of (local) governance that goes beyond the achievement of user satisfaction and the application of conventional quality management tools (Bovaird and Löffler 2002, 2003, 2007). The role of the citizen as an active member of the community is especially important at the local level where the most citizen participation is expected to be performed. Therefore, considering citizens as mere consumers of local services does not fit the role of local self-government.
5. Labin, Opatija, Pula and Rovinj participated in the survey. The authors conducted personal interviews in Labin, Opatija and Pula, while the answers in written form were obtained from the responsible officer of the Town of Rovinj.
6. In Labin, the city mayor participated in the interview. In Pula, five civil servants participated (they were responsible for general support to the city mayor, education and social services, quality management and public consultations). Interviewees in Opatija and Rovinj were the heads (senior civil servants) of the organisational units for education and social services. Besides responsibilities in this field, the respondent from Opatija was also engaged in finances since the two sectors are organised within the same organisational unit.

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AUTHORS' BIOGRAPHY

Jasmina Džinić PhD, is Assistant Professor at the Chair off Administrative Science, Faculty of Law, University of Zagreb, Croatia. She is the co-author of the book “*European regulation of professions and professional associations in Croatia: the development of administrative profession and other professions in public administration*” and the co-editor of the book “*Quality and performance management in public administration*” (both in Croatian). Her professional field of interest comprises quality management in public administration, reforms in local governance and public administration, organizational theory, and public administration education.

Romea Manojlović PhD, is Assistant Professor at the Chair of Administrative Science at the Faculty of Law, University of Zagreb, Croatia. She is the co-editor of the book “*Quality and performance management in public administration*” (in Croatian) and executive editor of the international scientific journal *Croatian and Comparative Public Administration*. Her areas of interest include public management, local self-government, European administrative space, and human resources management.

Evaluation of an Anti-Monopoly Programme in Hungarian Public Utilities

Tamás M. Horváth

INTRODUCTION

Hungary used to be an example of strong decentralised local government, but that has now changed. The transition system that was introduced in 1990 delegated quite a lot of functions to municipalities. Every settlement was granted local government of its own, but without enough incentives to cooperate in order to be more effective in service provision. The local level was strengthened by the privatisation process in the 1990s, because municipalities received income and shares in this process. Nevertheless, private monopolies then became stronger, sometimes against the interests of local governments and regulatory bodies. The originally introduced wide range of responsibilities and at the same time independence that remained fragmented was not sufficient to

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T.M. Horváth (✉)
MTA-DE Public Service Research Group, Debrecen, Hungary
e-mail: tamas.m.horvath@law.unideb.hu

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maintain municipal financial positions strongly enough. So, the level of local democracy was relatively high at the beginning of the system transition, but weaknesses emerged in its effectiveness.

This longstanding tradition of transformation of the system at local and regional levels became the basis of the dramatic turn in the policy of the nation state from 2010. Concerning the municipal system, the government strategy became one of extreme centralisation. Local authorities lost most of their service providing functions; institutions formerly maintained by them were centralised. In addition, regional development became a function of the nation state.

From 2010, several measures were undertaken to centralise profits from the energy, water, waste and other (funeral, park maintenance, chimney sweeping services) public utility sectors. Providers are now burdened with a central tax levied on public utility networks. A general cut in prices of user charges is required and a new supervisory fee has been introduced for an administrative regulatory authority. Additionally, municipal utilities were exempted from some of the taxes, but this is no longer the case and the financial burden for municipal utilities is now heavier, especially for the central government.

All in all the structure of the system formally remained the same at two levels (municipal and county), however, the functional, financial and ownership position of local government has already changed dramatically. In this circumstances local distribution from GDP decreased by onethird, from 11.4% (2008) to 7.76% (2014) (OECD).

THEORETICAL FRAMEWORKS AND METHODS OF THE STUDY

The direct theoretical background of the paper is threefold. First, country-specific but contextual crises studies are based on explanatory research (Hajnal 2014; Hajnal and Rosta 2016) of the present turn in the development of Hungary. Second, different concepts of “re-public” solutions have recently been used as explanatory variables like the concept of remunicipalisation (Hall 2012; Pigeon et al. 2012; Water Remunicipalisation Tracker) and the re-emergence of municipal corporations (Wollmann and Marcou 2010). In addition, the policy of direct centralisation has been scrutinised by Horváth (2016) on this basis. Third, programme evaluation studies of public sector (Wollmann 2003) and institutional reforms (Kuhlmann and Wollmann 2011) at intergovernmental levels are based on the ex-post control of logic in anticipated policy programmes.

A quantitative, performance, ex-post evaluation is the focus of this study. The relationship to the paradigm of New Public Management (NPM) is at the centre of the evaluation. It has been criticised heavily by the present Hungarian central government, which involves the denial of market-orientation in most of the public services and open competition for foreign investors. National interest is very much emphasised nowadays in public policies, even in sector ones. Official communication is built upon national community-based statements. It seems that voters at least have been convinced notwithstanding the further consequences.

In the meantime, evaluation as a management technique is working in Hungary, linked especially to past and ongoing projects of the European Union. For instance, pre-accession funds (PHARE, ISPA, development funds for small regions) had been evaluated, as well as national development programmes linked to the budget cycles during membership of the EU (since 2004). Recently, in the 2010s, this type of evaluation has been clearly split from the analysis of the national government's programme as a whole, for different reasons. First of all, it is based on different preferences than those focused on by NPM. This paper tries to go back to the NPM view and adopt some components of classical approaches to evaluate, for example, the basis of measurement in effectiveness, rather than ideological attributes.

POLICY PROGRAMME DESIGN

After the international credit crisis (2008) and a moderate sovereign debt crisis (in the same decade) the former management structure of public services was questioned in Hungary. Social conflicts led to radicalism in politics. The effect on municipal activities and functions became very restrictive. In response, the regulatory position of the state was enhanced, and central government preferences were greatly widened. In some European countries the crises have led to corrections in the competition policy of public services. In Greece, as a comparable case, municipal overspending had to be abandoned, with a turn to NPM-inspired alternative solutions of service delivery. This policy involves increasing the roles of private actors either as investors or volunteers. In strong contrast, the Hungarian case is one showing a trend towards pure centralism. The Hungarian model has led to an extreme version of central influence leading to extensive state intervention. The aim of the national government seems to be to shift public utilities to non-profit-making services. In this case, the role of municipalities has not yet been specified, nor has the providers' presumed counter interest.

The corporate government in the infrastructural sector came to the attention of the right wing national government of Viktor Orbán very early after the election win in 2010 and its subsequent re-election in 2014. It obtained a two-thirds majority in both the Parliament and in most of the city assemblies. According to their narrative, the former type of economic power was based on earlier political bargaining called privatisation by liberals, who were leading supporters of the transformation process from the formal system transition (1990) to joining the European Union (2004). The nationalist government coalition, consisting of so-called national conservatives supplemented with Christian Democrats, differentiated from but supported by extremists, wanted to remake originally long-term contracts in order to change the players of the game.

The policy programme on public utilities is involved in the starting manifesto of the government elected in 2010 named as “System of National Cooperation” (SNC). Referring to public utilities there are three main focuses (SNC 2010, 24).

- (i) Because of strong market monopolies in service provision the aim of the government is to destroy the power of these companies.
- (ii) High energy prices are not justified by the average price levels of the surrounding countries therefore stronger direct regulation and supervision are needed according to the programme.
- (iii) Reallocation in ownership structure is the preferred solution of the government against private monopolies.

Changes on the basis of these motives are as follows.

1. The really specific context of the Hungarian case is that the Prime Minister, Viktor Orbán, argued this issue in a political speech in 2014¹ and his general political attitude to the public was that foreign private companies had abused their dominant position by overcharging for their services. That was why the national conservatives wanted to buy back shares of these companies. This was one of the key motivations for changing the political system (Hajnal 2014) and market relations, including public services provision. The national conservative ideology here paradoxically focuses on state-centred solutions for every conflicting social or economic issue. Market orientation shifted to state-centred defence of so-called national interests.

In the background there is an economic logic linked to user charges. To understand the recent situation let us go back to the transformation process. From that time user charges once again became an important element of public financial transfers. User charges are also forms of systemic financing mainly in public utility services. The long history of transition countries demonstrates that these sources may also be considered transfers depending on the decision regarding which level of government may collect them. In communist countries most urban services, like water and sewerage, central heating and solid waste collection, were free or the price was a symbolic payment. Some services were subsidised centrally, particularly electricity and gas.

In the period of transformation giving these revenues “back” to governments became a decision on financial transfers. This sector transition process was composed of several steps. First, starting from the 1990s, prices were to be liberalised in the public sector. This was important even if the state enterprises were the only providers at the beginning. Second, conditions for competition had to be established. An emerging market was built up with privatisation for these services parallel with the multiplying number of service providers. This was an opportunity to decide about the application of user charges.

In principle user charges are good for some different purposes of local government. These include covering costs and maximising revenues, and they can act as an incentive for economical use. According to the theory (Bird et al. 1995), the importance of user charges is that municipalities can behave as service providers. It means the correct (roughly marginal cost) price is achieved for public consumers. In the new situation the government politically criticised foreign providers for monopolist user charges. Additionally, after the elections a number of criminal cases were brought against top managers in public utility companies accusing them of political corruption.

2. However, on the basis of this radical political concept, there are quite a few arguments, based on pure economic interests, which seem to explain their motivation. First of all, an easy explanation is shown by the national government with the support of consumer price indexes. It is illustrated in Fig. 1. The interrupted line below (signified by the arrow also) is the level of total Consumer Price Index in Hungary between years 2003 and 2012. The level of water pipe services, solid waste management and disposal, waste

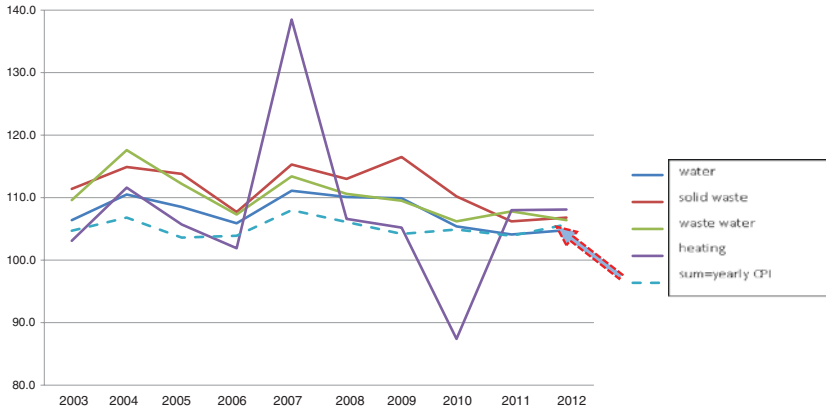


Fig. 1 Trends of consumer price indexes according to consuming in particular public services (2003–2012). *Source* STADAT COICOP indexes, 2013

water treatment, central heating and warm water services are typically at a higher level continuously. The rise of prices is higher in these sectors than the actual inflation rate. As an exception, an extreme increase in the price of central heating was compensated by the former government. However, others remained on the upper level when the nationalist government started its term from 2010. According to the official argument, utility companies, especially their foreign private owners, pulled out profits from households, that is to say, from “the nation”.

3. Behind this argument there are criticisms of two different inherited basic scenarios in the ownership structure of public utility companies which had arisen by the 2000s. One is the model of formerly privatised companies, which was condemned for uncontrolled monopolisation by the new government powers. The other model, of companies remaining in municipal hands, was also criticised heavily, because it was seen as the background of former government parties either at local or national levels.

As far as the first scenario is concerned, it was true that the solutions of privatisation implemented in the public utility sector were rather different. In order to understand this issue properly, let us turn to Bauby

and Similie's generalised classification (2014). There are two basic specific contractual models on the extension of the private sector in public services. The traditional French legal practice is based on lease and concession contracts. The German model prefers corporative structures in which the operating assets are corporatised and where in the asset holding company the private providing company (the operator of the concession) is a minority shareholder at the same time. From the second half of 1990s the German model was followed in Hungary, with the difference being that not only operating but also core assets (pipelines, networking works) were corporatised in many situations. The importance of this kind of systemic failure was realised about fifteen years later when it became clear that multinational private companies have a strong position mainly in the situation when municipalities as local clients wanted to shift their contracts.

"Who is responsible for this situation?" The question was raised in the systemic turn from 2010, because the solution was against the basic legal regulation of the local government act of 1990, which was passed at the beginning of system transition. Core assets should have been kept in municipal ownership because marketing was prohibited by the law. There are different answers on the responsibility question from the government side, which are as follows:

- (a) *Former governments.* Privatisation had been preferred by central government for many terms before 2010. However, public utility assets had not yet been registered at all. Content of ownership was not defined earlier, especially during the long period of state socialism, where this kind of specification was not in question at all. So, the registry court registered memorandums of new private sector providing companies, without any questions in many situations.
- (b) *City leaders and politicians who were in office at that time.* The new government accused its predecessors of consciously selling off assets, directly furthering only their own interests.
- (c) *Foreign investors.* According to the political rhetoric, international professional companies wanted to obtain a monopoly in order to gain extra profits and only foreign interests were represented by them. It has been emphasised by the government in power since 2010 that some of the West European governments and *Länder* (German federal member states) are also shareholders in quite a few utility companies providing services in Hungarian cities and regional areas.

These above-mentioned motives have been inspired by the policy of restructuring in the public service corporate sector during the era of the nationalist government since 2010.

REORGANISATION IN THE CORPORATE SECTOR (INPUT CHANGES)

There have been three basic fields of corporate reorganisation in the Hungarian public utility sector recently: (i) by exclusive rights and burdens against international monopolies (ii) cutting user charges and (iii) reallocation of ownership in the sector.

Acts² passed by the Parliament supported this policy directly through redefining and narrowing groups of authorised providers service by service. In further steps, consumer fees payable by individuals were restricted by the central government by means of direct influence in the market for delivery of services, neglecting any regular tools of regulatory authorities. Municipalities and the national government directly forced buy-back of shares of providing companies from foreign private investors.

- (i) Exclusive rights and special taxes. All of the new integrated providers obtained exclusive rights to provide particular services of general economic interests. This action is allowed by the secondary law of the EU. However, in the second phase of restructuring, from 2012, several measures were undertaken by the national government to centralise profits from the energy, water, waste and other (funeral, park maintenance, chimney sweeping services) public utility sectors. This is done by levying special central taxes. Providers are now burdened with taxes levied on public utility networks on the basis of the length of pipes. There is an exemption if the company is 100% publically owned. Discrimination may be identified in several of the legal procedures, however so far this has not been an obstacle for the implementation of the obligations. Additionally, even municipality-owned providers are burdened with other taxes, like additional income tax on waste management (this burden is also placed upon energy companies), taxes on vacant sites, fees on waste disposal in landfills and so on. In these cases the aim of the central government must have been to centralise business profits, especially not to leave them to municipal owners.

- (ii) User charges. Another phase of the reorganisation in the service providing environment started from the beginning of 2013. From that time the central government has in four waves decreased the consumer fees of particular utility services payable by individual residential users.

The centrally ordered cut on tariffs of utility services was about a nominal 10–25%. Direct regulation of user charges for utility services became a major focus of the Orbán government and one of its key policy aims. This popular policy (“decreasing burdens on families”) was also placed in the centre of the political agenda in order to win the 2014 elections. It was a very successful strategy from the nationalist right wing point of view in the general, EU and subsequent local elections. The political (and not policy) motivation is emphasised by the government in the way that the calculations for the savings of households are prescribed to be put on the official receipt sent out on a monthly basis. The law even requires a coloured (!) background for this notice in order to make sure customers pay enough attention to the effect of the government intervention.

Now let us see the effect of the cut. Table 2 shows the change of customer price indexes in recent years.

The reduction is lower in each item than is prescribed by the law. This must be explained by reference to the discount for individual consumers only. Legal persons and other undertakings have to pay the full price. Nevertheless, their rate is higher now than the original user charge before the direct regulation. In contrast, energy prices have in fact decreased on the world market. In addition, different supplementary services (change of water metre, controls etc.) are more expensive, especially for non-residents. Consequently, the level of service provision is not rising or is effectively worse than it was before. Providers try to escape from the barriers of regulation. For instance, waste collection companies went back to the phase of a fixed frequency-based monthly charge from the existing quantity-based regime.

A clear evaluation of these input changes is shown by the fact that a third of existing solid waste management companies (171 in 2016) are working at a loss as a result of the described management policy.

- (iii) Redistribution of influence on ownership in the public utility sector. At the very beginning of the era in new government, policies on

Table 1 Timetable of the decrease of user charges to individual consumers (according to particular laws)

<i>Provided service</i>	<i>Date of decrease (from)</i>	<i>Change to price Dec. 2012</i>
Electricity	01.01.2013	90%
	01.11.2013	80%
	01.09.2014	75.44%
Gas (pipeline)	01.01.2013	90%
	01.11.2013	80%
	01.04.2014	74.80%
District heating		<i>Change to price Nov. 2012</i>
	01.01.2013	90%
	01.11.2013	80%
	01.10.2014	77.37%
Drinking water		<i>Change to price Jan. 2013</i>
	01.07.2013	90%
Solid waste		<i>Change to price Apr. 2012</i>
	01.07.2013	93.78%
Liquid waste		<i>Change to price Jan. 2012</i>
	01.07.2013	90%
Chimney sweeping		<i>Change to price Dec. 2012</i>
	01.07.2013	90%

Source Based on Szemesi (2016), 285–286, prepared in the author's MTA–DE PSRG

municipalities, mainly on cities, were shifted. In the overwhelming majority of cases, party affiliation was the same as that at the central government level. The performance of utility companies was criticised heavily here. The main argument arose as follows:

- high level of consumer fees in comparison,
- little contribution to local municipal revenues,
- dirty businesses,
- liability problems in public contracts.

The answers on these conflicts are different depending on the original ownership position of the state sector. If municipalities sold at least part of their shares earlier, then they wanted to buy back providing companies and the exclusive rights on the delivery of particular services from private owners and managing companies. In cases of companies remaining in the hands of local governments, changes of corporate management were imposed, leading to the establishment of general asset holding companies.

In the countryside, amalgamation of service providers occurred under the umbrella of municipally or centrally owned companies. Private

Table 2 Consumer price indexes (COICOP) (2003–2015), the previous year = 100.0

<i>Year</i>	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Water supply	106.4	110.5	108.5	105.9	111.1	110.1	109.9	105.4	104.1	104.8	96.1	93.5	101.2
Solid waste collection and disposal	111.4	114.9	113.8	107.7	115.3	113.0	116.5	110.2	106.2	106.8	102.6	91.7	100.0
Waste water treatment	109.6	117.6	112.2	107.3	113.4	110.6	109.5	106.2	107.8	106.4	96.8	93.9	100.0
Electricity	111.0	119.0	106.7	102.3	114.5	109.9	107.0	107.4	100.7	103.5	90.1	87.8	95.7
Gas supply	105.6	110.7	106.9	111.6	131.5	119.9	109.4	110.6	109.9	107.7	91.6	86.0	97.2
District heating and warm water	103.1	111.6	105.7	101.9	138.5	106.6	105.2	87.4	108.0	108.1	88.6	89.0	97.3

Source STADAT COICOP indexes 2016

investors were forced by the government with sector laws on different public services to sell their majority shares. For instance, as a result the number of providers in solid waste management decreased by 80% from 2007 to 2014. This has meant the integration of delivery service, in addition to change in the identity of the owners.

DIRECT (OUTPUT) CHANGES

The whole process of (re)transformation in the public utility sector can be summarised as follows. The central government is extremely active in making rules for the economic environment of public utility service provision in this country. Since 2010, several measures have been undertaken to centralise profits from the energy, water, waste and other (funeral, park maintenance, chimney sweeping services) public utility sectors.

Providers are now burdened with a central tax levied on public utility networks. The general cut in prices of user charges is supplementary and a new supervisory fee has been introduced for an administrative regulatory authority. Additionally, municipal utilities were exempted from some of the taxes, but this is no longer the case and the financial burden for municipal utilities is now heavier. Although maintenance costs are covered by user charges, tariffs are however defined by Parliament and the government. As far as working capital investments are concerned, because the company is fully owned by municipalities or the state, paradoxically, national and European Union grants were more easily available because no further guarantee was needed for keeping the new utilities in public hands.

The national government obtained ownership in two ways. First, it was done by buying back shares from foreign investors, pressing them by reallocation in the market environment. It took place mainly in gas, electricity and water services. Second, this policy is also implemented by taking over shares from municipalities, as happened in water, waste, waste water and chimney sweeping services. This latter strategy focused on services for residents.

The further aim of the national government seems to be to shift public utilities to non-profit-making services. In this case, neither the role of municipalities nor the providers' presumed counter interest has been specified. This process must have an effect on the public service level in a medium-term perspective.

Table 3 Effects of cutting consumer prices according to public opinion

<i>The effect of cutting consumer prices is...</i>	<i>Mean (scale of 4)</i>		<i>Ratio of fully or almost agreeing (4, 3)</i>	
	<i>2013</i>	<i>2015</i>	<i>2013</i>	<i>2015</i>
To prevent owners from getting too high profit	2.93	2.82	68.1%	62.0%
To make incentives for public utility companies to work more effectively	2.65	2.76	56.1%	60.3%
That less resources remain for renewal and development of networks	2.71	2.75	55.6%	60.1%
That service level is going to be lower and less guaranteed	2.57	2.54	51.2%	62.9%

How do you agree with that...
 fully agree=4 ...fully disagree=1, mean of valid answers; sample 1200

The logic framework of the whole transfer of the system was tested in detail by our primary analyses.³ In a representative sample, residents were questioned about the conditioned content and the expected results of the reduction of consumer fees in public utility services by central government. A sample of 1200 residents were interviewed in 2013 and 2015 by the professional public opinion research institute in the framework of our project.

Questions were asked as to the effects of the cutting of consumer prices. The residents agreed that owners should not get too high a level of profit. They also expressed hope at making incentives for providers more effective. However, opinion on restriction in renewal and development is more and more realised. There is a significant rise from the first to the second survey in the ratio of those who anticipated declining levels of service provision. Data are shown in Table 3.

Finally (by 2015) opinion about cutting consumer prices had become a little worse (Table 4). This means fewer people thought that it was a very good decision, and a higher ratio now thought it a bad or very bad decision.

Although decisions of government may be very favourable to them, consumers' significant ratio faces future negative effects.

Table 4 Evaluation of the decision to cut consumer prices according to the public $N = 1200$

<i>Cutting of consumer prices</i>	2013	2015
it is not known	5.5%	5.5%
it was a very bad decision	2.6%	4.6%
it was a bad decision	10.1%	15.9%
it was a good decision	50.3%	50.4%
it was a very good decision	31.5%	23.6%
total	100.0%	100.0%
mean	3.17	2.98

Source data survey 2013 and 2015 (the authors' data)

INDIRECT (FAR-REACHING) CHANGES

There are also indirect effects of the official public utility policy. First, infringement procedures by the European Commission are taking place⁴ because prices are defined by the ministry instead of the regulatory authority. In addition, specific taxes, like a tax on the length of pipe networks and energy transaction fees, must not be calculated as an accepted cost.

Second, the competition aspect is challenged. There are different prices for individuals and for undertakings, which appears to be discrimination. Newly established huge state-owned enterprises are in a better position in tenders, avoiding formal public procurement processes. Several antitrust procedures have been initiated for this reason. Although keeping state aid rules is also questioned, there are fewer of these kinds of disputes in European institutions.

Third, international investment disputes are taking place, because semi-nationalisation procedures under the new state-owned property act and the actions of municipalities and the national state are questioned by private, especially foreign, investors.

Fourth, an indirect effect has been highlighted. Charges in the global market of the energy sector have decreased, while the Hungarian government froze prices at a static level.

Fifth, the government's own public relations and propaganda focuses on the cutting of charges in the utility sector. It is one of the key issues of the campaign called "The Hungarian reforms are working!". The most important figures that show the savings are required to be printed on receipts sent to householders monthly. This policy has been an important strategy of the national government since the beginning of 2013.

Sixth, some sector providers have become bankrupt, in such areas as chimney sweeping, as well as many waste companies. In these cases the

national authority of civil defence becomes responsible for fulfilling public tasks, neglecting market actors all together.

All in all, according to experts and scholars (Pappas 2014; Szelényi and Csillag 2015; Hajnal and Rosta 2016), the legality deficit is quite serious in general in this situation whether in the economic or political field. The tactics of the government have been realised mostly with “success”, because legal procedures are long term for example, four–six years are needed, while advantages are realised in financial and interest-based power games. The price of it is to be paid by the public as a whole.

LESSONS LEARNT

Table 5 summarises the mentioned phenomena, grouping and adding non-anticipated (non-intended) effects. As has already been shown, it is difficult in this case to term the actions of the government “reforms”, because the focus of the measures is more the reassessment of former preferences rather than improvement as such. As Prime Minister Viktor Orbán said in his speech at the national celebration on 15 March 2016, “our results cannot be measured only with utilisation, but the totality

Table 5 Evaluation of reform/reassessment on the basis of the scrutinised case

<i>[Reform]/ Reassessment</i>	<i>Input changes</i>	<i>Output changes</i>	<i>Far-reaching changes</i>
[Intended]/ Anticipated by government efforts	<ul style="list-style-type: none"> • Enhancing public ownership • Exclusive rights • Special taxes • PR against private monopolies 	<ul style="list-style-type: none"> • Amalgamation of providers • Change elites in corporate management • Cut of user charges 	<ul style="list-style-type: none"> • Neglecting competition • Nationalisation • Restriction in the EU integration
[Unintended]/ Non-anticipated (but expected?) by government efforts	<ul style="list-style-type: none"> • Increasing transaction costs 	<ul style="list-style-type: none"> • Constraints on increasing the service level • Decrease of mortgage rates • Bankrupting providers 	<ul style="list-style-type: none"> • Infringement procedures • International investment disputes • Drop of consumer orientation

should be our preference”. That is why reassessment is a better term, supplemented with reforms, to characterise the process in policymaking, instead of highlighting real sector policies.

It must be clear from Table 5 that anticipated far-reaching objectives are very much interest-based. Comparing anticipated and non-anticipated aims we can conclude that the advantages of the intended effects are distributed to particular social and economic groups, while disadvantages are placed upon others.

Are these investigated actions really reforms or simply a package of intervention in order to achieve political aims? First, according to our research, at least we are sure to state that as a result of the implementation of utility policies recently in Hungary, service levels did not improve. Our starting hypothesis that the reform rhetoric of NPM is not working in these circumstances, because the orientation of changes is clearly out of the question of public service performance, seems to have been proved.

Second, this failure is not based on lack of clarification. Goals of the government were clear enough and these were realised in a quite systemic way. Nevertheless, either competition in liberalised markets or consumer orientation are simply neglected by these aims; instead, clear values of economic and political power are preferred on public utility service provision.

NOTES

1. Orbán's speech in Tusnádfürdő (Baile Tusnad, Romania, 26.07.2014) about his political programme to an exclusive audience in Transylvania. <https://www.youtube.com/watch?v=PXP-6n1G8ls>.
2. See the list of the acts in the Annex.
3. The whole following empirical analysis is based on the author's primary research, funded by OTKA (cited in the footnote 1).
4. <http://hungarianspectrum.org/tag/third-energy-package/>.

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AUTHOR BIOGRAPHY

Tamás M. Horváth is Leader of MTA-DE Public Service Research Group and Professor at the University of Debrecen. He is Head of Department of Financial Law and Public Management, Faculty of Political and Legal Studies. Formerly he was Deputy Director General in the Hungarian Institute of Public Administration. He has got practices in different fields of public and public–private law. His professional interests are judicial case law of subsidies, metropolitan public utility services, regulatory functions in public sector, comparative local government reforms.

Metropolitan Municipality Reform: Rescaling of Municipal Service Delivery in Turkey

Yeseren Elicin

INTRODUCTION

In Turkey, there are three constitutional forms of local administration with elected representative bodies: special provincial administration (SPA), municipality and village. According to the current administrative distribution, each provincial territory, except those where a metropolitan municipality has been created, equally and necessarily corresponds to a special provincial administration comparable to the French *départements* of the nineteenth century. Although the council of each SPA has an elected president it remains under the authority of the governor. The village, which has a directly elected council and chief, has no financial resources and is unable to carry out any tasks, therefore it can hardly be considered as a decentralised authority. At present, all technically and socially based services are ensured by the SPAs and by the decentralised services of the central government.

Y. Elicin (✉)
Galatasaray University, Istanbul, Turkey
e-mail: yeseren.elicin@gmail.com

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Municipalities, on the contrary, are local self-government bodies, having directly elected councils and mayors and enjoying their own budgets and functions. A municipality is created in all the main towns of provinces and districts and in agglomerations where the population exceeds 5000 inhabitants.

Metropolitan municipalities were set up in the largest cities in 1984. These touch on two levels, with district municipalities at the lower tier and greater municipalities at the upper tier. The council of the upper tier is composed of members coming from directly elected lower tier councils. During the early 2000s a comprehensive administrative reform agenda emerged due to Turkey's drive towards European Union membership (Elicin 2011). The legislation on local administrations adopted in the first half of 2000s was in line with the New Public Management (NPM) principles parallel to the neoliberal transformation witnessed in Turkey since the 1980s. It expanded the scope of the responsibilities of local administrations in the provision of public services, as well as in the promotion of the social and economic development of the relevant communities. During this period some municipal services, like public transportation, water supply, sewerage, solid waste management and parking were privatised or provided by municipal enterprises. In fact, municipal enterprises, created as private companies to avoid administrative restrictions and public control, enjoy almost a monopoly position in delivery of urban services (Bayraktar 2007). Therefore, although local government revenues have not been substantially reformed, these administrations, most particularly metropolitan municipalities, have become huge financial entities (Elicin 2011, 120).

The Act published in 2004 on metropolitan municipalities strengthened the metropolitan municipality's control over the lower level. The upper level's control bears especially on the budget and on urban planning, while the lower level manages operations such as scheduling specific activities and providing services and functions on a daily basis. The Act also introduced a new rule (the radius rule) to fix the municipal limits. For metropolitan municipalities having a population less than one million, a 20 km radius circle constituted the municipal limits. The radius was 30 km for metropolitan municipalities of up to two million and 50 km for those having a population greater than two million. The Act brought an exception for two metropolitan municipalities, Istanbul and Kocaeli, where municipal and provincial limits became identical. In 2012, Act no. 6360 was passed, creating 14 new metropolitan municipalities and raising the number of metropolitan municipalities to 30.

The Act, which entered into force in 2014, expanded metropolitan municipality boundaries up to provincial boundaries and abolished SPAs in 30 provinces having a metropolitan municipality. The reform thus gave way to rescaling of urban service delivery schemes producing a recentralisation at metropolitan level as well as reassignment of some rural services under the responsibility of metropolitan municipalities. The population criterion to become a metropolitan municipality has also been modified; thereafter provincial population must be 750,000 or more (i.e. a population including rural inhabitants whereas the previous legislation required an urban population of 750,000). As a consequence of the 2012 reform, 76% of the national population lives in metropolitan municipalities which correspond to 50% of national geographical area (Arikboga 2013, 71). In a province where a metropolitan municipality is created, legal entities of villages and small municipalities (without a district administration) are abolished, while municipalities of districts are transformed into lower tier municipalities (literally metropolitan district municipalities). In 2014, the year that the Act entered in force, 30 SPAs, 1591 small municipalities and 16,082 villages were abolished. The reform received severe criticism from the opposition and a rather unfavourable reaction from the academic literature (see Akilli and Kisilboga-Ozasan 2015). But, except the mayor of Datca, a lower tier municipality of newly created Mugla metropolitan municipality who resigned in May 2015 to protest the reform (Birgun Daily 2015), no powerful or widespread resistance has been displayed by local actors.

Two years after the territorial reform of metropolitan municipalities was put into practice, this chapter aims at the assessment of the reform by establishing its impacts and effects compared with the goals and expectations of the reform. Our evaluation follows programme theory model (Sharpe 2011; Rogers et al. 2000; Rogers 2008) with the aim of reconstructing the theory of change and assessing the effectiveness of its outcomes in terms of stated objectives. It is based on the analysis of legislation, reports, statistics and existing literature as well as semi-structured interviews with local officials of the newly created Kahramanmaras metropolitan municipality. Kahramanmaras has a population slightly over one million (2012 census). It is geographically divided into two by mountains. Before the reform the southern part of the province, where the central city is situated, hosted four districts, 19 small cities (municipalities) and 257 villages. In the northern part, five districts, 33 small cities and 211 villages were located; 24 of these small municipalities were

more than 120 km away from the central city. These units are reorganised under 11 lower tier municipalities to compose the metropolitan municipality.

THEORY OF CHANGE: PROVINCIAL-SIZE METROPOLITAN MUNICIPALITIES

The reform of metropolitan municipalities is grounded on the need for better governance, economies of scale and better service delivery. It is constructed on the assumption that greater administrative units assure holistic spatial planning, better coordination of services, efficiency and effectiveness. While expanding the boundaries of metropolitan municipalities, the Act No. 6360 has also modified the revenue distribution of local administrations. The portion remitted to the metropolitan municipalities of taxes collected within their territories by central authority has increased from 5 to 6% (60% of which goes directly to the metropolitan municipality, the remaining 40% is pooled). The portion allocated to lower tier (district) municipalities from national taxes revenues increased from 2.85 to 4.5% (a certain percentage of which is transferred to the metropolitan municipality). Besides assuring effective service delivery in the provincial territory, one other expected impact of the increase in financial resources of metropolitan municipalities was employment of highly qualified personnel and acquisition of advanced technologies which would in turn ensure the conception of optimum size service delivery schemes and thus, effectiveness and citizen satisfaction.

A unique and strong metropolitan administration at provincial territory level has been presented as a policy solution in order to eliminate unnecessary (per unit and per capita) costs caused by numerous small municipalities and villages which were portrayed as unproductive units with small service capacity, inadequate financial resources and lacking in qualified personnel. The reform would thus facilitate the conception of optimum size service delivery schemes through rescaling of metropolitan municipalities and would create effectiveness, efficiency and better coordination of services. In line with NPM-oriented government policy highlighted after the 2005 law, metropolitan municipalities are expected to opt gradually for privatisations and outsourcing. The legislator also pointed out, as expected outcomes of the reform, citizen responsive administration and equitable access to resources and facilities for local

administration units amalgamated within provincial limits. Based on previous experience of provincial size metropolitan municipality with Istanbul and Kocaeli, the reform is expected to be fruitful especially in urban planning, fire services and public transportation. Urban planning is already suffering from inflation of planning authorities and converging planning categories in Turkey. Although the reform did not aim at restructuring urban planning in general, as a result of the abolition of SPAs, which were one of the planning authorities, planning powers have been gathered in the hands of the metropolitan municipality. Thus, the new system targeted a comprehensive planning action as one of the major goals of reform.

Rural sectors received very little attention during the policy design. Providing access to municipal services has been set as an objective but rural activities such as agriculture and livestock have been disregarded. The only clause assigning delivery of rural services to metropolitan municipalities was not reinforced by any measure. No goal or expected outcome has been set to guide these administrations with no experience in provision of rural services.

The reform is grounded on previous experiences in Istanbul and Kocaeli although these were not initiated as pilot experiments for similar cities but as a model for specific urban areas with specific characteristics. In fact, Istanbul and Kocaeli are two functional urban regions with their own areas of influence and with respect to their population size and density, rate of the population employed by non-agricultural sectors, integration with central city, domination of central city over other agglomerations, interurban transport and communication and diversity of social and technical infrastructure (Tekel 2002, 42–43). None of other metropolitan municipalities display these characteristics. On the contrary, some of the newly created metropolitan municipalities (see Mugla, Mardin, Manisa, Van, Sanliurfa, Erzurum, Mersin, Balikesir, Kahramanmaraş) are far from corresponding to effective metropolitan areas (Gozler 2013, 50, 60). Moreover, in Istanbul and Kocaeli, SPAs had not been abolished before 2014. On the other hand, any data about the improvement of efficiency in public service delivery in these two municipalities following the enlargement of municipal limits was presented (Koyuncu and Koroglu 2012, 2). The Local Administrations Sectorial Report for the 10th Development Plan (Kalkinma Bakanligi 2014, 152) underlines that the eight years of experience of Istanbul and Kocaeli have not been evaluated according to specific objective criteria in order to demonstrate

that service provision had improved. Nonetheless, effective mechanisms of monitoring and control have not been set with respect to the reform process restructuring the metropolitan municipalities.

In Turkey monitoring and evaluation tools and practices were introduced in the early 2000s, during reform of local administration, and new requirements in line with European Commission (EC) requirements and NPM principles have been decided concerning auditing in public administrations. In the framework of harmonisation with EU standards, the Public Financial Management and Control Act was enacted in 2003 and EU compliant principles, standards and methods of public internal financial control (PIFC) have been adopted. Article 54 of the Municipal Act enacted in 2005 stated the aim of auditing as to analyse, compare, measure and evaluate on the basis of evidence the processes and results of municipal services with respect to previously fixed aims and purposes, performance criteria and quality standards. But the evaluation is poorly implemented since it is largely limited to compliance audit and the effectiveness and efficiency of public action are presumed ensured by it. The EC incites Turkey in the context of enlargement negotiations to develop and operationalise appropriate monitoring systems since the results-oriented monitoring system implemented by the competent Ministries and other authorities in Turkey is different from the system suggested by EC (B&S Europe and Proman 2016, 19–20).

The academic literature on evaluation in Turkey is rather inadequate (see Ayanoglu et al. 2010, on performance evaluation in hospitals; Lamba et al. 2014, on evaluation of restructuring in the Ministry of Health; Taner and Antony 2006, on comparison of public and private hospital care). However, scientific research from the perspective of customer/citizen satisfaction is slightly more developed (see Dastan and Delice 2015; Ardic et al. 2004; Kosecik and Sagbas 2004, on municipal services; Adaman et al. 2009, on public administration and Poyraz et al. 2004 on railways).

AN ASSESSMENT OF METROPOLITAN MUNICIPALITY REFORM

The metropolitan municipality reform has opted for basically three policy solutions to accomplish its objectives; increasing the revenues of metropolitan municipalities, enlarging the territorial limits and taking rural peripheries into metropolitan boundaries.

1. Are revenues of metropolitan municipalities really increased?

The allocation received by metropolitan municipalities from general budget revenues considerably increased after the reform. Koyuncu (2012) assesses that the increase would be 90% for Mugla, 71% for Erzurum, 65% for Balikesir and 63% for Tekirdag, according to the analysis for 2011. However, as Gungor (2012, 26) asserts, per capita revenue of metropolitan municipalities has only increased from 343 to 379 TL. Furthermore, metropolitan municipalities will no longer benefit from SPA aid and central government investments realised through the National Project for Rural Development (KOYDES).

In Kahramanmaraş, the increase in overall municipal budget was 48% in 2012. Table 1 presents the sums allocated to public transportation, urban planning, fire service, agriculture and livestock between 2012 and 2016 in Kahramanmaraş Metropolitan Municipality's performance programmes. Before gaining metropolitan municipality status Kahramanmaraş also benefited from central government investments coming from the KOYDES project and SPA allocations. In 2012 the municipal spending for public transportation, urban planning, fire service, agriculture and livestock was 19,284,000 TL. In 2016, the allocation for these services in the metropolitan municipality's budget was only 20,240,000 TL. Although 2015 and 2016 values do not include personnel spending¹ the increase is interestingly small. The sum allocated to these services increased progressively until 2015 before decreasing in 2016. The significant decrease observed in the public transportation and fire service sectors may be due to the fact that the main investments were made during previous years. As regards agriculture and livestock, they have a very small share in the metropolitan municipality's budget which began only from 2015 (Table 2).

The total municipal budget increased 113% between 2012 and 2016; however, if SPA and central investments are also taken into consideration, the increase is 101%. It should also be emphasised that after 2014 the population served increased 57%. Therefore, it is arguable that the increase in revenues is enough to ensure efficient service delivery particularly when it is taken into consideration that, in Kahramanmaraş, the urban infrastructure was already deficient and the population having access to it was under the national average before having metropolitan municipality status. Similarly, the rate of paved village roads was only

Table 1 Selected services: allocations from municipal budget in Kahramanmaras (in Turkish Lira)

	2012	2013	2014	2015	2016
Public Transport					
Allocation in municipal budget	6,391,000	7,998,000	11,826,000	36,750,000*	7,390,000*
Urban planning					
Allocation in municipal budget	5,488,000	6,103,000	7,340,000	5,400,000*	5,570,000*
Fire service					
Allocation in municipal budget	7,405,000	9,882,000	13,877,000	5,230,000*	3,230,000*
Agriculture and livestock					
Allocation in municipal budget	–	–	–	1,000,000*	4,050,000*
Sum of selected services in municipal budget	19,284,000	23,983,000	33,043,000	48,380,000	20,240,000
External investments					
Allocation coming from spa	2,215,000	2,580,000	–	–	–
Central government invst. (koydes)	13,090,000	9,748,000	14,448,000	–	–
Overall municipal budget	258,141,000	243,000,000	390,000,000	443,000,000	550,000,000
Sum of municipal budget and central government spending	273,446,000	255,328,000	404,448,000	443,000,000	550,000,000

Source Kahramanmaras Belediyesi (2012); Faaliyet Raporu; Kahramanmaras Buyukschir Belediyesi, Performans programlari (2013), (2014), (2015), (2016); Icisleri Bakanligi, Mahalli Idareler Genel Mudurlugu (2015)

(*) Personnel expenses are not included

Table 2 The rate of population having access to municipal services (in 2012)

	<i>Potable and service water (%)</i>	<i>Potable and service water treatment (%)</i>	<i>Sewerage system (%)</i>	<i>Wastewater treatment (%)</i>
Kahramanmaraş	99	0	84	0
Turkey	98	56	92	68

Source Dogaka (2015), 155

34% in 2012 (national average is 44%) (Dogaka (2015), 101), the intra-urban transportation infrastructure was weak, parking facilities were scarce and urban traffic was congested (Dogaka [b], 86). The regional plan covering Hatay, Kahramanmaraş and Osmaniye provinces underlines the role of central government investments realised through the KOYDES project for the improvement of physical infrastructure of the region (Dogaka (2015), 101).

In Kahramanmaraş, the number of employees increased 124% in 2015 just after the amalgamations. But, little change occurred in the rate of employees with a university degree; it was 22% in 2012 and 23% in 2016. This rate was 33% in Eskisehir, 54% in Izmir and 48% in Istanbul metropolitan municipalities, according to respective strategic plans of these cities for 2015–2019 (in Izmir and Istanbul the figures also comprise two-year college graduates). Besides, metropolitan municipality status brings some new competences like control and licensing of the Fire Department. The Fire Department needs to hire chemical, electrical, civil and mechanical engineers in order to be effectively capable of accomplishing these tasks. Urban planning may be considered as another domain where the metropolitan municipality needs qualified personnel taking into account their competencies in planning and control. But in Turkey municipalities prefer to outsource urban planning in place of hiring senior grade urban planners having licence to establish urban plans for big cities. The outcomes of outsourcing policy in urban planning need to be evaluated profoundly as it puts the articulation of policies in the hands of the private sector and the democratic involvement of citizens in decision process is largely compromised. This situation also raises questions about the control power of the upper tier. Indeed, the upper tier of the metropolitan municipality cannot make urban plans in-house if it does not have senior grade planners, but it can enjoy control power

over lower tier municipalities. In Kahramanmaras the Urban Planning Department has only two urban planners and plans to hire ten others but none of them is a senior planner.

2. Does greater size offer effective service delivery?

For newly reformed metropolitan municipalities the service delivery destined for distant small municipalities and villages which are transformed into neighbourhoods is a major challenge (Genc 2014; Gozler 2013; Akilli and Kizilboga-Ozaslan 2015). The greater distance between the service provider and citizens may have repercussions on the cost, quality and eventually price of services (Kalkinma Bakanligi 2014, 152). Adiguzel and Tek (2014, 93) claim that in Hatay geographical obstacles will be a major threat for effective service delivery. In order to strengthen this argument some authors signal the difficulties that some of existing metropolitan municipalities had already confronted in service delivery even within their previous boundaries (Keles 2012, 11; Genc 2014, 7). The present study concentrates on public transportation, fire service and urban planning, in which effective service delivery is expected to be performed by the public authority.

Public Transportation

An integrated urban transportation system within provincial limits was one of the main goals of the reform. Okmen and Arslan (2014), who evaluated the probable impacts of the reform on Manisa, anticipated an improvement in service delivery in public transport, water and sewerage. But, in Kahramanmaras this goal could not have been achieved and actually there are two separate transportation systems complementing each other: intra-urban transportation and transportation between lower tier municipalities (district municipalities) and the central city. Substantial efforts have been made in intra-urban transportation but the transportation between lower tier municipalities and the central city has several problems mainly because of great distances between localities. The lack of efficiency seems to be a major obstacle for integrated urban transportation at provincial level. Public transportation is not profitable mainly because of higher fuel costs which constitute 40% of total costs. There are 120,000 passengers for the province's 95,000 km road network, that is, 1.3 passengers per km.² Hence, privatisation is not considered

as a plausible option in this sector. Individual entrepreneurs/transporters operate in public transportation with low levels of service quality (no timetable, discretionary working hours, overloading, additional works) in order to cope with higher costs. Also, the needs and travel patterns of travellers diverge in urban and rural zones. The rural people need to arrive in the city very early in the morning to bring their produce to city markets, and their priority is to have greater baggage allowance rather than travel comfort.

The transportation department of the newly created metropolitan municipality suffers from certain impediments which hinder the expected outcomes. The first is lack of a priori planning. Consequently improper investments (purchase of buses in place of minivans for low quality, narrow rural lanes) have been made which increased in turn input costs (10–20% higher fuel consumption). Second, the pressure of upcoming local elections prevents local officials from taking necessary time for planning new investments and reorganising service provision. Moreover, clientelistic demands may prevail over rational planning and regulation of public transportation (a new bus line is decided on personal demands addressed to the mayor rather than on the basis of actual needs and requirements of the city). Third, the local officials need guidance concerning regulations and standards to be applied in public transportation. Indeed, especially for district municipalities that lack qualified personnel and know-how, policy and implementation guidance is absolutely crucial. Another important problem faced by the Transportation Department is lack of intra-municipal coordination especially with the Reconstruction and Urban Planning Department. Indeed, urban planning and transportation planning are conducted as two separate actions and the Transportation Department has not been consulted over critical decisions susceptible to have important repercussions on transportation system (the mass housing projects planned and constructed by TOKI³).

Fire Service

In Kahramanmaraş, considerable improvements have been realised in the fire service especially in district municipalities concerning the number of stations, personnel training and equipment, but rural and outlying zones are still disadvantaged. Indeed, the geographical features and size of the metropolitan municipality do not allow a completely integrated and centralised service delivery. In 2012, Kahramanmaraş municipality had

one central and six local fire stations. The maximum intervention time was five minutes. In 2014, the fire stations of district municipalities as well as those of SPA were transferred to the metropolitan municipality. However, 80% of the vehicles and technical equipment were found not to be in compliance with the regulations and the number of fire officers was insufficient. These fire officers were not correctly equipped and not necessarily qualified with reference to their age, physical condition, training and experience. Moreover, in some settlements no service was delivered out of working hours. Consequently, the level of service delivery was far from being satisfactory.

During the following two years 17 fully equipped vehicles were bought. The metropolitan municipality has 12 stations in the central city and 19 stations in districts and neighbourhoods. Fire-fighting tankers are deployed in remote rural areas where it is not feasible to erect a station and fire-fighting volunteers are organised. The personnel of the Fire Department increased almost five times between 2013 and 2016. In 2016 some additional personnel were hired on contractual basis. The intervention time for fires reduced to three and a half minutes in the central city and it is five minutes in district municipalities. However, in some distant neighbourhoods this time goes up to 60 minutes.⁴

Urban Planning

The most praised policy solution of the reform is its holistic approach in urban planning. The upper tier of the metropolitan municipality is charged with the preparation of ‘development plans’ in order to determine the principles, direction and size of the future developments. Thus, a unique planning authority over the provincial territory is expected to lead to harmonisation of local policies (Ersoy 2013; Adiguzel and Tek 2014; Genc 2014) by ending the fragmented and patchy planning actions caused by the multitude of planning authorities within the province before the reform. However, it should be emphasised that provincial boundaries do not necessarily correspond to the most appropriate planning limits (Ersoy 2013).

The upper tier of the metropolitan municipality also controls and ratifies implementation plans established by lower tier municipalities. Although this may be considered as a positive measure which directs lower tier municipalities to acknowledge and respect the urban planning regulation and to assure the coherence and integrity in planning,

it is arguable that the upper tier enjoys a control power without having the capacity to establish its own plans, as discussed earlier. Another problem related to the control power of the upper tier refers to the lack of guidance and clarity concerning content and modalities of control. This situation may trigger disagreements between the two tiers of the metropolitan municipality.

3. Do rural areas benefit from better service delivery?

For newly restructured metropolitan municipalities there are two major challenges with respect to rural zones: to guarantee municipal service delivery for distant neighbourhoods and rural populations, on the one hand, and to assure the rural service delivery realised by SPAs before the reform on the other. Besides, before the reform, municipal service delivery (water, sewerage and road construction) in rural areas was also financed by central government within the framework of the KOYDES project. In 2006, the budget designated to SPAs was only 56% of the budget reserved for KOYDES (Ciner and Karakaya 2013, 77). It is clear that metropolitan municipalities face a challenge at being as effective as central government, as far as rural populations are concerned. Nevertheless, except Istanbul and Kocaeli, they are mandated to allocate 10% of their budgets for rural areas during 10 years but any monitoring or control mechanisms are to be set up by central government.

Delivery of services, which are not urban in character like agriculture and livestock, connotes new fields of specialisation and requires the employment of new and differently qualified personnel for metropolitan municipalities. It would be incredibly unrealistic to envisage that they would cope with this new responsibility without any difficulty given that metropolitan municipalities are designed as an administrative unit for highly urbanised areas. Indeed, Kahramanmaraş is one of most important agricultural areas of Turkey (Dogaka [b], 76) and national leader per capita in production of animal products (Dogaka [c], 55). However, it is a completely new field of competence implying a great physical area of responsibility for the metropolitan municipality. Consequently, it opted for sustaining the programmes and implementations developed by the SPAs in the past due to the fact that the employees coming from SPAs brought certain know-how and institutional culture. These correspond basically to ad hoc agricultural aid in the form of plant seeds or irrigation pipes destined for small farmers (max. 10 acres). A comprehensive policy

Table 3 Evaluation of metropolitan municipality reform

	<i>Have revenues increased?</i>	<i>Has larger size resulted in more effective local service delivery?</i>	<i>Have rural areas benefited from metropolitan restructuring?</i>
Urban transport	Partly	Partly (in urban areas)	No
Urban planning	No	Yes but at the peril of undermining democratic decision making	Yes, it may result in pressure for urbanisation
Fire service	Partly	Partly	Partly
Agriculture and livestock	No	No	No

Source Author

approach is clearly missing in agriculture and livestock. As Adiguzel and Tek (2014, 93) anticipate for Hatay, in Kahramanmaras too, it is probable that agricultural production and livestock could not resist the pressure of urbanisation and rural zones will be transformed rapidly into urban lands (Table 3).

CONCLUSIONS AND POLICY RECOMMENDATIONS

The metropolitan municipality reform does not bring important modifications concerning the distribution of competences between central government and local administrations. Rather, it prescribes a new distribution of competences between the different levels of local administration. First, it is possible to mention a power transfer between SPA and metropolitan municipality. As a consequence of the abolition of SPAs, the delivery of basic municipal services as well as rural services, that is, services and activities destined to support agriculture and livestock, were transferred to metropolitan municipalities. A second transfer of competence has been realised within provincial limits. As they turned into lower tier municipalities, existing district municipalities had to transfer a major part of their competences to the upper tier of metropolitan municipalities. Abolished small municipalities and villages have seen their entire competences transferred to the metropolitan municipality. The territorial restructuring of metropolitan municipalities has implied significant modifications on service delivery. On the one hand, the service delivery area is considerably increased covering also the rural periphery. On the other hand, these municipalities should thereafter embrace new competencies in agriculture and livestock.

The evaluation of the first outcomes suggests that greater size does not necessarily denote effective service delivery. Local authorities clearly need to be better prepared not only financially but also with respect to their policy development capacity before great transformations. A transfer of knowledge and guidance should back the territorial reorganisation. Although urban planning seems to be the most promising reform area, outsourcing is a threat not only for intra-municipal coordination and cooperation but also for the better involvement of citizens in decision-making as it leaves the major decisions which shape the future of cities in the hands of private actors.

With regard to the rural peripheries of metropolitan municipalities where an effective and efficient service delivery is extremely difficult and expensive, rural activities and rural production may also be negatively affected. At this point an important role at intermediate level may be played by regional Development Agencies in the design and implementation of integrated rural policy.

Turkey's bid for EU membership has been a substantial external force for the adoption of evaluation culture. But Turkish public administration has not yet entirely interiorised evaluation systems for improved decision-making. Nonetheless, the need for metropolitan municipality reform does not emanate from an evaluation process. It is rather a political project disguised under NPM values.

NOTES

1. In 2014, personnel spending constituted 47% of fire service budgets, 50% of planning departments and 11% of public transportation departments.
2. Interview with head of Public Transportation Department.
3. The increasing planning powers of TOKI (*Toplu Konut İdaresi Başkanlığı*, Mass Housing Administration), which is a semi-public state agency, are severely criticised as they threaten the integrity of urban planning, which turns out to be one of the most critical characteristics of planning in Turkey.
4. Interview with head of the Fire Department.

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AUTHOR BIOGRAPHY

Yeseren Elicin Associate Professor in the Department of Political Science at the Galatasaray University of Istanbul.

Policy Evaluation Capacity in Greek Local Government: Formal Implementation and Substantial Failures

Theodore N. Tsekos and Athanasia Triantafyllopoulou

INTRODUCTION

There are several pathways towards policy evaluation. For the purposes of the present analysis, we classify the different approaches listed in the relevant literature (Kuhlmann and Wollmann 2011; Wollmann 2003, 2007; Bemelmans-Videc et al. 1998) into three major categories:

- a. Evaluating existing situations against standards or values (*ex ante* evaluation);
- b. Evaluating results (outputs, throughputs, outcomes, impact) against policy targets (ongoing and *ex post* performance evaluation of projects, programmes or policies, including cost-benefit assessments and sectoral or global reforms);

T.N. Tsekos (✉) · A. Triantafyllopoulou
Technological Education Institute of Peloponnese, Kalamata, Greece
e-mail: t.tsekos@teipel.gr

A. Triantafyllopoulou
e-mail: athanasiatria@gmail.com

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- c. Evaluating, designing and implementing methods, tools and capacities (including ‘institution evaluation’ and capacity evaluation).

All these evaluative approaches could also be undertaken from a comparative perspective as benchmarking exercises.

The scope of this chapter is the assessment of the evaluation capacity of the Greek politico-administrative system and, more specifically, of Greek local government.

Within an abundant literature on policy evaluation, the question of the evaluation capacity of the administrative systems is especially important yet it remains under-discussed. Whereas the International Institutions and Organisations involved in development projects have published several technical guides and reports on the matter (UNDP 2011; the European Union 2008; OECD 2006; the World Bank 2002), scholarly papers have not explored adequately the evaluation capacity topic. Evaluation capacity is commonly understood as a managerial tool. According to the World Bank (2002, 9): “Monitoring and Evaluation (M&E) are tools, and Evaluation Capacity Development (ECD) is the process of setting-up a country-based system to conduct and use Monitoring and Evaluation”. However, such tools are used for policy implementation, whereas, policies reflect values, interests and political priorities. As Carol Weiss (1993, 94), a pioneering figure in evaluation studies, put it “evaluation is a rational enterprise that takes place in a political context”.

Greece demonstrates a very low level of evaluation capacity. The most obvious indication is the resounding absence of evaluative studies regarding local policy-making, and the existence of very few studies regarding central policy-making, in Greece. The main hypothesis fueled by this fact is that for several—organisational, political, social and, chiefly, cultural—reasons, the programming and evaluation functions of Greek ministries, regions and municipalities are strategically and operationally insignificant and poorly implemented.

This chapter endeavours to assess the main factors that undermine the strategic and operational programming and evaluative capacities of the Greek public authorities, including local governments, and lead to poor policy results. After analysing the cultural roots of the planning and evaluation problems in Greek government we will discuss the limited effects on these issues produced by the country’s participation in the European Union. Then we will focus on the inadequate ways in which

policy evaluation is used in Greek local government both at the level of the institutional design as well as that of service provision. Finally, before drawing conclusions, we will provide evidence on the inability of even the urgent and pressing reforms imposed by the current sovereign debt crisis to radically change the situation.

THE CULTURAL ROOTS OF EVALUATIVE PROBLEMS: THE INFLUENCE OF THE CLIENTELISTIC RATIONALE ON POLICY-MAKING

The overall clientelistic as well as hyper-formalistic—even ritualistic—spirit that predominates in the Greek public administration produces negative results as regards policy-making. Functional integration and, most important, cultural acceptance of programming and evaluation tools remain quite deficient. According to Professor Dimitri Papoulias—a former Chief Executive Officer (CEO) of both the state-owned Hellenic Telecommunications Corporation (OTE) and the Public Power Corporation (DEI) and also a former Secretary General for Public Enterprises under the socialist government—strategic long- and medium-term plans, while officially in use since the 1960s, ‘are not taken seriously’. What really happens is that “in fact in Greece policies are implemented which had never been designed as such [...] The lack of policy and its substitution by rules and directives leads to a great extent to legalism [...] and the quest for legal interpretation instead of policy assessment” (Papoulias 1991, 17, 35).

This cultural and practical incapacity to use programming methods and techniques undermines the possibility for monitoring and evaluation. The former minister Ch. Kastanides reports: “What usually happens with the CEOs of the state-owned enterprises [...] is that they get a contract based on a five-year action plan prepared by the government who’s the main stakeholder. This business plan is supposed to frame the CEO’s choices and activities. What follows is that either they are left to their own devices without any monitoring or control, or they are forced to comply with a political plan that ignores completely their business plan.” (Kastanides 1999, 7). Planning and evaluation remain, therefore, purely formal with their sole purpose being compliance with the financing prerequisites of European structural funds and relevant contractual obligations.

As programming and evaluating practices are heavily impregnated by the clientelistic rationale, they become accordingly subject to the influence of the electoral cycle. There is evidence that spatial allocation of resources is not a product of rational *ex ante* evaluation and planning but is strongly related to the electoral constituency and the local political clientele of the respective ministers (Psycharis and Georgantas 2004).

Ongoing evaluation seems to follow relevant paths of formality and absence of meaningful targets. Ministries and local administrations are chiefly ‘rule (and not result) oriented’, focusing on the drafting of rules and regulations while underestimating the capital importance of implementation and procedures. Quantified evaluation of outcomes and outputs becomes, therefore, obsolete and only the formal controls of legal aspects count. Therefore, very often in the context of administrative action in Greece the concepts of compliance audit and of performance evaluation are, improperly, confused.

Evaluation is not used as a learning procedure and the reason is that, in practice, the Greek public administration, at both central and local levels, adopts a mixture of the ‘muddling through’ (Lindblom 1959) and the ‘garbage can’ (March and Olsen 1972) approaches for policy-making. Neither of these is in favour of systematic planning, innovation and change.

THE EU INFLUENCE ON THE EVALUATION CAPACITY OF GREEK PUBLIC ADMINISTRATION: TRANSFER OF FORMALITIES BUT FAILURE OF SUBSTANCE

Within such an unfriendly environment for planning and programming, the European Union’s structural funds were the first to introduce the philosophy and practices of evaluation. Even through such compulsory procedures and complex technicalities, however, the EU influence on policy-making in Greece was very limited (Tsekos 2009). While the drafting of action plans and the establishment of monitoring procedures were gradually imposed on the Greek public sector through the European Structural Funds programmes the response of the administrative agencies was slow and insufficient.

Professor Elias Plaskovitis, a former Secretary General for the Management of European Structural Funds with the Ministry of National Economy, reports on the difficulties that public agencies faced in order to comply with the rational policy design and programming requirements:

While project fiches are by no means highly sophisticated technical tools, their adoption by the Greek public administration was very difficult. Conflictual and chaotic conditions emerged in numerous cases when the usage of project management techniques became a formal prerequisite for European funding [...] We faced ignorance of project management methods, incapacity to use information systems and a tolerance towards clientelistic interferences [...] The programming and planning inadequacies of the Greek public administration led to awkward practices such as formally accepting for funding poorly designed projects with unrealistic time schedules, wrong cost-estimations and legal problems. (Plaskovitis 1999, 22, 25)

Not even poor results and failures served as learning processes since substantive evaluation was never conducted. Plaskovitis (1999, 26) underlines the fact that “Greek public administration had not yet managed to introduce internal structures and processes with clear competencies and sound processes for policy evaluation”.

Greek public agencies do observe, mostly with major deferrals, their obligations towards compulsory evaluations imposed by the EU structural funds. Nonetheless, the rationale of planning and evaluation remained largely an unfamiliar issue imposed externally. Evaluations appear, throughout the years, to be pure formalities instead of effective tools for evidence-based policy-making (Tsipouri and Athanassopoulou 2013b, 22; Tsekos 2013, 470–471).

Formal assessments of the EU funded Operational Programmes (OPs) while characterised as evaluations, are nothing more than implementation reports aiming at ascertaining potential implementation impediments and recommending ways to overwhelm them. They hardly ever focus on the substantial enquiries of policy evaluation, namely efficiency or inefficiency and effectiveness or ineffectiveness of policy tools (Karantinos 2006, 61; 2014, 4; Chrysakis 2012, 5).

Excluding the compulsory OP implementation reports that have become routine, there are hardly any other evaluation studies. A limited number of small ad hoc evaluations have been carried out up to now by researchers in academic institutions as well as in other public and quasi-public organisations. Such studies are launched but without a central repository, they cannot be identified so as to avoid overlapping. Not all evaluations are public-domain accessible to all interested parties, and no quality assessment is undertaken by the contracting authorities (Tsipouri and Athanassopoulou 2013a, 23). In general, these impact evaluations have utilised traditional evaluation tools such as interviews

and questionnaires, with only a minority of them resorting to econometric techniques in order to provide additional insight while the question of cost-efficiency of measures is not raised (Karantinos 2006, 2014; Tsipouri and Athanassopoulou 2013b).

Regarding the European Social Fund (ESF) programmes, the Managing Authority (EYSEKT) established an ‘ESF evaluation plan’ for the programming period 2007–2013 to include ‘strategic’ evaluation studies to be held in addition to the compulsory operational evaluations that were linked to the monitoring of the OPs.¹ This plan did not set clear priorities and actually was a compilation of 18 ad hoc studies of a broad thematic range which were mostly proposed by the managing authorities (MAs) of the ESF OPs and were periodically updated.

Rare examples of a complete and comprehensive attempt to assess the evaluative capacity in Greece are two reports to the European Commission Directorate-General (DG) Regional and Urban Policy regarding the outcomes of Cohesion Policy and European Regional Development Fund (ERDF) programmes in Greece (Tsipouri and Athanassopoulou 2013a, b). Similar conclusions can be found in a few ad hoc reports regarding implementation of ESF programmes prepared for the DG Employment, Social Affairs and Inclusion (Karantinos 2006, 2014; Chrysakis 2012). These reports, which are prepared by independent international consulting firms though drafted by local experts, recorded a series of problems at the medium and micro levels.

First of all, conceptual ambiguities undermine the evaluative results. For instance, regarding the evaluation of job creation, since temporary and permanent posts are not differentiated all jobs created are considered as temporary. Likewise, there is no distinction between short-term safeguarded or long-term maintained posts. Additionally, all indicators allude to gross employment, not separating jobs that are necessary for the implementation of the project and those needed for the operation of the facility after it has been constructed. Finally, whether employment needs are met by new jobs or by internal transfer of existing positions is not taken into consideration.

On the other hand, the OPs MAs seem to adopt dissimilar and heterogeneous perceptions of indicators. The staff of the MAs of the Ministry of Finance—which coordinates the EU National Strategic Reference Framework (NSRF) Partnership Agreement) and the OPs—appear accustomed to the standardised definitions used by the Structural Funds. However, this seems not to be the case with the MAs of the OPs

and more particularly the Regional OPs (ROPs), which are “in general less skilled and less willing to invest the necessary resources” (Tsipouri and Athanassopoulou 2013a, 10) consequently causing major difficulties both for data collection and reporting.

Secondly, significant weaknesses are perceived in target setting. Targets are frequently missed out and, therefore, results cannot be compared and cross-checked. Besides, baseline data are often not reported. On the contrary, in other cases such as the Transport policy area, only targets are reported while outcomes are missed. The fact that amongst 21 potential target areas regarding job creation targets have actually been set only for five of them is quite revealing (Tsipouri and Athanassopoulou 2013a, 5).

Another kind of problem is associated with the accuracy and reliability of indicators and metrics (Tsipouri and Athanassopoulou 2013b, 9). Some of the indicators reported appearing totally inconsistent. For instance, in one case the number of kilometres developed through the programme within a region exceeded the size of the region, or in another result surpassed targets by 2500%. It is quite frequent for outcomes to rise above 100% of the objectives. Therefore it becomes obvious that either the goal setting or the measurement of results is incorrect. These discrepancies are not accidental as far as all attempts of the evaluating team to elucidate them through interviews with staff members of the implementing and/or controlling agencies could not result in correction or even explanation of the problems. Such shortcomings and weaknesses thus have to be considered as systemic (Tsipouri and Athanassopoulou 2013b, 13).

There are problems in the calculation of data since, in some cases, especially for core indicators, there is double counting of output indicators included in multiple priority axes. Additionally, the relative impact of different OPs’ area interventions (for instance, transport, energy, environment, ICT, etc.) on the overall number of jobs created, seems difficult to assess by reason of the dissimilar labour indicators, such as person-years, full-time equivalent (FTE) and head counts, that are used in the different OPs and ROPs, whereas the metrics vary too.

Finally, several problems concerning assessment methodologies can be observed. Evaluations are usually made by using traditional evaluation tools such as interviews and questionnaires, through which the issue of cost-efficiency is not frequently tackled, while advanced quantitative methods such as econometric techniques are rarely used (Karantinos 2006, 61; 2014, 4; Tsipouri and Athanassopoulou 2013b, 21). There is no

scrutiny of the verification of the data reported by OPs. For instance, while, according to the EU funding regulations, jobs created should be maintained for at least three years, the compliance with this obligation is not inspected in that monitoring for the necessary period of time does not take place. Also, implementing agencies are expected to submit data regarding both scheduled and real outcomes, but this does not always occur, without any sanctions being taken against non-complying agencies or other corrective measures. In addition, guidelines for avoiding double-counting are not issued (Tsipouri and Athanassopoulou 2013a, 7).

In-house evaluative capacity within Greek public agencies is limited. In order to remedy this lack the Greek central state and the local governments have used outsourcing solutions extensively: buying planning, monitoring and evaluation services from the consulting market. Consulting firms, though, are restricting themselves to chiefly formal and descriptive assessments of programme implementation in compliance with the standards of the Structural Funds and the given programme's specifications. But then again the specifications themselves are often weak and do not ensure deliverables of good quality. Evaluations are mostly made against output targets (if any) ignoring outcomes and impact. Evaluation deliverables are accepted by the MAs without any substantial examination of their content.

As a result, a community capable of developing and diffusing an evaluation culture and supporting substantive field evaluations has not been formed. The Hellenic Evaluation Society was very recently established with membership mostly coming from the private sector² and is limited so far to the organisation of training workshops.

Evaluation outsourcing has not helped much as a learning process as consulting firms are not eager to transfer expertise and knowledge towards their public sector clients, while they may be tolerant towards the violation of regulations by their clients, avoiding criticism and 'rationalistic' pressure in order to ensure future contracts (Plaskovitis 1999, 23; Tsipouri and Athanassopoulou 2013b, 22).

PROGRAMMING AND EVALUATION DEFICIENCIES AT THE LOCAL LEVEL

Greek local governments of first (325 municipalities) and second (13 regions) grade are not only fully part of the global community of clientelistic practices, but, even more, seem to be the national champions of such

practices. Steadily the annual reports of the General Inspector of Public Administration (cf. reports of 2012, 2013, 2014, 2015) classify municipalities amongst the most corrupted and maladministered public authorities.

The causes of such a situation must be sought in the close proximity of the local political and institutional apparatus to the local elites and, more generally, to local social groups and interests. As a result, both constituent, according to Lowi's (1972) classification, as well as regulatory and distributive/redistributive local policies are poorly designed, without any evidence-based approach, mostly on an intuitive basis, highly influenced by powerful interests, inadequately monitored and not evaluated.

Lack of Programming and Evaluation at the Constituent Level

Until 1994 local government competencies were exhaustively enumerated in the successive laws regulating municipal structuring and functions (Law 3/1834, Law 1060/80, PD 323/89, etc.). In that year, a constitutional revision and a derivative law (2218/94) provided for the transfer of all competencies of local interest to the municipalities. This transfer took place without any prior evaluation, either *ex ante* or ongoing, however, generating numerous problems. The Supreme Administrative Court ruled (decisions 2128/2000 and 1596/2013—5th Section, etc.) that urban planning issues are of general/national and not local interest and, consequently, it declared the transfer of relevant competencies to local governments unconstitutional.

Nonetheless, the exercise of urban planning powers by local governments was obstructed not only by the lack of *ex ante* appraisal of their legal capacities but also by the absence of *ex ante* evaluation of their operational capabilities. Law 852/2010 transferring such powers provided that they had to be implemented by existing human resources. The critical *ex ante* assessment of existing staff and infrastructure necessary for the implementation of the newly transferred powers was never made, however. As a result, a great number of municipalities found themselves totally incapable of carrying out the required activities. It was only then that the Ministry of the Interior, the supervising ministry, commissioned a study in order to examine the possibility that the law might be implemented through inter-municipal agencies. The same reasons of non-assessed and untreated deficits of operational capacity also prevented many municipalities from fully exercising the functions of childcare and local policing transferred from the central government by early 2000.

The Capodistria and the Kallikrates programmes were the major reforms that radically rescaled Greek local administration. The former took place in 1997 and reduced the number of municipalities (above 10,000 inhabitants) and communities from about 6000 to 1100. The latter, in 2010, reduced further the number of municipalities to 325, while abolishing communities. What is revealing in both cases is that *ex ante* evaluation studies are quite non-existent. Policy designers took into account social, economic and political reality through practical experience as well as political and electoral criteria and not through evidence and analysis. Things became even worse, from the point of view of a rationalistic policy designer, with the second wave of territorial and institutional reforms under the Kallikrates programme. Even if the previous Capodistria reform was implemented for more than ten years and had produced concrete results, no evidence-based evaluative studies were made in order to prepare the new reform. The absence of hard data on outcomes, outputs and costs of municipal action was covered mostly by political estimations and few opinion surveys (KEDKE 2008, 6–12).

One can, therefore, conclude that policy design regarding the Greek local administration is made through ‘educated guesswork’ (i.e. approximate estimations made by experts as well as experienced individual or collective political actors) while evaluation is carried out exclusively *ex post* through an unsystematic and purely empirical trial-and-error approach.

LACK OF PROGRAMMING AND EVALUATION AT THE SERVICE DESIGN AND DELIVERY LEVEL

Not only constituent policies regarding local administration are poorly designed and evaluated but also, in addition, programming and evaluation methodologies are underused within distributive and redistributive policies at the implementation and the service delivery level (i.e. the extraverted activities of the local politico-administrative machinery).

Several examples may illustrate this situation. First, local governments were exempted from the implementation of the major law regulating programming and evaluative activities within the Greek public agencies through a fully fledged Management by Objectives (MbO) methodology (Law 3230/2004 was one of the, rare, positive outcomes of the New Public Management influence). While the scope of this law covered in general all administrative levels, including municipalities (Article 2

paragraph 1), the latter were not obliged to apply the most important part of it, namely the application of a system of performance metrics that would permit goal setting (and, consequently, *ex ante* evaluation), monitoring of implementation (on-going evaluation) and finally *ex post* evaluation. In the same article (paragraph 2) the use of performance indicators at the municipal level becomes optional, subject to a ministerial decision. Such a decision was never issued.

Some years later (Law 3852/2010), local government was formally excluded from the field of application of the law while a new legal framework was elaborated in order to regulate programming and evaluative activities at the local level. Contrary to the former, the new draft was not rigorous and did not provide well-structured implementation procedures and institutions. This new unconstrained framework accentuated the programming and evaluation deficiencies at the municipal level, namely the non-systematic and unsubstantial use of the relevant methodologies.

As a result programming and evaluative activities—in fact activities that can impede clientelistic arbitrariness—become sporadic, weak and, most important, purely ‘pretextual’, meaning that their use is not substantive and does not serve functional purposes but chiefly aims at legitimising political choices and actions by linking them with technical rationality through advanced administrative methods.

A comparative study unveils the gravity of the problem. According to a survey of beliefs and attitudes of local elected officials coordinated by the University of Florence within the POLLEADER project, Greece appears to have (jointly with Portugal) the least effective performance assessment system for the local government among the 15 European countries (ITA 2007). On the other hand, professional staff³ believes that programming and evaluating functions in the local government machinery are deficient due to the frequent political and clientelistic interferences that strongly affect municipal action.

THE IMPACT OF THE ADMINISTRATIVE REFORMS TRIGGERED BY THE SOVEREIGN DEBT CRISIS

The situation described above has not improved, even during the recent reforms undertaken as an obligation under the Memoranda of Understanding (MoU) accompanying the loan facility agreements. It is telling that the roadmap of reforms drafted by the Ministry of

Administrative Reform in cooperation with the French technical mission as part of the EC's Task Force for Greece devotes 26 different actions to institutional change and 17 actions to human resources management while it provides just two actions on the issues of assessment and improvement of administrative performance and public policy effectiveness. Even these limited interventions, four years after they were proposed, have not yet been implemented (Tsekos 2015).

A report published by the European Court of Auditors (2015) under the revealing title "More attention to results needed to improve the delivery of technical assistance to Greece" stresses the fact that the Troika reforms did not improve the programming and evaluative capacity of Greek administrative machinery. Furthermore, these reforms were poorly designed, without adequate use of planning techniques including problem definition, options analysis and *ex ante* evaluation. The European Court of Auditors (ECA) examined how a special body named the Task Force for Greece (TFGR) coordinated a Technical Assistance (TA) programme initiated in 2011 by the European Commission (EC) in order to support the implementation of the reforms agreed by the EC and the Greek authorities.

The ECA's conclusion is that the TFGR's TA did not adequately guide the development of reforms. The TFGR is qualified as an incomplete entity that was set-up very rapidly, without a full options analysis. It had no comprehensive strategic document for the delivery of TA or for deciding between competing priorities. In the absence of such a document, the TA was delivered through a reactive 'on demand' approach that was at odds with its mandate to 'identify ... TA'. The TFGR did not carry out a systematic needs assessment to define which specific issues should be addressed. Priorities were derived directly from the MoU which, however, has a wide-ranging scope and could not serve as a direct guide for project identification.

TA planning is qualified in the report as poor; 10% of the reform projects were not even linked to specific provisions in the adjustment programmes. A number of them lacked clearly defined deliverables and outputs as well as an implementation road map with concrete milestones. In some cases, the design was overambitious—a fact that reveals inadequate *ex ante* evaluation—and only in some cases did the plan include indicators for measuring results.

According to the ECA report, ongoing evaluation seems to be equally unsystematic and deficient. Monitoring procedures for several projects

are weak, not systematically documented and not linked to measurable goals verifiable by indicators. The TFGR did not methodically seek feedback from the TA recipients or monitor implementation of the TA and its broader impacts. It did not systematically analyse the concrete TA outcomes in the light of the initially agreed objectives or indicators. Consequently, the follow-up did not lead to a change of initial project goals, deadlines and performance indicators, even when such reconsideration was needed to adapt the project to the speedily evolving external conditions. The report concludes that reforms should be based on a strategy with well-defined and prioritised objectives followed through a properly designed implementation system, methodically monitored and thoroughly evaluated in the light of objectives set, while lessons learned should be fed back into the planning procedures (ECA 2015, 16–17, 27–29, 35–37).

Finally, an independent report on the MoU implementation (Iakovides et al. 2016), published by the Greek Liberties Monitor (GLM), a liberal policy institute, and financed by the Atlas Network, an international network of pro-free market think tanks, confirms the main findings of the assessments already presented above. The GLM report underlines the fact that an *ex ante* evaluation of the reforms did not take place. The Troika, which carried out ten on-going programme reviews, was not able to detect and correct deficiencies and did not leave enough space for objectives adjustment. Consequently, Greece's financing was not depending on the progress and achievements of reforms, but chiefly on political compromises (Iakovides et al. 2016, 5–8, 30).

CONCLUSIONS

The incapacity of Greek local government at both programming and evaluation is linked to some of its key internal morphological features that, in the long run, downgrade the quality of policy-making. Social interaction with the machinery of local government through individual and collective clientelistic networks produces public action with a short-term perspective. These settings, combined with a cultural indifference towards results, undermine the basic conditions of effective and efficient policy-making: long-term planning, implementation monitoring, evaluation of outputs and outcomes and feedback.

Evaluation capacity depends on the existence of a relevant culture (Toulemonde 2000). However, the Greek administration culture lacks

both programming and evaluation components (Tsekos 2013, 470–471; Tsiouri and Athanassopoulou 2013b, 22–23). Evaluations, as implemented in Greece are unable to secure their most basic function: to support decision-making and improve the performance of public policies. So they cannot be considered as policy instruments (Chrysakis 2012, 5). Neither the long-term impact of Greece’s participation in the process of European integration nor the recent reforms imposed by the Troika have altered this situation. Therefore, Greek local administration is unable to take advantage of the preventive and rationalising power of systematic planning and evaluation: policy decisions are based on hypotheses and feelings while policy adjustments are only made through failures.

NOTES

1. <http://www.esfhellas.gr/el/Pages/EvalESPAsxedio.aspx>.
2. <http://hellenicevaluation.org/index.php/en>.
3. Municipal employees who participated in discussion panels organised by the Greek Confederation of Public Servants (ADEDY) and conducted by T. Tsekos.

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AUTHORS' BIOGRAPHY

Theodore N. Tsekos born in 1957, is Associate Professor of Public Administration in the Department of Business and Public Administration and Director, Research Laboratory for European and National Governance and Economic Integration (RELENGE) at the Institute of Technological Education of Peloponnese, Greece. He is Co-director of the collection “Public Policy and Institutional Analysis”, Papazissis Publishers, Athens (2009–currently), member of the Editorial Board of the Greek Review of Administrative Science (2009–currently), member of the Editorial Board of the International Journal of Economic Sciences and Applied Research, (2008–currently) and a member of the Board of Directors of the Centre for Institutional and Policy Analysis of the Panteion University, Greece (2007–2015). He has edited three books and authored two books as well as thirty six articles and book chapters on public management, public policy, e-government and quality management topics, in Greek, English and French.

Athanasia Triantafyllopoulou is Associate Professor of Local Development in the Department of Business and Public Administration at the Institute of Technological Education of Peloponnese, Greece. He is Attorney at Law in the Supreme Court of Greece and a former Head of the Legal Department at the “Hellenic Agency for Local Development and Local Government”. He is author and/or editor of 16 books and 23 articles in refereed journals on institution building, public organization, public law and human resources management, in Greek and English.

Lessons Learned from Successful and Unsuccessful Local Public and Social Service Delivery Reforms

Ivan Koprić

INTRODUCTION

Utilisation of evaluation-generated knowledge is considered to be one of the four basic dimensions of evaluation (Dahler-Larsen 2005). The usual purpose of evaluative studies is for them to serve in future governance, policy, and administrative activities, or, as Thoening says, “evaluation does not matter per se” (Thoening 2001, 193). There is the overarching issue of political versus scientific rationality, which refers to research-generated knowledge utilisation in general (Wollmann 2016).

This issue is particularly relevant in the field of public sector reform, including reforms of and changes to local service delivery. Despite the indisputable significance of such reform policies for citizens and users, as well as for local and central governments and for their legitimacy and public support, evaluations of public sector reforms are not frequent. It may even be speculated that sometimes the political and societal

I. Koprić (✉)
University of Zagreb, Zagreb, Croatia
e-mail: ivan.kopric@pravo.hr

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importance of these reforms and their potentially considerable effects prevent politicians from procuring evaluation studies.

If reform policies are ideologically motivated, as in the cases of marketisation reforms, costs and benefits may not be in the limelight of policymakers. Politicians simply attempt to push such reform policies through in an authoritarian manner. There is also the scepticism and sensitivity of ministers and senior civil servants towards evaluation (cf. Thoening 2001). In a local context, for example, R. Heiss said that “The rational methodology of evaluation poses serious threats for the local governmental policy maker [...] in the current hostile political climate for community corrections, any evaluation would be harmful.” (R. Heiss; according to Palumbo 1987, 22–23).

However, the reluctance of political, administrative, and social science researchers to pay systematic attention to knowledge utilisation in the field of evaluation has been also observed (Wollmann 2016). Such indicators call for an appropriate answer from the academic community, with listing the lessons learned and some basic recommendations as one of the initial steps.

Evaluations offer better chances for obtaining policy-relevant and long-term usable knowledge if they include explorative tools and rely on relevant theories and refined methodologies (Koprić and Wollmann *in this volume*). Without going into further detail, it may be said that the more explorative work is embedded in evaluation studies, and the more evaluations rely on well-chosen, productive, and appropriate social science theories and methods, the better the chances are that they will contribute to knowledge accumulation. The chosen evaluation approach, theory, and methodology determine the utilisation opportunities to a significant degree, in addition to the design and performance of evaluation studies.

Apart from looking for other windows of opportunity (cf. Thoening 2001, 200), evaluation-generated knowledge about local service reforms has better chances to be utilised if presented in a more easily accessible, systematic, and easily readable form. A list of policy lessons learned from a variety of evaluation chapters included in this volume seems appropriate for this purpose. The systematisation of these policy lessons intends to come closer “to the reality of the decision-making process” (Thoening 2001, 201).

Furthermore, there is the task of shedding some light on the evaluative research paths in the field of local service delivery, because these paths are not frequently followed (Koprić and Wollmann *in this volume*).

When evaluating reform policies in the field of local service delivery, it is also worth paying attention to self-referential assessment and improvement of evaluation theory, methodology, and practice. In other words, lessons may be learned not only about the evaluated policies, reforms, and measures, but also about their evaluation as well. These kinds of lessons may be utilised in future evaluations.

LESSONS LEARNED

On the basis of the studies and results presented in the previous chapters several lessons may be offered to practitioners and researchers in the field. These may be categorised into three groups: (a) lessons about local service delivery regimes, including the conditions and organisation of their provision and delivery, (b) lessons about comprehensive local service reforms and their effects, and (c) lessons about the evaluation of local service delivery and knowledge utilisation.

Local Service Delivery Regimes

1. The ideological belief that NPM-related mechanisms such as contracting out, outsourcing, public–private partnership, privatisation, and others will bring about better solutions for users may or may not be supported by firm data on efficiency and user satisfaction. It depends on the type of service (healthcare based on professional ethos vs. road maintenance based on purely economic considerations), municipality size, national legal, and institutional contexts, the level and nature of competition in particular local service sectors, local regulatory and managerial capacities, and other variables. The picture is far more complicated than is assumed by simple ideologically driven claims, calling for a thorough review of experiences in different sectors in various national, cultural, and business environments (cf. for example Pevcin and Rakar; Alonso et al.; Houlberg and Petersen; Bauby and Similie; Soukopová et al. *in this volume*). Furthermore, contrary to ideological beliefs, the privatisation and implementation of NPM-driven arrangements may result in price increase, disinvestment, and other significant detrimental long-term effects, whether those are the consequences of model inappropriateness, regulatory deficiencies, or implementation inconsistencies (Pevcin and Rakar; Alonso et al. *in this volume*).

This leads to the suggestion that, at least in some services, instead of changing the management model and public/private regime it is better to insist on governance improvements and the implementation of good governance standards (Alonso et al. *in this volume*).

2. Some results indicate that evaluating the same service within an identical national context over a longer period of time is not only sensible but necessary, because positive results during the period immediately following an NPM-induced change may be followed by a period of decreasing results and side effects. Initial positive results may not last forever. In other words, “initial reform outcomes tend to be larger than later reform outcomes”, at least in some examples (Houlberg and Petersen *in this volume*). Hence, comprehensive long-term data series and a stronger register-keeping practice need to be established in order to allow for better and more refined evaluation of local service delivery reforms, which would lead to sensible and usable policy knowledge (cf. also Bauby and Similie *in this volume*).
3. Even in countries with a stronger evaluation culture, local service quality evaluation is not as developed as the evaluation of costs, prices, and other effects, preventing a comprehensive evaluation of service regime changes which would include the dimension of all these results (Houlberg and Petersen *in this volume*). When evaluated, service quality may be a welcome corrective or complementary factor in assessing the overall impact of local service reforms, since cost reduction, price changes, and quality assessments may follow different standards. Quality evaluation is highly important in personal social services and in many others in which user satisfaction have long-term consequences.

Comprehensive Local Service Reforms

1. Regulatory impact assessment (RIA) is a potentially important tool for improving local, urban, and regional policies in which local authorities are competent to make decisions, design policies, and issue by-laws regarding service provision. RIA has become increasingly important in countries which strengthen the role of local and regional governments by implementing decentralisation reforms. A constantly evolving tendency towards multi-level governance

(Koprić 2017) adds to the significance of regulatory impact assessment, because regulatory activities are becoming increasingly sensitive and demanding in such a context. Some European actors such as the Council of European Municipalities and Regions, whose role in promoting and strengthening the position of local authorities as policy-making partners in a multi-level context is of great significance, render the need for regulatory impact assessment even more visible. However, a major problem in that regard is the low RIA capacity of many European local governments. This problem needs to be addressed in parallel with strengthening the evaluation culture, despite the fact that evaluation and RIA are only partly overlapping and similar phenomena. However, despite conceptual differences, *in ultima linea*, they are both intended to improve services to citizens (Musa and Marcou *in this volume*).

2. Performance scrutiny regimes for local governments have been developing under the great influence of political concepts about the role of the state and its different organisational parts, at both the central and subnational level, in providing public services. The dynamics of performance regimes juggle among several societal actors, including at the very least the central government, regions, and municipalities, public service professionals, evaluation professionals, and citizens and users of such services. Power is the main ‘medium’ in which relations among the actors develop, and such development is in parallel with changing considerations about appropriate performance regimes. In other words, the development of evaluation regimes and practices in a country is to a large extent determined by the political power structure. However, it may also be observed that the strengthening of the evaluation culture, increasing usage of evaluation, evaluation practice betterment, development of evaluation theory and methodology, the effectiveness of evaluation-driven knowledge utilisation, and consolidation of the evaluation profession stand as countervailing factors to coarse political power. Professionalism still matters and adherence to professional standards helps to cope with political volatility, while ensuring a sort of social resilience, as shown even in the field of local service delivery and policy evaluation. That, for example, allows us to say that objectivity would be reinforced if evaluations were to move back from political considerations to professional standards (cf. Laffin *in this volume*).

3. Policy learning based on evaluation studies is declining in some countries because of rising political engagement and the dominance of partisan politics over policy professionalism (in this volume). There is also a variety of forms in which central governments show their dominance over professional judgements and evidence-based policy advice, or simply evade policy evaluation. Similarly, in some countries, central governments launch potentially far-reaching decentralisation or modernisation reforms, or take strict control over local service delivery. Additionally, in some countries, a kind of performance mistrust towards professionals has been shown (cf. Laffin; Citroni et al.; Elicin; Koprić & Đulabić; Horváth; Pevcin & Rakar; Montin et al. *in this volume*). As has been concluded, all “these changes were not primarily driven by the evolution of managerial ideas from NPM to post-NPM” (Laffin *in this volume*). Rather, such phenomena show the pre-emption of political considerations, the importance of political legitimacy, and the unavoidable role of trust in the public sector. Even more importantly, they underline that democracy is (still) important. The most prominent of the cases above clearly indicate that a new balance between policy learning and political learning is needed. Maybe the challenge of thinking about this dilemma should be embraced, since it is not healthy to avoid such a basic debate.

*Evaluation of Local Service Delivery and Utilisation of
Evaluation-Generated Knowledge*

1. The EU stimulates the development of evaluation culture throughout Europe by means of the following: extensive usage of evaluation, imposing evaluation, and similar methods (monitoring, benchmarking, regulatory impact assessment, etc.) in regulatory and other networks, and requiring evaluation within the EU funding procedures. Within the broader process of proliferation of International and National Evaluation Societies (cf. Furubo and Karlsson Vestman 2011, 6) there is a process of establishing new national evaluation societies of the EU member states, accession, and Neighbourhood Policy countries, in which the EU financially supports a vast array of projects. However, it seems that

development of evaluation culture in many countries is lagging far behind evaluation needs and that evaluation still remains within the narrow boundaries of evaluation societies (see Horváth; Tsekos and Triantafyllopoulou; Elicin; Koprić and Đulabić *in this volume*).

2. Any evaluation is better than intuitive decision-making if one wishes to improve cost-efficiency, quality, timeliness, or other desirable effects or impacts since it is one of the basic tools for making rational decisions and evidence-based policy-making in general. However, ideologically nourished reform policies may easily resist evaluation entirely (see Horváth or Koprić and Đulabić *in this volume*). Be that as it may, whenever decision makers are willing to improve their social interventions, evaluation needs to be among their policy tools.
3. Even if the best data are not available, simpler evaluation approaches may be employed. There is a wide array of empirical and other evaluation approaches which may result in an improved basis for decision-making regarding local service delivery, as well as designing reform policies and assessing reform results (cf. for example Bel *in this volume*). Furthermore, different purposes require various types of evaluation, such as ex ante and ongoing, responsive, participative, developmental, and others (cf. Koprić and Wollman *in this volume*), which expands the traditional understanding of programme and policy evaluation. Vedung, for example, defines evaluation as a “carefully retrospective assessment of the merit, worth, and value of administration, output, and outcome of government interventions, which is intended to play a role in future, practical action situations” (Vedung 2009, 3). If such a definition is taken as an exclusive delimitation of evaluation practice, then empirical approaches are obviously in the very focus of evaluation studies. However, different purposes require the use of evaluation variants which are not fully in line with these high (and exclusive) standards but are still useful for making good decisions or for creating better policies. Such is, for example, the case of participative evaluation which seems to be a particularly appropriate choice in personal social services provision (cf. Bönker and Wollmann *in this volume*).
4. Monitoring and data recording systems and practices are very important for more sophisticated and reliable evaluation approaches. Several examples demonstrate the importance of appropriate statistics, record-keeping, and monitoring practices as

preconditions for quality evaluation, whether such examples are predominantly positive or negative (cf. for example Bönker and Wollmann vs. Koprić and Đulabić *in this volume*). A significant improvement of evaluation practice is hardly possible without prior improvements in official statistics, record-keeping, and monitoring systems in local service delivery and local governance in general. Survey-based analyses may complement, but can hardly replace register-based analyses (Houlberg and Petersen; Bauby and Similie *in this volume*).

5. The underlying inclination to hold in higher regard those evaluation studies which have a focus on impacts needs to be reasonably “softened”. That is particularly necessary when there is a significant inability on the part of official statistics, record-keeping, and monitoring systems to collect reliable and comprehensive data about policy results in the local service delivery field. Comparative analyses covering countries with rather different, even opposing, types of evaluation culture may suffer if an overambitious evaluation framework has been imposed for comparison. Evaluation of outputs may be very important as well. However, even in such circumstances, this does not mean evading a request for the identification of far-reaching impacts. Far-reaching impacts could be presupposed and made apparent in the form of hypotheses for further empirical validation accompanied by reasonable assumptions and contextual information, as it is done in certain chapters of this volume. Moreover, a focus on outputs is not only a realistic reorientation strategy when an abundance of data is lacking but a useful strategy for many purposes of policy evaluation. Evaluating policy outputs is not less valuable. The emphasis on outputs, impacts, or any other dimension should depend on the utilisation purpose of the evaluation.

CONCLUSION

In an attempt to facilitate utilisation of evaluation-generated knowledge, this chapter summarises, outlines, and briefly elaborates the main lessons learned from the evaluations of most recent local service reforms in Europe. Many other lessons are listed and elaborated upon in other chapters of this book. Since the book covers utilities and social services, and a variety of issues connected with their delivery, regime changes,

and evaluation in a wide range of countries from England to Turkey and from Norway to Greece, the results of this common evaluation research endeavour are transferable across Europe and beyond.

Lessons have been learned about local service delivery regimes, including the conditions and organisation of their provision and delivery, comprehensive local service reforms and their effects, and the evaluation of local service delivery and knowledge utilisation. Some of these are listed in this chapter, ranging from the recommended implementation of good governance standards in the delivery of local services to emphasising the importance of solid official statistics, record-keeping, and monitoring systems for better evaluation.

Practitioners may be inspired by the empirically grounded knowledge and lessons collected not only in this chapter, but also by lessons presented throughout this book, be they ministers, senior civil servants, local, urban or regional actors, reform designers, decision makers, or other policy actors. However, many of the lessons may be also utilized by researchers in their efforts to further bridge the evaluation gap in local service provision.

Evaluation acquires special importance particularly in times of turbulence and crisis (Furubo 2013). Hence, there is no need to doubt the knowledge-utilisation opportunities this volume affords, nor the room for further evaluation research of local service delivery reforms.

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AUTHOR BIOGRAPHY

Ivan Koprić Ph.D., born 6 January 1965, Professor of Administrative Science and Local Government at the University of Zagreb, Croatia; editor-in-chief of the international scientific journal *Croatian and Comparative Public Administration*; author and editor of numerous books and articles. Recent books: *Public and Social Services in Europe: From Public and Municipal to Private Sector Provision*, Palgrave Macmillan, 2016 (with H. Wollmann & G. Marcou), *European Administrative Space*, NISPAcee, 2017 (with P. Kovač), and (in Croatian, published by the Institute of Public Administration) *Citizens, Public Administration, and Local Government*, 2017 (ed.), *Performance and Quality Management in Local Government and Public Administration*, 2016 (ed.).

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