



**SIGMA**

**Support for Improvement in Governance and Management**

A joint initiative of the OECD and the European Union, principally financed by the EU

## **CZECH REPUBLIC**

# **Policy Options for Central Governments to Promote Equal Access to Better Services at Local Level: Some European Approaches**

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September 2005

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<sup>1</sup> The author is grateful for the continuous support and very useful documents provided by Tony Bovaird, Elke Löffler and Peter Humphreys. He would also like to thank Sigma staff for their kind cooperation and comments on this report. Errors and mistakes are entirely those of the author.

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## Summary

### **Quality and Equality**

This policy paper reflects on and explores the possibility of reconciling in practice two apparently contradictory policy goals: quality and equality of public services delivered by municipalities across the nation. Equality is a political concept that has gained policy relevance since the French Revolution. Quality, which entails differentiation and unequal treatment of individuals, is a management concept that has gained policy relevance with the development of the welfare state. The immediate aim of this paper is to present concepts and European comparative experience in the development of specific policies for local public services that seek both quality for individual users and equality throughout the national territory.

The report debates two main arguments. The first argument relates to the notion of quality of services. Service quality is a complex concept that has meant different things at different times. The most recent approaches to service quality take into account multiple dimensions: reliability of the service, responsiveness to users' needs, facility of access to the service, courtesy in the delivery, and so on. In order to gauge these or similar dimensions, subjective and objective as well as quantitative and qualitative measurement indicators are needed.

Services are also measured by performance indicators that relate to various dimensions of the policy cycle: inputs, activities, outputs and outcomes. Many nationwide policies across Europe are based on input indicators, and governments apply equalization policies (*péréquation*) by means of financing formulas that usually bind grants to population size.

These measurements are relatively easy to obtain, but they do not give a full account of equality in standards of living. Equalization should rather take into account the quality of life of citizens and the quality of services that users receive. To do this would also imply measuring the outputs and outcomes of public policies and services.

In any event, the measurement of quality entails at least three issues that have not yet been resolved: 1) The right combination of objective, subjective, qualitative and quantitative indicators have not yet been found to measure quality. 2) There are different levels of users' satisfaction, depending on the diverse dimensions at stake — wealth, gender, age, ethnic origin, religion, territory or geography, etc. — and these diversities are not usually taken into account. 3) Unless diversities are considered, the equality of a minimum or maximum standard of a public service is meaningless. These unresolved issues lead us to the second argument.

The second argument of this report is rooted in the debate on equality versus diversity. The equality of *what* is a very important issue for the architecture of public services because it is impossible to achieve equality in any generic sense. Equality depends not only on the question of *what* but also on the personal variations among individuals or among groups of individuals. The groupings of these personal variations are considered as categories of diversity. Diversity can be expressed in various ways. Differences of age, gender, physical and mental health, wealth, climatic circumstances, place of residence, ethnic origin and language dimensions, social surroundings, and differences in many other respects are involved when considering a group of citizens. If we consider all of these different subgroups and diversities, the same service standard for everyone might not be the best standard for the members of each subgroup within the whole.

There are diversities of many different kinds, and some are more appropriate than others, and these diversities are dealt with by institutions situated at different levels. For instance, when dealing with local authorities, central governments are primarily concerned with equalities regarding the place of residence and population size (urban or rural territories). Single local authorities focus on other diversity aspects, such as age, gender, or disabilities. If public officials tried to take into consideration all diversities while delivering a service, total policy confusion could result. Depending on the service provided, some diversities should be disregarded, while concentrating on the more important ones, in terms of policy design. The consequence of this reasoning is that needs, visions and requirements of diverse groups should be taken into account if a satisfactory balance, rather than equality, is to be achieved.

In summary, the first argument maintains that national standards of a particular service are difficult to obtain because measurements of quality are not yet sufficiently refined and because diverse needs in different parts of the country might reflect different aspiration standards. In any event, central and local authorities can and should strive to improve service delivery, while bearing in mind that an equalisation of standards can only be meaningful for citizens if the quality of life and quality of services are taken into consideration in parallel. The second argument stresses the fact that any public strategy — promoted by either central ministries or local authorities — that is aimed at equality should be ready to include meaningful diversities and should strike a reasonable balance between competing diversities.

### ***Quality, Equality and Local Authority Size***

National strategies to promote a better quality of life and better quality services, while ensuring equal conditions across the territory, encounter huge problems when local authorities are too small. The fragmentation of local government has been dealt with by different countries in two basic ways: amalgamation and municipal associations. Amalgamation has been used by some, particularly Nordic European countries, but other countries have ruled it out as a solution in view of the strong opposition of citizens. Municipal associations have therefore been the preferred choice in these cases. An analysis of municipal associations in France and Spain shows that many public services can improve if central government gives incentives to municipalities to create horizontal partnerships (among municipalities) and vertical associations (with higher levels of government). To create sound associations, attention must be paid to establishing responsibilities among partners (financing, representation and participation in decision-making) and creating mechanisms to ensure accountability to citizens and other stakeholders. The Spanish and French examples, both of which represent specific legal-political cultures, fail to assess the level of performance of these associations. The implementation of suitable performance frameworks, in which associations are assessed not only according to legal and accounting criteria but also in relation to proposed standards for different services, could help to improve quality in service delivery.

### ***Experiences***

Three national experiences in service standard-setting and performance measurement are presented in this paper for assessing quality in service delivery: 1) The UK illustrates a top-down strategy devised at national level and imposed upon local authorities, which lack autonomy for service delivery. This approach allows the establishment of authoritative performance indicators, which are used to compare levels of service, while at the same time the national government can intervene in single local authorities in the case of failure. In order to counterbalance this top-down approach, which enhances national strategies at the cost of local priorities and autonomy, a new generation of agreements between national and local levels is on its way in the UK. These agreements should allow some room for manoeuvre by local authorities. 2) The Irish example is meaningful for this report, as it is a combination of a nationally driven approach and a voluntary scheme, whereby local authorities are encouraged to add locally meaningful performance indicators to the national list. Nonetheless, the assessment of this approach indicates that local authorities would obtain better value if central ministries invested more resources in supporting the national scheme and local initiatives. 3) Apart from these two examples stands a voluntary scheme designed jointly by local authorities, the Audit Court and the provincial authority of Barcelona in Catalonia. This voluntary approach creates a good working atmosphere, but the results are meagre and will continue to be so unless legislation and national or regional support are advanced.

The above examples show that raising local service standards is a joint-venture in which the national government and local communities have to take part. Apart from training and providing financial incentives, central ministries could engage in activities that would allow the dissemination of good practices. While the rhetoric of national quality awards sells the idea of learning, more focused projects — such as the Beacon Council Scheme in the UK — may produce better results.

### ***Strategies for Combining Equality and Quality***

Local governments (either in the guise of single municipalities or associations of local authorities) can also improve the quality of services and the quality of citizens' living standards by devising some strategies in which the balance between equality and diversities is sought. In this report, three strategies have been considered: 1) It would make sense to use e-government solutions that go beyond web sites. A model based on supermarkets has been presented for joining in a single building both private and public services, with videoconference and Internet links to service-providers that might be kilometres away from the

“supermarket of services”. In the event that these services are needed and the specialised staff of the “supermarket” cannot solve the problems, information and communication technologies have a lot to offer. 2) Citizens’ charters are management tools that can introduce a managerial culture to complement the legal tradition of public administration. Service charters or citizens’ charters were originally conceived as a way of responding to demands for accountability, transparency, efficiency and better service delivery. It was believed that the empowerment of citizens, users and employees would ease the search for solutions to public sector problems and could introduce new ways of delivering services. 3) Finally, if meaningful diversities for single services are to be taken into account, participatory mechanisms should be planned accordingly. Information, consultation and co-production of services are means of encouraging an adequate balance between equality and diversity. Much has been written on these topics. This report emphasizes that these mechanisms are useful when public authorities have tried to build up trust among citizens over time. With little investment and imagination, citizens and users can offer relevant insights into designing the architecture of public services.

From the paper, several conclusions and implications that are worth taking into account for policy design have been gathered together and are presented in Section 8. They address three main themes: equal quality standards and nationally agreed performance indicators; municipal partnerships as a means to address problems stemming from the small size of local authorities; and individual local strategies to enhance local service delivery.

## **1. Introduction**

This report was prepared upon the request of the Czech Ministry of the Interior in accordance with the three following terms of reference: (1) The report should show comparative European approaches on how to ensure sufficient quality standards of public services in rural municipalities in order to enhance the territorial cohesion and equality of service delivery within the national territory. (2) The comparison is to be provided mainly from experiences in EU countries. (3) The task should be practically oriented, policy-inspiring and helpful, providing a follow-up to previous work carried out in the co-operation framework of the four Visegrad countries (Czech Republic, Hungary, Poland and Slovakia). The study of Visegrad countries established a list of services that were provided locally, together with a description of the service, the name of the entity delivering the service, the existence or lack of standards, and a recommendation as to whether or not the service should be compulsory. The Visegrad list of services covers the domains of social services, health care, education, culture, transport, information, postal services, water and sanitation.

The concept of “equal access to services” has been a leitmotif of central administrations for decades. All citizens are considered to have equal claims on welfare services. Given the same standards of quality, citizens could expect to receive the same benefits wherever — and to whomever — they made their claims. However, placing everyone under the same rules and offering a minimum standard are not enough to compensate for present or past inequalities. The increasing heterogeneity of society and the impact of social movements related to the distribution of wealth, gender, age, ethnicity and disability are inequalities that have not been adequately addressed so far. Furthermore, diversities can originate from geographical differences between settlements, e.g. tourist municipalities have different needs than industrial towns, and mountain councils face different problems than seaside locations.

Mechanically treating everyone the same works against equality, because not everyone has the same service needs. Certain groups may be discriminated against directly or indirectly, intentionally or unintentionally. Direct and indirect discrimination can occur when services are inappropriate, insensitive or inaccessible. In order to eliminate discrimination and create equal opportunities for access and outcomes of policies and services, a more active (or less mechanical) approach is needed. The complex question of equality and diversity is a matter of concern for central ministries that are in charge of local affairs and for local authorities delivering a wide range of services. The new democratic institutionalisation of local self-government in many central and eastern European countries has challenged traditional lines of accountability and political subordination of sub-national to national governments and has given central governments a new and more difficult role in ensuring equity and equality.

This report is further divided into six sections. In sections 2 and 3 the main points about service quality, equality of services and diversities will be discussed. These sections set the main argument of the report.

Section 4 deals with the impact on equality and quality of fragmented local governments due to problems of size. Section 5 examines how some countries have coped with fragmentation and small municipalities by fostering vertical and horizontal municipal associations. Section 6 offers three different national approaches towards increasing service standards, while section 7 analyses some local strategies for improving public services.

## **2. Service Quality, Performance Indicators and Standards**

The meaning of “quality standards” of service is not without controversy. A quality service or product has meant different things at different times (Bovaird, 1996). Nowadays, certain agreements focus on what quality can be, but the problem arises of defining quality standards that can be applied across different geographical jurisdictions. In theory, the aim of national ministries and agencies is to achieve the same quality of service among citizens regardless of the territory of residence. In practice, a common agreement on quality standards for the same service throughout the country encounters some problems.

According to Bovaird and Halachmi (1999: 145) and Bovaird and Löffler (2004: 137 and ff.), quality is a complex concept that depends on the various weights that people give to different attributes or dimensions of a service or product, such as timeliness, accuracy, empathy and fitness for use. Services cannot be produced in a standard way, as products can. It is difficult, for instance, for an airline steward to display the same kind of smile in response to the same kind of question from different passengers throughout his working life; whereas industries can produce the same computer chip by the millions.

The most recent meaning of quality is defined through multiple dimensions following the pattern established by Zeithmal *et al.* (1990): reliability of the service, responsiveness to users’ needs, easy access to the service, courtesy in the delivery, and the like. In order to gauge these or similar dimensions, Bovaird and Löffler (2004: 139-140) claim that both subjective and objective indicators are needed. Objective indicators (e.g. level of cleanliness and purity of drinking water according to international criteria) do not always suffice in terms of understanding the quality of the service if subjective indicators (e.g. pressure of water in the household) are not taken into account. Both satisfaction surveys and objective indicators might help service producers in matching their offer to the demand. Besides, the ideal set of indicators should include both qualitative and quantitative indicators.

Services are not measured only through quality indicators. There are also indicators that measure performance. Performance indicators measure different dimensions of the policy cycle: inputs (number of employees, monetary resources, etc.), activities (average number of days for obtaining a license to open a night club), outputs (number of discharged patients), and impacts (economic growth of a rural area). Performance indicators might also link resources (inputs) to products (outputs) (e.g. number of euros per pupil taught). Quality indicators link the perception of users to the outputs of the organisation.

Many nationwide policies across Europe are based on input indicators (amount of euros spent in social care, in roads, etc. per inhabitant). Governments in continental Europe tend to work out an equalisation formula whereby diverse conditions are not fully taken into account, and they award grants taking into account the population size of each municipality, province or region.

These measures are relatively easy to apply, but they do not give a full account of uniformity in standards of living. The amount of euros spent per hospital bed does not say much about the health of the population. The costs of social and health care or network infrastructure vary from place according to numerous dimensions: geography, population age, gender, etc. If equalisation takes into account the quality of life of citizens and the quality of services that users receive (through the measure of outputs and outcomes), a clearer picture of how central grants might affect local conditions can be obtained.

By measuring inputs it is difficult to know if equal standards are achieved, and by measuring outputs and outcomes it can be argued that it is difficult to reach uniform conditions across the country. For instance, the measure of quality entails at least three problems that have not yet been resolved: 1) The right combination of objective, subjective, qualitative and quantitative indicators has not yet been found to measure the quality of services for single organisations. 2) Even the right combination of indicators should tackle the question of diversity in terms of understanding the different levels of satisfaction according to the diversity dimension at stake: gender, age, ethnic, religion, etc. 3) If the right combination is not ready for

use in the market and different diversities need to be taken into account, the task of searching for the same minimum quality standards for local services nationwide becomes a difficult or even undesirable goal.

The same applies to quality of life. Fieldwork carried out by Governance International ([www.govint.org](http://www.govint.org)) reveals that citizens feel safer in Barcelona, with typically 40 violent deaths per year, than in Baar (Switzerland), with only a few cases of violent death in recent years. Responses to citizens' needs cannot be homogeneous in the European context; diversity is a cornerstone of services and policies, and an effort has to be made to understand its implications for policy-making, at both central and local levels.

In summary, governments tend to focus on measuring inputs in order to prove that they are treating citizens equally across the nation. However, the measure of inputs does not show whether equality of standards affects the quality of life and quality of services. The measure of both dimensions carries with it a built-in difficulty in terms of equality: objective and subjective indicators cannot reach the same standard in different localities and in different countries. They are context-specific. National governments and agencies therefore have to create conditions that raise these standards in different contexts, taking into account the combination of different objective and subjective indicators. The dilemma for decision-makers at national levels is then how to create equal conditions while taking into account relevant local or even personal diversities. This issue will be examined in the next section.

### **3. Equalities and Diversities in Public Service Delivery**

The principle of equality stems from the French Revolution, when it was proclaimed that all citizens were legally equal. Equality can be viewed from several perspectives. The utilitarian perspective has dominated much of the policy landscape in recent decades. Utilitarianism sees equality as involving a total maximizing approach to all individuals' happiness, satisfaction or interest in something. Taken as a whole, this egalitarian perspective might be unequal for individuals who are different, with different features. The fundamental principle of utilitarianism of "giving equal weight to the equal interests of all the parties" (Hare 1981: 26) fails to make a distinction between different types of persons and different needs. Many of the welfare state policies advocate equality of "something": income, education, standards of living.

According to the Nobel Prize winner, Amartya Sen (1992), the equality of *what* is a very important question because it is impossible to achieve equality in any generic sense. The different demands of equality reflect divergent views as to which things are to be directly valued in that context. They indicate different ideas as to how the advantages of different people are to be assessed *vis-à-vis* each other in the exercise in question. For example, to live comfortably and well, a member of an ethnic minority may have to overcome disadvantages that a person of the majority group might not have, even when both have exactly the same income and other primary goods. Differences of income do not help to overcome the problems that a handicapped person might face *vis-à-vis* others, since the person may be greatly disadvantaged in converting income into the achievements he or she would value. The problem arises not only from the fact that income is just a means to real ends, but from the existence of other important means, and from interpersonal variations in the relation between the means and various ends. The groupings of these interpersonal variations are considered as diversity.

According to Sen (1992: 27), diversity can be expressed in different ways. Differences of age, gender, physical and mental health, climatic circumstances, place of residence, ethnic and language dimensions, social surroundings, and many other respects are involved when a group of citizens is considered. If we consider all of these different subgroups, equality for all with regard to one feature might not mean the same kind of equality for each subgroup. At the same level, the same service standard for everyone might not be the best standard for the members of each subgroup within the whole.

The tendency to disregard interpersonal diversities can originate not only from the pragmatic temptation to make the analysis simple and easy (as in the literature of inequality measurement) or to simplify the job of bureaucrats (who are not worried about different needs when providing a service), but also from the rhetoric of equality itself (e.g. "all men are created equal"). Such rhetoric can push public authorities in the direction of ignoring these differences, by taking "no note of them", or by "assuming them to be absent".

As Amartya Sen indicates (1992: 117), there are diversities of many different kinds. If public officials try to take note of all diversities while delivering a service, the result might be total policy confusion. Depending on the service provided, some diversities should be disregarded while concentration is focused on the

more important ones. The question in each context is: what are the significant diversities? In fact, general analyses of recipients of a particular service should provide invaluable help in determining whether one age group or one ethnic group or women are priorities in terms of defining adequate and distinct service standards. In the literature on inequality, the most widely used classification is that of economic class. In the literature and practice of different equalities or diversities, age, gender, ethnic group, race, physical and mental (dis)abilities are considered to be the most common classifications.

The consequence of this reasoning is that needs, visions and requirements of diverse groups should be taken into account if a proper balance of different equalities is to be achieved.

A second type of equality relates to the place of residence, which is of high relevance for this report. All citizens of a unitary and federal state are entitled to the same rights, regardless of the state or city in which they reside. The texts of national constitutions refer to these equalisation principles. These principles basically focus on juridical rights (relationships between citizens and the law) and political rights (voting and candidatures in elections). The equalisation of economic and social aspects or attributes in public services is also found in some constitutional texts. Whenever territorial political units — whether they be local authorities, regions or both — enjoy a certain degree of autonomy, the equalisation of standards in a territory depends not only on the guidance from central government but also from local and regional priorities that must be converted by local and regional politicians into policies, using available resources. While juridical uniformity has been achieved through the transfer of normative functions to higher levels of government, material equality is part of a combination of policies emanating from local level and from higher levels of government.

The degree of autonomy of local, regional and state authorities will determine the capacity of central governments to impose and/or negotiate national standards with territorial authorities. An added difficulty in achieving equality of standards for a specific service is when autonomy in decision-making is granted. Even national agencies at central level with provincial delegations find it difficult to achieve the same standard of service in all territorial units. For instance, any provincial delegation of the Spanish Social Security delivers a pension within the month following termination of active service. However, provinces differ in the number of days employed in the delivery. For some it takes 14 days, while others need 22 days. A single agency is unable to reach the same standard in the whole territory, and it has to become accustomed to the idea that different standards might suffice as long as goals and objectives are negotiated and a minimum standard is reached, i.e. within a month a pension is delivered.

The size of territorial units and the resources of local authorities are also variables that influence the capacity of territorial units to implement national standards. This dimension is of highest relevance because the search for equalities and the consideration of diversities by local authorities depend on whether municipalities are urban or rural. A great deal of political action and discourse focuses on the search for different ways of homogenising the standards of living in urban and rural settlements, but rural municipalities lack the resources needed to cope with the challenge. This issue will be examined in the next section.

#### **4. The Relevance of Size and the Problem of Fragmented Local Authorities**

The size of municipalities is a subject of considerable controversy. In the study by the Executive Committee on Local and Regional Democracy of the Council of Europe (*Comité directeur sur la Démocratie locale et régionale*) (CDLR, 2001), the issue is tackled according to four main aspects: a) efficiency (scale for more and better services at lower cost); b) democracy (scale for adequate accountability); c) development (scale for promotion of economic development); and d) distribution (scale for fairer distribution of services, functions and taxes). There is no agreement about optimal size. In this report, the issue of size is linked to a) the capacity of small municipalities to deliver proper services, and b) the capacity of central ministries to promote, monitor, assess, train and provide similar standards of services throughout the country.

If we consider size in geographical terms or with reference to population, density of population, or degree of population scattering within a single geographic unit or area, or even in terms of the number of local representatives elected, the map of European local government offers all kinds of variations. This specific

situation makes the impact of size on effectiveness very complex, as well as the measurements of efficiency levels in each local government.

The CDLR (2001) study summarises the main aspects related to size found in national reports on the topic, and the following facts and worries can be highlighted:

- A large number of small local authorities generate high administrative costs that are incumbent on central government, which has to co-ordinate national policies and attempt to achieve equal standards of public services.
- The policies of equality and redistribution require a certain degree of centralisation, which works against the fragmentation of the territory into small units. According to the summary of national reports, it is very unlikely that competition among small local authorities will produce equality; on the contrary, it will reinforce territorial inequalities.
- Statements to the effect that small municipalities are characterised by unprofessional administration, vulnerability in financial terms, and inferior quality of service are controversial, as the number of studies verifying these statements is insufficient.
- Most national reports refer to the idea of economies of scale to justify amalgamation. This matter is controversial, as optimal scale in one policy area is not the same in another. The authors of the final report argue that the only indisputable element in this regard is the one related to minimum size, as below that level it is not possible to accomplish any of the functions expected from any local authority. But what is this minimum size?
- The study establishes that municipalities of under 7 000 inhabitants fall below the standards in terms of managerial skill or administrative capabilities (proof of this statement or quotation of data are not provided). Other studies carried out in the Netherlands and in Switzerland, mentioned in the report, show that the relation between managerial skills and the size of local authorities varies greatly between policy areas.
- Differences in size are important not only for capital costs but also for other basic costs. The costs of a mayor, council, secretariat, top officers and civil servants working directly with citizens represent a considerable burden for the budget of a small unit and a lesser one for the budget of a large city. The standard costs of some basic services are high for modest municipalities.
- Regarding citizens' satisfaction with services, the results are unclear. Some reports suggest that citizens experience a higher level of satisfaction in large municipalities. However, a common finding is that citizens of a small but homogeneous municipality are highly satisfied with the services offered. It seems easier to satisfy the demands of similar people and, on the contrary, very difficult to deal with highly heterogeneous settings or social groups. Two main findings are supported by studies carried out in Nordic countries: a) satisfaction decreases with the increase in municipal size above the level of 30 000 inhabitants; b) size is closely related to specific policy areas. In such areas as care of the elderly, primary schools and day care, dissatisfaction occurs in municipalities of under 3 000 inhabitants and even more so in the case of towns of over 30 000 inhabitants. In other policy areas, such as cultural activities, libraries, sports, and music festivals, citizens of large municipalities seem to be more satisfied.

The effect of size on service delivery is insufficiently studied. Several relationships exist between different types of service, the complex issue of quality, and the different sizes of municipalities. A specific optimum minimum size for service delivery could not be advanced. It is clear, however, that the co-ordination functions of central ministries to implement and assess a system that has been devised to raise the quality standard of service delivery in local authorities becomes more complex if the number of local authorities is relatively high. Moreover, if the size of localities is too small, it is doubtful whether an effective mechanism of service delivery can in fact be devised.

There are several European trends regarding the number of municipalities and average size. A first group is formed by countries with a few large municipalities: Scandinavian countries and the United Kingdom.

The UK has 441 municipalities. According to the 2001 census, the most populated unitary authority is Birmingham with 977 000 inhabitants, while Rutland, the least populated, has approximately 35 000 inhabitants. On average, municipalities are above 100 000 inhabitants. A second group of countries has a large number of municipalities of small size, approximately 10,000 inhabitants on average, with extreme cases, such as the Czech Republic, France or Switzerland (95 per cent — of the municipalities have fewer than 5 000 inhabitants) or Spain (with 86 per cent of its municipalities under the 5 000 level). A third group falls between the above two groups, e.g. Ireland, with 114 councils (county, city, borough and town) for 3 917 000 inhabitants in the whole country (an average of 34 000 inhabitants per local unit). Leitrim, with close to 26 000 inhabitants, is the least populated city (2002 census).

Countries in the first group (Scandinavia and UK) have faced fragmentation through amalgamation. Those countries are likewise trying to standardise service delivery by measuring, monitoring and assessing local performance indicators on a national basis. Countries with highly fragmented systems, such as France and Spain, have tried to resolve the problem of fragmentation by means of two different mechanisms: inter-municipal co-operation and creation of intermediate levels of government. The amalgamation process will be dealt with in this section, and the analysis of inter-municipal co-operation will be covered in the next section.

Two recent examples of amalgamation are the UK and Denmark. The UK has witnessed a considerable reduction in the number of local authorities in the course of three main processes. The first tried to overcome the problems of industrialisation and urbanisation between 1830 and 1930. The second amalgamation took place in the 1970s because it was believed that a reduction in the number of local authorities was needed to achieve more efficient service delivery. The number of main local authorities was reduced to 521. The last amalgamation process, according to Leach (1995: 50), has more obscure and political reasons and fewer service-oriented or policy-oriented causes. There are currently 341 councils and 46 unitary councils in England, 26 councils in Northern Ireland, 22 councils in Wales and 32 councils in Scotland. These figures are important for the analysis of the attempts of British central ministries to improve local service standards in the last decade (see below).

As recently as 2004, the Danish Government launched a new policy of amalgamation, which is due to be completed by 2007. Up until 1970, a system of detailed central government control and narrowly defined categorical grants persisted in Denmark, leaving little room for local autonomy among the approximately 1 200 municipalities and 24 counties. After more than ten years of planning, local government reform was implemented as from 1970, starting with the amalgamation process that reduced the number of municipalities to 275 and the number of counties to 14. The reform introduced in 2004 divides the country into five regions (from the present 14 counties), while the number of municipalities will be reduced from the current 271 to approximately 100 by merging neighbouring municipalities. Each new municipality should ideally have at least 20 000 inhabitants; if any municipality with fewer than 20 000 inhabitants wishes to avoid being merged, it must make binding agreements with other municipalities in order to ensure that it is able to provide its citizens with the required public services.

The above process is “voluntary” and bottom-up, as local authorities make a proposal in agreement with neighbouring authorities. According to the report of Henrik Christoffersen and Lars Ravn-Jonsen (2005), it is unclear whether the reform will produce homogeneous local authorities (minimum of 20 000 inhabitants) that are able to face similarly the same challenges and that will have the same opportunities with regard to the performance of local tasks. The amalgamation affects basically small local authorities. Homogeneity will be achieved in one category (population size), but it will not be matched in other categories, such as geographical extension. Some local authorities will be much larger than others, and this will affect standards in service delivery. A clearly negative correlation will appear between population density and geographical area.

A closer look at the Danish case gives rise to three comments in relation to the main argument of this paper: 1) Heterogeneity can affect the achievement of service standards. The gap between the large, densely populated, central local authorities with limited geographical areas and the large, sparsely populated, fringe local authorities with enormous geographical areas will become greater. This enlarged gap will mean an increase in service costs in order to achieve similar standards of service. With the aim of equal standards, reform promoters might end up by finding that other aspects are not equally distributed, which might cause obstacles in the standardisation of local services. 2) On the other hand, a minimum size of 20 000 inhabitants will increase the political and administrative capacity of local authorities to be used in

service delivery. 3) Finally, the decrease in the number of local authorities from 270 to around 100 will ease the tasks of central ministries dealing with local affairs, and any national system to raise local standards will be less burdensome for central ministries.

The amalgamation process depends not only on a sound analysis of how best to proceed and of which optimum size solves most problems. It also raises the question as to whether amalgamating communes with a long-standing tradition of autonomy is feasible. Amalgamation attempts in several southern European countries have shown that citizens are very attached to their city councils, and policies of amalgamation are therefore doomed to failure. The association of municipalities with neighbours, other levels of government, or even non-profit organisations and businesses might therefore prove helpful in order to overcome the problems and consequences of fragmentation. This issue is analysed in the next section.

## **5. Vertical and Horizontal Associations to Overcome Fragmentation**

### **a) Three variants for the same purpose (EPCIs, Mancomunidades, Consortia)**

France and Spain have chosen to overcome fragmentation by creating intermediate levels of government (in Spain, provincial authorities and autonomous regions; in France, departments and the prefect system) and inter-municipal associations. The goal of French and Spanish authorities is also a question of equality throughout the territory. However, the equality they are searching is related more to the input side than the output side. France and Spain are seeking the fiscal equalization of the territory: the investment per head should be “equal” or similar, regardless of the place of residence. Much of the concern relates then to the cost of services and not so much to the level of services to citizens and the satisfaction of citizens with those services. In fact, neither country has a tradition of establishing national performance indicators to measure the level of local services.

France and Spain are relevant examples of the choice to overcome fragmentation by means of inter-municipal associations. There are several underlying reasons for this choice:

- Both countries have a severe problem of fragmentation, with numerous rural municipalities that are unable to provide most local services.
- Amalgamation attempts have not been successful in the past or are not even considered in the political agenda on the eve of fierce opposition by locals.
- France has a long tradition of several decades of municipal associations, although the most successful reforms have taken place in the last five or six years.
- Spain has faced the typical problems of some political transitions. With the transition from dictatorship to democracy in 1975-1978, local authorities gained autonomy. Central ministries could then no longer intervene directly in local affairs. For that reason, Spain’s experience with municipal associations can be of use to other transition countries that have recently faced the same problem.

The French case will be outlined here, while the Spanish experience will be analysed in more detail in the next subsection. France has a highly fragmented local system, with 36 672 *communes*. In recent years there has been an explosion of inter-municipal co-operation through EPCIs (*établissements publics de coopération intercommunale*). In 2005, a total of 2 525 EPCIs included 88 per cent of French communes (32 311), while in 1999, the 1 680 EPCIs included 19 140 *communes*. According to the Ministry of Interior in France (2005), 52.2 million inhabitants participate in an EPCI. There are different types of EPCI according to population size — fewer than 50 000 inhabitants (*communauté de communes*); from 50 000 to 500 000 inhabitants (*communautés d’agglomération*); above 500 000 inhabitants (*communautés urbaines*) — and also different types depending on whether the EPCI has taxation powers.

Since 1999, EPCIs have been formed by neighbouring municipalities with the purpose of managing pooled resources. Municipalities are obliged to transfer functions of economic promotion, territorial development and transport to the newly created EPCI, and they may voluntarily transfer other competencies related to culture, sport, drainage, etc. Personnel also have to be transferred from municipalities to the EPCI. The novelty of the EPCI in recent legislation, in contrast to municipal associations in other countries, is that

EPCIs can directly tax the population of the associated municipalities. This system avoids competition among neighbouring municipalities within the EPCI, although it does not solve the problem of competition among different EPCIs.

EPCIs could be considered as an attempt to amalgamate municipalities through economic incentives instead of by launching an amalgamation law that would meet strong opposition. In fact, recent legislation encourages municipalities to amalgamate using the EPCI as a framework and leaving the issue of political representation to EPCI members (municipalities).

In addition to EPCIs, a vertical association has been created. The *pays*, defined and redefined in 1995 and 1999, constitutes a territory with geographical, cultural, economic and social cohesion. Municipalities and municipal associations may form a *pays*, with the main goal of strengthening ties between city and rural areas. The *pays* can sign contracts with the state and with departments.

In Spain, approximately 86 per cent of all towns have fewer than 5 000 inhabitants, and 72.2 per cent have fewer than 2 000. Inter-municipal co-operation has been promoted through *mancomunidades* (horizontal associations of municipalities) and *consortia* (vertical associations of municipalities, other levels of government and non-governmental actors) in order to overcome fragmentation. In 1999, a total of 5 857 municipalities joined at least one *mancomunidad*, and 87.3 per cent of these municipalities were towns in rural areas with fewer than 5 000 inhabitants.

*Mancomunidades* and *consortia* flourished in Spain after the transition from dictatorship to democracy. With the advent of democracy, local government gained political autonomy but financial resources, transferred mainly from the centre, did not suffice in providing compulsory services established by law in 1985. *Mancomunidades* and *consortia* have a different legal nature, although they both attempt to fulfil the same general purpose, i.e. to deliver services in rural and urban areas by fostering the association of municipalities (in the case of *mancomunidades*) and the association of local authorities and other entities in the case of *consortia*. While the political-administrative decentralisation process to empower local authorities in the French system provides the basic reasons for the increase in associations among municipalities, in Spain *consortia* and *mancomunidades* have increased their presence in the local arena as a combined effect of fragmentation, political autonomy and political decentralisation.

## **b) Analysis of consortia and mancomunidades**

*Mancomunidades* and *consortia* differ in several respects: purpose and partners of the association, the composition of the executive board, the finance system and, accordingly, the legal framework. Those aspects will be considered in turn. In order to illustrate the differences and similarities between *consortia* and *mancomunidades*, two examples will be used: Bilbao Water Consortium (BWC) and Uribe-Kosta Mancomunidad (Font and Parrado: 2003). Both associations are located in the Basque Autonomous Community (region).

### *Purpose of the association*

There is a general debate between geographers and planners and public choice authors about the right scale for the provision of different public services. This debate helps in understanding the difference of purposes between *consortia* and *mancomunidades*.

Geographers and planners propose that the region is the right scale for providing municipal services within a region. The argument for a particular scale of region depends on the sense of place, which implies a centre where decisions are taken and boundaries that fit the purposes of different services. A single geometry, one territory, then provides *all services* in an area. With this territory as a basis, these specialists then recommend either *single metropolitan authorities* to provide services of the core city and peripheral cities of a metropolitan area or a *single association of local authorities* for multiple services. Different reasons are given to enhance a single geometry: "The scalar expansion of markets (continental and global free trade agreements) makes a parallel expansion of scales on the sub-national level necessary in order to compete successfully but also in order to get a voice in the supra-national institutions; scarce resources on the municipal level must be pooled in order to finance major infrastructure projects; and finally socio-economic and environmental spill-over demand joint planning." (Blatter, 2004)

Political economists advocate functional specialisation and variable geometry for different services. They consider that functions (i.e. services) should be the most relevant logic for institution-building (be it in metropolitan areas or in rural districts).

The influential work of Tiebout, Ostrom and Warren (1961) stressed that the optimal territorial boundaries of various services (e.g. police, fire department, water sanitation, water supply and social services) are not necessarily convergent because of the technical and socio-demographic nature of the services and of the recipients of the services. It would therefore not be wise to propose that a single, large-scale government be responsible for all services or that a single association of municipalities provide all services in all associated local councils. Instead, public choice theorists promote institutions that deal with a single service, thereby reducing the functional scope of each unit. Each unit should capture the specific economics of scale. Other authors further maintain that it is no longer feasible to try to establish uniform and homogeneous jurisdictions in order to deliver local services (Frey and Eichenberger, 1996 and 2001). They propose the concept of “functional, overlapping, competing jurisdictions (FOCJ)” and propose functional/sectoral differentiation as the new cornerstone for the architecture of governance that could be applied to rural communities. This is the case for special districts in the United States, single purpose governments in Switzerland, and *consortia* in Spain.

*Mancomunidades* and *consortia*, which deliver similar services, fit somehow into both sides of the debate. *Mancomunidades* are either multi-purpose organisations that deliver several services or single-service deliverers. The total list of services delivered by *mancomunidades* exceeds 60. The most preferred services by *mancomunidades* are refuse collection, water supply, cultural activities, fire services, social services, tourist and economic promotion.

Unlike the *mancomunidad*, the consortium is normally a one-purpose organisation. This is the case for at least 80 per cent of *consortia*. The three services most preferred by *consortia* are economic promotion, cultural promotion, fire department and water supply.

*Mancomunidades* do not adapt perfectly to the theory of single geometry because many *mancomunidades* deliver one service to the entire membership while others deliver only to a few, depending on the features of the service. Besides, a *mancomunidad* could create a consortium with other levels of government.

From the functional viewpoint, there are advantages in constituting a consortium (or a single-purpose organisation):

- *Institutional limits are easier to establish according to geography and economic principles.* For instance, a consortium for fire-fighting might consider all municipalities included in a forest, regardless of whether those municipalities are split on both sides of a mountain chain. However, for water supply purposes or for water sanitation, municipalities would prefer to establish *consortia* in each water basin, i.e. one on each side of the mountain chain.
- *Trade-offs between different services and municipalities disappear.* As territorial limits and the logic of different services differ, there is a continuous bargaining process between various local authorities for different services and, occasionally, decisions concerning these services might encourage local authorities to bid against each other.

A disadvantage of creating one single organisation for each service is that administrative costs might increase if each service has its own chief executive, administrative staff, headquarters, etc. For rural areas, an assessment of different strategies for pooling administrative infrastructure might be of help.

The examples chosen to illustrate the differences and similarities between *consortia* and *mancomunidades* fit the general definitions. The Bilbao Water Consortium (BWC) is a single-purpose organisation devoted to water supply and treatment while, the *mancomunidad* Uribe-Kosta, as a multi-purpose organisation, delivers social services, promotes the Basque language, treats home disposals, sensitizes communities to environmental issues, provides citizens with consumer information and retrieves abandoned animals.

### *Partners*

The nature of the partners of the association is relevant to the topic of accountability (see next subsection). There are basically two possibilities for rural communities: a) public partnerships of municipalities, or b)

public (-private) partnerships of different levels of government (and/or non-governmental entities, such as NGOs and private businesses). *Mancomunidades* belong to possibility a), while *consortia* fit with possibility b).

The *mancomunidad* in Spain is a local body made up of neighbour municipalities. There are three restrictions to the *mancomunidad* in Spain:

- a) The municipalities should belong to the same political region or state (autonomous community in the Spanish case).
- b) Higher levels of government (province or county) cannot constitute a *mancomunidad*.
- c) The *mancomunidad* is not allowed to deliver all services of associated municipalities, as this would imply in practice the disappearance of municipalities.

Political reasons are behind these three restrictions. Regarding restrictions a) and b), if municipalities from different regions join in a *mancomunidad* or if provinces (intermediate levels between municipalities and regions) create a *mancomunidad*, they constitute a counter-power to regional authorities, which has been avoided in Spain. However, from the point of view of services, the first two restrictions are dysfunctional, because *mancomunidades* of provinces might make a lot of sense in terms of fostering economic development, since two provinces might face the same tourist challenges, for instance. Likewise, neighbouring municipalities from different political regions (states) might find it functional to associate in order to provide a service (firefighting or health services) that cuts across different political regions. This problem disappears if the nature of the region is not political (i.e. only administrative) or if problems of national or regional identity do not arise.

The average number of (partner) municipalities in a Spanish *mancomunidad* is eight; 50 per cent of *mancomunidades* have six or fewer members, while some *mancomunidades* reach an impossible number of 94 local authorities.

*Consortia* are typical examples of vertical associations, as their members could come from any level of government (national, regional, provincial or local). In the past the participation in the consortium of at least one municipality was compulsory, but it proved to be dysfunctional, and some consortia (but very few) are made up exclusively of higher levels of government. Besides, non-profit organisations are allowed to take part in a consortium. One third of all consortia in Spain have at least one NGO as a partner.

The nature of the partnership is relevant because it is assumed that partners of equal status might have the same representation rights (if other dimensions are similar), while partners of different status might claim representation and powers according to their importance. In the case of partners of equal legal status (municipalities), differences in population sizes normally have an influence on the weight in decision-making processes. In the case of a vertical organisation, there is a temptation for higher levels of government to control the organisation, which could be counterproductive if co-operation is the main goal.

The *mancomunidad* Uribe-Kosta and the consortium BWC vary in terms of partners. The *mancomunidad* Uribe-Kosta was promoted by the provincial government that had given financing priority to *mancomunidades* over individual local authorities. In addition, the regional government had invested heavily in the areas under the responsibility of this *mancomunidad*. Once the regional government withdrew its financial support, the municipalities decided to make the *mancomunidad* stronger, as citizens had become used to the level of services provided by the entity.

The *mancomunidad* is an agent with two principals: the six founding local councils (full members) and the province and regional government (regular grant-givers and not members). In this arrangement, the province and regional authorities do not have the possibility of directly intervening in the daily matters of the *mancomunidad*. However, they provide economic incentives that might guide the main strategies of the association.

The consortium BWC has partners from different levels of government, each with a different role in the association:

- The 54 local councils have a number of votes according to population size, with a maximum of five votes for strategic decisions. They also have executive powers to control the performance of the consortium.

- The Basque regional government and the province finance the activities of the consortium, but they do not possess executive powers to control performance or vote capacity, although their representatives can express a voice in the governing bodies.
- The European Union supports the activities of the consortium with financial aid for infrastructure (water treatment plants). Since the EU is not a member of the consortium, information and transaction costs seem to be greater in this relationship than in relationships between the consortium and other levels of government that are members.
- Finally, users also pay to the consortium taxes on water bills, but they do not have direct representation in the consortium.

In the case of the BWC, the consortium has been a formula whereby higher levels of government finance the consortium's activities but are not allowed to vote in its decision-making bodies. According to general legislation, they could form part of the association, but they have maintained a role in the background. At the same time, they can voice their expectations and strategies in those bodies. In other consortia, however, higher levels of government also take part in the decision-making process. In the BWC case, the absence of any voting capacity of higher levels of government was part of the strategy to get autonomous municipalities involved in a consortium without the fear of being ruled by other levels of government in the governing commission. Likewise, the city council of Bilbao was persuaded to play a lesser role than its population size would have warranted.

The staff of the consortium has high managerial and technical skills and operates like a private utility. Besides, all of the government members of the consortium have committed themselves to avoid exercising any political interference on the technical decisions made by the staff.

#### *The governing body*

The differences between *mancomunidades* and consortia are also relevant in the composition of the governing body. In a *mancomunidad*, the governing body typically consists of three tiers: president, general assembly and board. Below these levels, a general manager acts as interface between the services and the political body. For instance, in one *mancomunidad* of 11 municipalities, the general assembly has 66 members appointed by councils according to population size and political party majorities; the board is made up of the mayors of the associated municipalities of the *mancomunidad*, 11 board members (also members of the assembly), and a president from outside the board. In many instances, the members of the governing board are too numerous to make efficient decisions.

Local councils are reluctant to give up power to managers of the *mancomunidad*, and they prefer to be present in the daily decisions of the association through mayors or delegated councillors. This attitude could partly be explained by the nature of the service (social services or cultural services), which more readily attracts political action, while some typical services of consortia — such as water supply (with a higher technical component) — are less amenable to political action.

In consortia a different governing structure dominates. According to Nieto (1997), there are three typical governing bodies of consortia: A less common type is similar to that of *mancomunidades*, whereby the governing body is made up mainly of appointed politicians from among the members. The other two most common types are highly influenced by the presence of a strong executive manager in charge of the daily affairs of the consortium.

In terms of recent trends in management reforms, *mancomunidades* belong to a traditional model of public administration, while consortia are more influenced by the dimensions of managerial reforms in recent decades.

#### *Finances*

Some *mancomunidades* have severe financial weaknesses because they inherit the financial problems of small local authorities. There are several instances in which quotas to the *mancomunidad*, established according to population size, were not paid by local authorities. If small local authorities are already financially weak, there is a heightened chance that they will miss payments to the association. In fact, many

*mancomunidades* have faced this problem. *Mancomunidades* might receive grants from higher levels of government (in Spain, from the provinces), but this option does not cover the missing payments of members, who should be co-responsible for the *mancomunidad's* functioning.

In the Spanish case, in 1995 the provincial parliament of Vizcaya passed legislation to resolve this problem. This piece of legislation does not apply to the rest of the country. The new legal framework applied to *mancomunidades* and consortia. The new law allowed the president of the *mancomunidad* to request the withdrawal of provincial grants from those member municipalities which had not fulfilled their financial obligations with the *mancomunidad*. It also conferred on the president of the *mancomunidad* the power to start proceedings against any member municipality which had not included the duties to the *mancomunidad* in its budget. The question of finances is therefore important not only in backing the capacity for service delivery but also in showing co-responsibility among members.

### *Accountability*

The association is accountable to its members and financial supporters from different perspectives: legal, financial, managerial and political. The importance placed by different stakeholders on one type of accountability or another shows not only how the association responds to the demands of others but also the national context in which the association operates. In Spain, as in many other countries dominated by a Napoleonic or Prussian tradition, public authorities are more concerned with legal and financial accountability. Nonetheless, some auditing bodies (Basque and Catalanian auditing courts) in Spain have started to claim that information on the performance of local services would be needed in order to adequately assess how different local entities and associations are investing taxpayers' money (directly paid by municipalities or by higher levels of government).

In terms of accountability, it is important to know the expectations of responsibilities, the flow of information between the agent and principals, evaluation of results, and incentives. These concepts will be applied to the consortium BWC and to the *mancomunidad* Uribe-Kosta. Expectations of different types of responsibility are shown in Table 1. In the case of the consortium, accountability to member municipalities is related to their needs of meeting citizens' requirements for water supply and treatment at a relatively affordable cost. In the Uribe-Kosta *mancomunidad*, politicians worry about the charges for refuse collection. Municipalities are agents of the electorate, and they are likely to oppose large increases in water consumption charges or refuse collection charges. Municipalities therefore expect the consortium or the *mancomunidad* to raise external funding (from higher levels of government or from the EU) to carry out infrastructure projects. Accountability expectations of municipalities are mostly political rather than managerial. Thus, fixing the price of water or refuse collection becomes a key political decision for municipal leaders. There are other types of political incentives. Positive political incentives include the expansion of the consortium's autonomy, functions and boundaries. Negative political incentives are usually the opposite (i.e. restriction rather than expansion), as well as open criticism in the media by local political leaders.

**Table 1 Expectations of responsibility of the Bilbao Water Consortium (BWC) and the Mancomunidad Kosta-Urbe (MKU) vis-à-vis stakeholders**

	Legal-Finances		Managerial		Political	
	BWC	MKU	BWC	MKU	BWC	MKU
Local councils	xx	xx	x	x	xxx	xxx
Provincial government of Vizcaya	xx	xx	xx	xx	xxx	xx
Regional Basque government	xx	xx	xxx	xx	xx	x
Central government	xx	-	xx	-	xx	-
European Commission	xx	-	xxx	-	x	-
Audit courts	xxx	xxx	-	-	-	-

Source: Font and Parrado (2003).

xxx	high	xx	Medium	x	low	-	does not apply
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Unlike other higher levels of government, the provincial government aims to expand its political influence in the consortium. Due to its financial power, for the last two decades the provincial government has managed to take over certain services previously delivered by municipalities. In most cases, this has resulted in increased funding and improved quality of service. Water supply and treatment provided by many municipalities outside the consortium offer a poor quality and, sometimes, at a higher price. The question of equality is then raised here, and the provincial government tries to encourage municipalities to enter the consortium. The province also tries to influence the executive decisions of the consortium, as it has eventually obtained voting and executive powers, and sometimes the presidency of the consortium. All of these facts underline the growing importance of the consortium's political accountability to the provincial government. However, the political accountability of the Kosta-Urbe *mancomunidad* to the province is lower than that of the consortium, since the *mancomunidad* is composed of six municipalities (2 per cent of the province's population), while the consortium comprises 54 municipalities (85 per cent of the province's population). The autonomy of the *mancomunidad* (with municipalities as members) would be endangered if the province decided to increase its intervention, for instance by setting performance standards.

Other higher levels of government make more extensive use of financial incentives. Given the consortium's great need for funding to carry out its infrastructure works, it is quite successful in using financial incentives to guide its performance. The higher the level of government, the less of a priority is given to the affordability of water consumption charges. The regional or the central government tends to view the financing of the consortium as an unfair transfer of the financial burden from the citizens of the consortium area to all Basque or Spanish taxpayers. However, this view usually changes when these governments are able to involve the EU in funding the consortium's activities.

The EU, the central government and regional governments are more interested in legal and managerial accountability than in political accountability. None of these three layers of government seems eager to play a more active political role in the consortium (they are not entitled to do it in the *mancomunidad*) because their electorates stretch far beyond the boundaries of the consortium area. Hence, they have rarely asked for executive powers or voting rights in the governing bodies of the partnership.

As a result of the predominantly bureaucratic culture of Spanish public administration, most relevant external stakeholders place greater emphasis on legal accountability than on managerial accountability. This is the case of the Audit Court, which only complains about the lack of performance data that prevents it from evaluating efficiency and equality. Similarly, the Prices Supervisory Board, which must approve any

increase in prices of basic goods, usually focuses on the legal aspects, ignoring issues related to performance.

In both of the examples of *mancomunidad* and consortium, while it is relatively easy to design performance measures for the consortium, particularly if they are based on outcomes — such as water quality standards — it is more difficult to find agreed performance data for quality and outcomes of social or cultural services. For that reason, most yearly reports of consortia or *mancomunidades* are filled with indicators related to resources, activities or (occasionally) outputs. In this sense, the accountability in managerial terms is rather low.

Even though the leading team of the consortium is rather managerial, the members have chosen a politician (the mayor of one of the more important municipalities) as president of the consortium in order to ensure political responsibility. Finally, while in the *mancomunidad* there is a collective governing body made up of politicians, in the consortium the political executive has been streamlined to one person.

### *Performance management*

Due to the high interest in political and legal accountability, the consortium provides information to all members (including the province and higher levels of government), while the province is excluded as a recipient of information in the case of the *mancomunidad*. In both organisations, the information is self-assessed, and the auditing exercise by external organisations is focused on finance and legal matters (Basque Audit Court).

In the Kosta-Urbe *mancomunidad*, local councils use political incentives. The *mancomunidad* has less autonomy than the consortium, but local councils are willing to give up power inasmuch as their preferences are accomplished by the *mancomunidad*. Those preferences become problematic when there are severe political disputes between political parties of the various municipalities or when the number of municipality representatives in the governing board of the *mancomunidad* makes binding agreements impossible.

Attempts to change the approach to managerial accountability and to measure achievements towards standards have been very limited in the Spanish context. Another section of this report will examine an example of the voluntary use of performance indicators to report on the level of achievement of Catalan municipalities.

## **c) Conclusions**

Inter-municipal co-operation in both Spain and France has been insufficiently studied. The influence of inter-municipal co-operation on the distribution of resources and on the level of services provided to citizens is unclear. No meta-evaluation of these policies has been carried out, but both governments are increasingly promoting co-operation through consortia, *mancomunidades* and EPCIs (*établissements publics de coopération intercommunale*). It can be assumed that these formulas allow small local authorities to provide services that otherwise would have been impossible. However, if central ministries in both countries want to prove that inter-municipal association helps to raise the level of service, they will have to evaluate these policies. Undoubtedly, inter-municipal association or local partnerships might be solutions for overcoming fragmentation instead of traumatic amalgamation. In any case, these formulas should be combined with systems of evaluating service standards.

From the analysis of consortia and *mancomunidades* in Spain and EPCIs in France, some conclusions can be drawn:

- Associations may differ in terms of purpose. There is no problem in principle about being multi-purpose or single-purpose as long as the territory covered by each service makes sense from the economic point of view, the relevant socio-demographic features, and the monitoring capacity of the association. Each service (refuse collection, fire department, social services) follows a distinct logic in terms of geographical limits, and this logic should be respected when organising the association.
- Associations may differ in terms of governing body. In any case, in order to ensure political and democratic control, local politicians (or provincial politicians) should be placed at the

top of the association. It seems that in order to strengthen the managerial capacity of the association it would be wiser to have a separate management team, which would be bound by performance contracts including negotiated standards of services that could be assessed periodically.

- Associations may differ in terms of membership. Consortia allow the presence of higher levels of government (with or without executive powers and voting capability) as well as NGOs and private capital. *Mancomunidades* and EPCs have only municipalities as members. If higher levels of government have a strong political interest in the association, it might be wise to devise a system in which they have executive powers and voting capability without undermining the autonomy of local-level authorities. If their interests are more managerial or are generally concerned with service standards, they could set up frameworks for commitments on both sides.

Löffler (1999: 17-18) proposes performance partnerships in order to achieve responsible and efficient contract relationships between the agent (association) and its partners. These partnerships should ideally have the following features:

- clear delimitation of functions and responsibilities and identification of risks;
- joint agreement on performance expectations, according to available resources;
- circulation of trustworthy information between the agent and the different stakeholders;
- joint evaluation of results;
- feedback on results and necessary adjustments for continual improvement.

## **6. Nationally Driven Approaches to Raising Local Service Standards**

Vertical and horizontal associations of municipalities can certainly overcome the problem of fragmentation, but they do not resolve by themselves the issues of distribution of resources and negotiation between higher levels of government and rural municipalities or associations of rural municipalities. Grant transfer is a common financial incentive used by central and regional governments in order to enhance the capacity of local governments to deliver public services. If grants have to work as incentives, central governments might have to launch various strategies in order to make incentives operational. In this section, several approaches to the negotiation of local goals at national level will be examined.

### **a) *Agreements between central government and local authorities: some national examples***

The main argument of this report maintains that equality of service standards throughout the country might not be desirable from a local perspective because “diversities” in terms of location might promote different dimensions of a specific service. At the same time, the key role of central ministries in aiming at a minimum (or maximum) level of services is acknowledged everywhere. This issue is influenced by the dominant culture of administrative traditions. Prussian and Napoleonic state traditions focus rather on legal and financial control and are less concerned with performance. Countries such as France, Belgium and Spain have undertaken some initiatives of local-national negotiations that reflect this feature, and their concerns are mostly related to the input side. Anglo-Saxon and Scandinavian countries appear to be more concerned with economic efficiency and effectiveness of service delivery. These countries are prone to promote strategies in which the level of performance will play a key role in the way in which local and national authorities interact. Examples will be used to illustrate this in both political-legal traditions. These examples show that respect for diversity can be achieved through bilateral contracts between local authorities and central governments, while supporting national strategies for local services.

The “*Contrat de Ville*” has developed in France since the late 1980s and early 1990s because it was thought that the national government’s decentralisation programme of the 1980s had not solved the problems of fragmented local government. According to Hall and Mawson (1997), the “*Contrat de Ville*” was a mediating formula that sought to respect local policy discretion granted by decentralisation and

enable central government to meet its wider national urban policy objectives. The “*Contrat de Ville*” is addressed to cities and not to rural towns.

The “*Contrat de Ville*” offered localities additional financing or influence over policy-making in return for greater coherence in local actions towards shared objectives. Systems and structures were put in place, which situated the “*Contrat de Ville*” within the decision-making processes of central government, with a key minister being given oversight of the programme. Formal negotiations involved national and local stakeholders from the beginning. The process included all relevant aspects of public policy and expenditure that affected the locality. Unlike in the UK, the process in France has been political rather than based on performance. There is neither an identification of targets nor a collection of data to assess performance towards these targets. A political dynamic has dominated over a more technocratic one, perhaps — among other reasons — because locally elected positions have been the domain of senior national political figures in France (*cumul de mandats*).

In Spain a pilot initiative has been launched by the provincial government of Granada, whereby grants to local authorities will be allocated through a different process than they had been in the past. While past priorities and grants had been centrally decided by provincial authorities, and local authorities could only adjust their needs to the supply of funds, since 2004 local authorities must send their priorities to the province, where decisions will be made taking into account these local priorities and some provincial goals. For instance, in the past, the province had decided to support sports centres by fostering the contracts of sports trainers. Local authorities wishing to receive resources had to bid for this sports grant, but they subsequently decided to contract “illegally” a social service expert, who was needed more in a municipality with ageing problems than a fitness trainer. In the future, an observatory of local services will monitor whether local priorities have been accomplished by means of the grants requested by municipalities.

In Flanders (Belgium), “covenants” (agreements between regional and local levels) should finally improve services to the citizen. These policy agreements between the Flemish Government and individual local authorities have been designed to show that higher levels of government can trust the governing capacity of local authorities, which is a departure from the authoritative central attitude of the past (Wayenberg and Steen, 2002:140). The application of covenants was designed to promote policy objectives shared by central and local governments, and it has encouraged the development of improved local service planning, involving a variety of local actors. Covenants are associated with the allocation of central funds to local implementers for the delivery of specified outcomes. Processes and mechanisms are determined by individual local authorities. Covenants also require that local plans include performance measures and indicators. Unlike the French “*contrat de ville*”, the covenant includes managerial elements, inasmuch as outcomes, performance management and indicators should account for local achievements.

Resources in the covenant are awarded on receipt of a satisfactory local plan. In addition, performance measurement is determined locally rather than in relation to nationally applied measures. The issue of performance measurement appears to be contentious in Flanders as it is difficult to assess specifically every activity. Furthermore, central support for the development of appropriate performance measures and instruments is rather modest.

Central-local government relationships represent an important dynamic in the delivery of policy and service initiatives in the UK. Since 1997 focus has shifted towards achieving more “collaborative” and “consensual” relationships between central government and local authorities. While there are some common features between the LPSAs (Local Public Service Agreements) and other experiences outlined above, the LPSAs focus on targeting, performance management and outcomes. LPSAs should be understood as instruments to improve the deteriorated relationships between central and local governments. The Labour Government has tried to change the conflict patterns between previous national conservative governments and local authorities. Sullivan *et al.* (2004) maintain that a change in central-local relations is identified as a good in itself as well as a route towards achieving improved outcomes for the public. In fact, the first evaluations of LPSAs (Enticott *et al.* 2005; Sullivan *et al.* 2005) are more concerned with the improvement of relationships between local and central governments than with the capacity of local authorities to establish local targets.

The LPSA is a mechanism by which local authorities could volunteer to enter into a three-year contractual relationship with the central government in order to achieve service targets in 12 key areas, above and beyond the targets that had been agreed through existing policy mechanisms. The selection of local targets was also possible in this framework. The importance of the LPSA, however, lies more in the

process than in the results. Pump-priming grants and reward grants (for optimum performance) provide incentives for local authorities to negotiate.

Local Public Service Agreements have implications on three sides: the Treasury, national departments and individual local authorities. They are formally signed by the local authority (leader and chief executive) and by the government (ministers for local government, the Treasury and any relevant departmental ministers). The evaluation of Sullivan *et al.* (2005) shows the following results:

The *Treasury* plays an important role in terms of funding the LPSA initiative and also in funding the staffing in some government departments for resource participation in the LPSA. The impact of the Treasury was perceived by some to be double-edged, inasmuch as it promoted national leverage on local affairs. Sullivan *et al.* (2005) also suggest that the change in the second generation of LPSAs, focusing basically on the priorities agreed in the Local Strategic Partnership, may give the impression that local priorities will be given more relevance than priorities determined by the government.

The role of individual ministers has been dependent on several factors: previous relations between the ministry and local authorities and relevance of the topic for the department's normal business. In some policy areas, such as recycling, the profile of LPSAs was high on the ministerial agenda. Respondents from other central government departments reported ministers as having "no interest" in the initiative, resulting in the marginalisation of the LPSA for a time. In some cases there were concerns about the meaning and consequences of local variation and discretion. By and large, the position of the minister has been influenced by top officials in the department. This suggests that some bureaucratic elites are preventing the government from leaving any room for local diversity.

*Local councillors* of the Council Executive were identified by some local respondents as key change agents. Respondents suggested that the LPSA provided an opportunity to advance service outcomes, working in partnership, and performance management. Nevertheless, this message was not consistent in all local case studies examined for the report.

The issue of the freedom and flexibility of local authorities, according to the study of Sullivan *et al.* (2005), was a source of the "greatest disappointment to central and local respondents". Local actors had had great expectations of the possibilities, but central actors seemed to be too resistant to proposed changes and to the needs of local authorities to identify new spaces.

The introduction of local PSAs would enable the Treasury to fill the perceived "hole" in the Comprehensive Spending Review by directly engaging contracts with local service deliverers for outcomes and by setting distinct targets against which performance could be monitored. On the side of local actors, the rationale for action was the idea that funding for local government might be replaced by a system of grants awarded on the basis of the approval of service/programme plans submitted by local authorities. Such a system would enable local authorities in the long run to act more freely and autonomously.

The quoted examples show a different level at which national and local priorities are negotiated. The British experience is subject to a wide meta-evaluation exercise. Based on the provisional results of this exercise, Martin and Bovaird (2005) suggest that poor results in terms of public satisfaction with local services could be explained by the dominance of national strategies over local strategies for service delivery. They see benefits that would derive from developing "a portfolio approach to achieving national priorities by setting stretch targets for them in those local authorities where these priorities are shared locally, rather than setting similar targets across the country". Both authors, in evaluating the LGMA, consider that national priorities have dominated over local priorities, and that it could be argued that resident satisfaction would increase if local needs were taken more into account in the development of those services that are known to stand out as key developers of public perception. They further argue that Local Area Agreements (LAAs) and a second generation of LPSA (a reform recently launched) could potentially reflect local priorities. In fact, what these experts are advocating is a compromise that takes into account territorial diversities alongside some national priorities, as otherwise it seems as though a national agenda is valid throughout the whole country. At the beginning of this report, it was maintained that it would probably be desirable to search for certain equalities at the same time as diversity is taken into account. The evaluation of the modernisation programme in the UK shows that this combination is useful as long as higher standards of service and higher satisfaction of residents are the main shared goals of local and national authorities.

It seems that LPSAs have been a shy attempt to bring together local priorities and national strategies. In the long run, it seems that local people would like to have some power over their future and that they will not show satisfaction unless their needs and priorities are taken seriously. These bilateral agreements have the potential to foster diversity while at the same time some equal conditions are set, but the actual achievement of these agreements very much depends on how central governments decide to accord some trust in local authorities.

#### **b) Standards and national performance indicators**

Another means of reaching equality of service delivery is through the alignment of local performance with national performance indicators. It has been suggested that countries such as Ireland and the United Kingdom and Scandinavian countries focus on minimum service standards through centrally defined performance indicators because they are oriented more towards outputs and outcomes. The examples of Ireland and the UK are relevant in this regard for several reasons:

- In the European context, the UK has been the country with the most thorough approach to achieving equal standards for different local services nationwide. The British Government has invested a huge amount of resources in designing, implementing and assessing a system for raising the quality of services at local level.
- Ireland has taken a more modest approach to raising the quality of local services. However, this experience is valuable because Ireland has shown its capacity to overcome economic hardships within the European Union. The public sector is trying to match the expectations of the population, which have been raised by the economic miracle of the last decade. Although the amount of resources put by the Irish Government into improving local services has been less significant than in the UK, the country seems to be on the right track, due to EU grants, which is important for Mediterranean countries and for new members of the European Union.
- Continental countries in general have not deployed a national approach to raising standards in outputs, outcomes and quality terms, although certain federal countries (e.g. Germany) did so at Länder level.
- Scandinavian countries have had intensive experience with standard-setting at national level, but as most texts are in the native language, they have not been included in this report.
- Furthermore, the UK and Ireland have not only worked on standards but have also assessed progress achieved through independent review. Both experiences will be examined further in this report in separate subsections.

#### *Centrally defined performance indicators and compulsory approach*

The main differences between the UK and other European countries should be stressed at the outset in order to properly understand the capacity of central government to shape local affairs:

- 1) British local authorities lack autonomy. They could be abolished or merged through a simple Act of Parliament, and parliament is normally dominated by one of the two major political parties, i.e. by the government. Central government may appoint a new management board of the local authority if it considers that the board does not perform up to certain standards. The UK is a recent signatory of the European Charter on Local Autonomy of the Council of Europe, but British local autonomy is lesser than that of continental counterparts.
- 2) British central government has put an unmatched amount of resources in fostering, monitoring, assessing, inspecting, and auditing the quality of services offered by local providers.
- 3) The number of local authorities is very small in relation to population size and in comparative perspective. This low fragmentation of British local authorities constitutes an

advantage for the local authorities and for the national government agencies dealing with them. Even for the smallest local authority (around 35 000 inhabitants), there is a critical mass of funds and staff to meet the demands of national government for service delivery.

All of the above three features are not found outside the UK. The theoretical political capacity of British central government to steer local affairs is enormous. In practice, however, many scholars argue that the centralising efforts of the central government meet with reactions from local authorities. Furthermore, even under the above three features, the British central government has not yet achieved a minimum standard of quality services throughout the whole country. It can therefore be assumed that countries with autonomous local governments and a large number of local authorities would have additional problems to overcome. Nonetheless, the British policy in this regard is worth looking at.

The UK national drive towards improvement of service delivery has been realised through multiple strategies. The central government's goals are to achieve higher quality services, to obtain more cost-effective services, to better respond to and satisfy user and staff needs, to improve access for all groups, and to better co-ordinate services between various public and non-governmental agencies. To monitor the responses of local service providers to national goals, a national system of performance indicators and a central system of inspection have been devised. Of the 11 policies related to the modernisation of local government that might have had an impact on service improvement, this report will deal with the following: Best Value Regime, Comprehensive Performance Assessments (CPA), Local Public Service Agreements (LPSAs) [see previous section], Local Strategic Partnerships (LSPs), and the Beacon Council Scheme.

The *Best Value Regime*, launched in 1997 by the recently elected Labour Government, was designed as a substitute for the compulsory competitive tendering regime. Unlike the Conservatives, the Blair Government did not prescribe a single response to improving service delivery through compulsory competitive tendering (CCT) for most local services. "Best Value" meant that local authorities had to provide services of the quality and price that local people were willing to pay. The Best Value Regime concerns not only driving down costs but also requiring improvement in service standards. For that purpose, local authorities had to review the performance of their services every five years, testing whether the service was needed and whether local authority providers could offer best value in competition with alternative providers. In addition, local authorities had to consult with stakeholders on the level of service. Local authorities are compelled through the Best Value Regime to publish annual performance plans, with detailed current performance results and plans and targets for improvement. These plans must be submitted to external audit and to reviews by independent inspection (at the expense of the local budget). Performance is monitored through the Best Value Performance Indicators (<http://www.bvpi.gov.uk/pages/Index.asp>). Since 2003, however, the Best Value Regime has relaxed some of its statutory requirements in terms of reviews, inspection, and reporting.

*Comprehensive Performance Assessments* (CPAs) were launched in 2002 to bring into a single framework relevant information on each council held by government departments, auditors and inspectors. The CPA is aimed at providing an overall assessment of each council's current performance, its capacity for continuous improvement, and its strengths and weaknesses. In upper tier and unitary authorities, CPAs rated seven "key" service areas: benefits, education, environment, housing, libraries and leisure, social care and use of resources. In district councils, current performance is judged based on information on four service blocks: benefits, culture, environment and housing.

If persistent or serious failures to comply with national regulations occur and/or improvements are not secured, auditors or inspectors will refer to the central government, which could intervene directly in the local authority, for instance by appointing a new management team.

Central government has become directly involved in those local authorities judged by the CPA to be "performing poorly". In most cases, these authorities have been seen as suffering from a number of problems (including failures of political and/or managerial leadership and absence of performance management systems). The UK Audit Commission (2002) believes that intervention in the standards of management and/or political leadership should foster higher service performance. A senior official is appointed to the poor-performing local authority so that the link to central government is secured. The managerial board of the council, which also includes other representatives of government departments and

regulators, will help in drafting a recovery plan for the local authority. In more serious cases, some local senior managers have been replaced.

Each authority receives an overall CPA score, which is based on current performance and capacity for improvement. "Excellent" and "good" performers are exempt from inspection and acquire more flexibility in service delivery. The others are subject to further scrutiny. The CPA is currently evolving, giving more attention to working in partnership, community leadership, and reduction of regulation.

A meta-evaluation team, led by Tony Bovaird and Steve Martin, is currently assessing the impact of the British Local Government Modernisation Agenda (LGMA), in terms of both the progress of local authorities towards providing better services and the balance between local and national priorities. The final report is due in 2007, and the main results of the Progress Report (Martin and Bovaird: 2005) will be summarised here.

Best Value Performance Indicators (BVPs) and CPA scores measure a variety of aspects of performance — inputs, activities and outputs — while very few measure outcomes. The scores related to outputs focus either on quality, efficiency or effectiveness of services. According to Bovaird and Martin (2005), an analysis of national performance indicators — basically those included in the "Cost-effectiveness Basket of Indicators" and the CPA score — suggests that overall performance has improved in all services, with the exception of primary education, where performance has remained the same. Improvement has been noticed especially in those local authorities that have traditionally lacked the capacity to improve, and the national priority areas (social services and education) have witnessed rapid improvements. It seems that recovery support and capacity-building fund schemes have helped those "poor" authorities to overcome barriers to improvement. However, the analysis does not necessarily give an accurate indication of improvement in the cost-effectiveness of local government, since BVPs have not yet been deflated by local government expenditure, which has increased in services such as education, social care and recycling.

Moreover, the officers' perceptions examined in 2004 show a statistically significant correlation between respondents' views and CPA scores for local authorities in relation to service quality, value for money and responsiveness to the needs of service users.

However, these positive results shown in various sets of indicators and in officer surveys diverge from a fundamental negative aspect: public satisfaction with public local services is steadily declining, as shown by data drawn from user-satisfaction surveys conducted in 2001 and 2003, with more than 539 000 and 576 000 respondents respectively (Martin and Bovaird 2005; see also ODPM, 2004b). This declining trend is further confirmed by user-satisfaction surveys from various sources. The average percentage of respondents who were reported to be satisfied with the way in which their local authorities were running the area declined from 66 per cent in 1997 to 56 per cent in 2002; the overall proportion of respondents who believed that their local authorities provided good value for money declined from 49 per cent to 37 per cent between 1997 and 2002.

The British case shows that while there have been improvements in performance against officially set service indicators, residents have become less satisfied with services than they were in the past. In section 6a above, it was suggested by the authors of the report that the decrease in user satisfaction with local service delivery might be connected with the dominance of national strategies over local priorities. The authors further argue that a greater focus on local priorities and hence on diversity would positively influence users' perception of service delivery. It could also be the case that indicators set by officials at national and local levels are either not well designed or are simply wrong.

#### *Voluntary and nationally driven scheme*

Since 1996 the Irish Government has been developing a consistent framework for raising the standard of local services. The programme has been basically directed to (1) enhancing community leadership of local authorities through strategic policy committees and local development planning; (2) improving efficiency and effectiveness of city administration through corporate planning and financial and human resources management; and (3) increasing the quality of services through customer action plans, nationally and locally devised service indicators, integrated service delivery in one-stop-shops, and development of information and communication technologies.

This report focuses on number (3): the quality of services. The improvement of service delivery has focused on Customer Action Plans (CAPs). The CAP is a document that establishes standards of service agreed by local authorities in consultation with local customers. In CAPs, local authorities set out actions aimed at improving the quality of public services. The initiative has been backed by other initiatives, such as the Quality Customer Service (QCS) (see Humphreys 1998), which was extended from central government level to also include local services. These initiatives focus on negotiations between customers' priorities and local actors' capabilities.

Central government guidelines for the elaboration of CAPs include two principles linked to equality. In line with the main argument of this report, local authorities have to ensure the rights to equal treatment established by equality legislation. The guidelines explicitly refer to equal "rights" and not equal minimum standards across the various local authorities. In addition, local authorities must do their best to accommodate diversity, so as to contribute to the equality of all groups considered in the equality legislation (depending on gender, family status, marital status, sexual orientation, religious belief, disability and age, as well as foreign visitors and members of traveller communities). This principle further recommends identifying and trying to eliminate barriers to access to services for those experiencing deprivation and social exclusion as well as geographic barriers to services.

With reference to service standards, the Better Local Government initiative (BLG) of 1996 asked local authorities to individually set standards regarding a number of indicators that have been agreed nationally. The list, compared with indicators from the UK, reveals that the number of services locally delivered in Ireland is lower than in the UK, as is the number of indicators agreed at national level (20 main indicators). In May 2000 a defined set of service indicators was introduced for local services by which improvements in service to the public could be assessed and tracked over time. The progress of local authorities in service delivery is to be measured by this set of indicators in relation to agreed standards. BLG also recommends the adoption of financial indicators to complement service delivery indicators.

The CAP should have the following features, according to the Modernising Government (2000) agenda:

- Internal and external consultation should be used to increase service quality;
- Objectives of quality customer services should be identified;
- Standards of service should be specified by individual local authorities; and
- The CAP should be consistent with the local corporate plan.

As indicated above, the CAP is a document which establishes standards of service agreed by local authorities in consultation with local customers. Reviewers of the implementation of the CAP (Boyle *et al.* 2003: 101-108; IPA) found the following:

- 73 per cent of respondents (county and city managers) perceived that the CAP had given a clearer focus to quality service delivery issues.
- The implementation of the CAP has varied among local authorities in terms of content, quality, approach and success.
- Local authorities have published service standards of varying specificity across the range of services provided for the first time. According to local managers, the use of indicators in local services is a relatively new phenomenon in Ireland.
- Systems introduced by local authorities to handle complaints and appeals have helped external consultation.
- National indicators have been positively valued by local managers, but they consider that there is room for refinement and that they could be more citizen-friendly.
- The variety of CAP documents suggests that the support provided by central government for the use of the CAP has not been strong.

- Most authorities are reporting performance against service indicators in their annual reports, in other reports and through the media. However, this performance reporting has limitations:
  - 1) The transparency of the indicators in the reports varies among authorities. In some reports it is very difficult to find the figures.
  - 2) Only 34 per cent of county and city managers use these indicators “a lot” or “very much” and in an active way.
  - 3) The use of “benchmarks” across time or geographical jurisdictions is still modest.
  - 4) Only some authorities have developed their own local indicators to reflect local priorities.
  - 5) Very few established targets have been set for the coming year for each of the national service indicators.

A number of local authorities also mentioned the possibility of using customer satisfaction rates, based on customer surveys, as national service indicators, as some reports consider that this would be very appropriate for measuring performance against local indicators. However, for such indicators to be comparable at national level, it would require the exact same questions, with the exact same response options, to be asked across all local authority customer surveys in the country.

The use of a large number of indicators, set at national level, risks swamping citizens with “information overload”, whereas the international trend is towards a limited set of indicators that are focused on priority areas.

#### *Voluntary establishment of performance indicators*

In the Spanish public administration, which is dominated by a legal culture, an interest in performance surfaced only recently. While certain local authorities use performance indicators on their own initiative, higher levels of government do not use these indicators when auditing the performance of municipalities or when giving local grants. Most indicators used for grants bind resources to population size (i.e. x euros per inhabitant for water sanitation). A recent initiative (Fundación Pi i Sunyer, 2003) in the Catalan Autonomous Community (region) agreed on local indicators for some services. The initiative was basically promoted by the provincial government of Barcelona and the Catalan Audit Court. It was also assisted by the Foundation Pi i Sunyer (specialised in local affairs) and the Professional Association of Economists. The main goal of this participatory exercise, in which officials from several local authorities took part, was to agree on a common set of indicators by which local performance could be measured. The Audit Court also asked to place special emphasis on the relationship between outputs and economic resources (i.e. cost per child in a municipal kindergarten).

The final agreement on a set of indicators was obtained after three general meetings and the work of six separate commissions for each of the services. The methodology of agreeing on a common set of indicators proved to be right, although the best indicators were not obtained in the first round. Implementation of the indicators has proved to be more difficult, as the initiative has not been backed by legislation or economic incentives. It is up to municipalities to report to the Audit Court (and other bodies subject to clauses of anonymity) on the various indicators of local services. As often happens in organisations, not all municipal representatives in the meetings were able to commit other staff members of their own municipality to performance measurement.

#### *Summary*

In this subsection three examples of nationwide or region-wide performance indicators have been analysed. The UK experience is a compulsory scheme with a clear dominance of national strategies. Ireland shows a combination of compulsory and voluntary schemes, also with a dominance of national priorities but with room for local initiatives. Finally, the Catalan experience is marked by the voluntary nature of the initiative of municipalities to draft a common set of performance indicators. Based on an examination of these experiences, some conclusions can be drawn.

- 1) In both the UK and Ireland an attempt has been made to raise the standards of service quality. The assessment of service delivery has been analysed by means of performance indicators. In Catalonia, on the contrary, the focus was not on the improvement of service delivery but on the use of performance indicators by the Audit Court in order to better assess the use of funds by local authorities. In the Catalonian initiative a “soft” control dimension was built into the assessment scheme.
- 2) In the UK, a system of inspection and auditing has accompanied the review process, while the process in Ireland has been voluntary (and also with some positive results). The Catalonian example has been left totally to the will of municipalities, and the initiative seems to display modest results.
- 3) It seems that the level of service (in terms of inputs, activities and outputs) has increased in the UK, while in Ireland there is a recognition among local officials that the national strategy has helped local authorities to focus on performance.
- 4) The system of performance indicators dates back to the early nineties in the UK, while it is more recent in Ireland and almost non-existent in Spanish local authorities. Working with performance indicators can only improve with time, but it requires a strong commitment from all sides.
- 5) One of the main worries in the Progress Report of Martin and Bovaird (2005) is the decline in public satisfaction with local services. They believe that LGMA policies have been perceived to have augmented the focus on national priorities, to the detriment of local issues, and also to have increased the centralisation of local affairs.
- 6) Evidence suggests that to date the LGMA has relied heavily on funding, targets and inspection regimes dictated by central government. This “hands-on” approach may not be cost effective or sustainable in the longer term, and more efforts may be needed to secure “improvement from within” local government itself. The strategy in Ireland could suggest that there is more “improvement from within” local government, although national government should give more support. It is clear that the support of regional and national governments in Spain has been very scarce; the involvement of the Audit Court and the provincial government of Barcelona are not sufficient unless legislation is introduced and incentives are used to foster the measurement of outputs and outcomes by local authorities.
- 7) The path towards the CAP has been levelled by previous reforms in the Irish context: corporate plans for the local authority to cover the period between local elections, local council boards made up of politicians and officials, enhancement of the community development role rather than focusing only on service delivery. The improvement of service delivery depends not only on actions directly related to service but also on other factors that may have equal or greater relevance.

In terms of how to implement from scratch an approach directed at using performance management for improving the level of service standards, it seems that the Irish Government’s combination of compulsory and voluntary approaches, together with an increase in central support for the whole scheme, is more appropriate. The low commitment of municipal leaders to a voluntary scheme (Catalonian case) seriously endangers the success of the project. It therefore seems wise to combine both perspectives at the same time. Performance measurement should be added on a compulsory basis to the contracts between partners of an association, whereas there should be room for negotiating performance indicators that suit the various services. If a central-level institution intends to give economic incentives through grants to associations or single local authorities, those central instances could devise a scheme whereby legal control could be complemented by a negotiated framework of performance indicators. Such a framework would make it possible to set goals such as attaining a comparability ratio of 70 per cent or 80 per cent of indicators nationwide or region-wide and allowing a 20-30 per cent diversity of indicators so that they are meaningful for a particular local authority. Undoubtedly, the role of central or regional ministries in this interplay is highly relevant. In the next section, this report will examine some actions that central

government could undertake in supporting local initiatives or national strategies for improving service delivery.

**c) *Raising standards with help: recognising “good practice” and facilitating exchange***

There are many examples all over Europe of the recognition of “good practices” in public administration in general and in local authorities more specifically. Those examples include various international quality awards related to EFQM (European Foundation of Quality Management), the Speyer Quality Awards (for German-speaking countries), and various national initiatives (in Belgium, Italy and Spain, among others). These awards have one common feature. They are all linked in theory to the idea of benchmarking and learning. In practice, they are more about making authorities compete and market themselves than about encouraging them to learn from each other. The organisers seem generally to be more worried about getting the scores and the evaluation right than about establishing a platform for a real exchange of ideas, experiences and co-operation.

Unlike the above-mentioned examples, the British Beacon Council Scheme seems to join the features of recognition and learning more truly. The Beacon Council Scheme was established in 1999 to improve services by publicly recognising councils that perform certain functions effectively. The scheme also provides incentives for the awarded local authorities to share their “good practice” with other councils (DETR, 1999). The Beacon Council Scheme also tries to build local capacity in order to improve service standards and increase cost-effectiveness (Hartley *et al.*, 2000). The evaluation exercise of the scheme praised the value of this instrument, because it could be useful for high-performing local authorities (recognition) and for under-performers (learning) (Hartley *et al.*, 2003). The real issue at hand is using the instrument as a learning tool, because it does not suffice to share practices with under-performers. The IdeA strategy (see below) can be seen in relation to this issue as a way of building local capacity.

In the framework of the Beacon Council Scheme, the central government selects each year a number of themes covering functions in which it wishes to encourage good practice. Local authorities then submit applications, which are judged by an advisory panel. Successful applicants must be performing reasonably well across all services and demonstrate a willingness to provide learning opportunities for other local authorities (DETR, 1999b: 5). Those awarded as “beacons” disseminate their “good practice” through various means: “roadshows”, open days, site visits, exchanges of staff, web-based materials, and consultancy.

The Beacon Council Scheme is a useful instrument for fostering learning by under-performers. The system is designed not only to recognise success but also to help avoid failure. Another measure launched by the UK Government to build capacity among local authorities was the Improvement and Development Agency (IDeA). IDeA was established to build capacity in local government by disseminating good practice through training officers and members, peer review, and support and advice on e-government. The agency carries out a number of national projects, and its regional associates and strategic advisers provide advice and support in specific service areas. The Capacity Building Programme, launched in 2003 with an initial annual budget of £34 million, comprised four key elements (Martin and Bovaird, 2005):

- “A national capacity building programme developed to provide support for all councils seeking to improve the delivery and quality of the local services they deliver;
- A programme of pilot schemes designed to develop innovative ideas from individual local authorities;
- A programme of regional pilot projects led by the regional branches of the Local Government Association which are focusing on developing partnership approaches among the range of relevant regional organisations supporting local government improvement;
- The on-going programme of support for authorities rated as ‘poor’ or ‘weak’ in the CPA [see above].”

IDeA has been established in order to foster improvement. Otherwise, a CPA and BVPI system, with no possibilities and no learning chances for under-performance, would have signified a punishment approach

to local authorities rather than the amiable relationship intended by the Labour Government after years of intensive confrontation between the conservative central government and local authorities. While the support of the UK Government to all local government has been considerable; the Irish local authorities have demanded more attention from the centre to face the challenges of the Modernisation Agenda.

## **7. Locally Driven Strategies for Equality and Better Services**

### **a) Introduction**

Service delivery is no longer the monopoly of single public organisations. The complexity of today's world is addressed by a set of interconnected organisations, public and private, from different localities and from different levels of government. The tasks of public authorities have become more complex than ever before. Local authorities in recently democratised countries are no longer recipients of commands from above but are active agents in shaping the new agenda. If rural communities, together with higher levels of government and neighbouring municipalities, decide to establish consortia or other kinds of partnerships, they will have to face — together or alone — decisions related to the patterns of equality and inequality. Many of the initiatives examined in this section have to face the equalities-diversities dilemma.

This dilemma can be found in a multitude of decision-making situations: in the way in which organisations set up consultation exercises; in the choice of strategy to implement modernising reforms; in the means by which staff are selected to develop projects that require working in a network or to effectively address diversity; in the way in which other non-profit organisations are invited to co-produce public services and in the way in which contracts with these organisations are drafted; and so on (Newman, 2003). If those actions that are normally marginalised could be included in the mainstream debate about the goals and standards of the service, there are chances of establishing an equality agenda that further legitimises public activity *vis-à-vis* citizens.

One starting point in facing diversity when delivering public services relates to the workforce. It seems that a more diverse workforce, representative of diversity, is more capable of sympathising with an equalities agenda. The Oldham City Council (UK) is a good example of the equalities agenda. Many of the documents prepared by this council state the main policies through which officials are proactively seeking alternative methods of service delivery for disabled people, while other documents indicate where barriers may exist, thereby making it difficult to use a particular service. The Oldham City Council is committed to ensuring the equality of opportunity for all; it will carry out its duties with positive regard for gender, race, ethnic origin and nationality, religious or cultural beliefs, marital status, disability or illnesses, sexual identity, age, responsibility for dependents, economic circumstances, trade union membership or political affiliation, and rights for rehabilitation of former offenders. Likewise, the Oldham City Council has made the commitment to include diversity in its workforce. For instance, the council promotes age diversity by valuing contributions of employees irrespective of their age and challenges the general acceptance of "ageism" so as to eliminate age stereotyping. The council admits that discrimination on the grounds of age is wasteful for a country and for its private and public organisations. In a way, by recruiting older people the council recognises that the society is ageing and that a representative bureaucracy (not only in terms of age) might be more capable of tackling issues that different and diverse groups might bring to the public debate. Therefore, the Oldham City Council is actively seeking job applications from under-represented groups, with the hope not only of serving these groups better but also of serving as a role model for other contracting organisations.

Other means of addressing diversity is through mechanisms in which citizens and users are consulted on how services are and should be delivered. A deeper approach would be to encourage the participation of citizens in policy design and service delivery. The vast literature on the topic suggests that building trust through user and citizen participation pays back in local services and policies. A joint paper (Löffler and Parrado, 2005) deals with the most important aspects that have been relevant for European local authorities in building users' and citizens' trust. The main findings of the paper refer to examples that were discussed in detail in the course of interviews carried out by the authors. Those interviews and the paper are available at [www.govint.org](http://www.govint.org).

Adequate reporting, consultation and participation are ways of developing trust in government. Trust involves more than simply delivering more, better and faster services. Governments have to evaluate

whether services are meeting citizens' needs. The conditions for trust in government include having well-educated citizens, transparent processes and accountability. Government needs citizens to see that their interests are being treated fairly even when their demands are not met. Transparency in government helps to reassure citizens that they are being treated fairly. Accountability helps to ensure that government failures are corrected and that public services meet expectations. Transparency and accountability are achieved, among other means, through the empowerment and participation of citizens directly affected by public actions. These aspects have been highlighted in many OECD studies. In this report it will be simply stressed that consultation and participation should pay attention to local diversities.

There are several initiatives in which the question of equality-diversity can be combined. Some of these initiatives will be examined in the next subsection.

## **b) *Citizens' charters***

Service charters or citizens' charters were originally conceived as a way of responding to demands for accountability, transparency, efficiency and better service delivery. It was believed that the empowerment of citizens, users and employees would ease the search for solutions to public sector problems and could introduce new ways of service delivery. Citizens' charters are managerial instruments that are built into the legal culture of a country. A citizens' charter is not a legally enforceable document, and therefore proceedings cannot be started by citizens if public authorities do not respect their promises. However, by means of transparent assessment of services and reporting systems related to service standards, public managers are aware of the need for improvement.

The charterism movement was pioneered in the public sector by the United Kingdom. The UK Citizens' Charter, originally launched in 1991, was set up with the aim of improving the quality and responsiveness of public services. The charter was re-launched on 30 June 1998 by the Charter Unit of the Cabinet Office under the name "Service First".

The document represents a systematic effort to focus on the commitment of the public organisation towards its citizens in terms of standards of services, information, choice and consultation, non-discrimination and accessibility, grievance redress, courtesy and value for money. The British Citizens' Charter has reshaped discussion on the issue around the world, although many countries have applied in practice a different logic than the one originally intended, as different state traditions (Nordic, Anglo-Saxon, Continental Prussian and Napoleonic) have interpreted in a different way the relationships between the state and its citizens.

As varied countries as Australia, New Zealand, United States, Belgium, France, Italy, India, Jamaica and Spain (to name just a few) have adopted one or another version of a citizens' charter. In Anglo-Saxon countries, citizens' charters are most likely to emphasize efficiency, effectiveness and value for money in service delivery.

In this report, the Spanish case will be further analysed because it proves to be more relevant for central and eastern European countries than Anglo-Saxon experiences. Continental tradition (France and Belgium) features a more legalistic administrative culture and more generally citizen-driven than user-driven. There are mixed examples. For instance, Spanish central administration has supported citizens' charters in line with Anglo-Saxon practice, although the administrative system belongs to a continental tradition (Prussian and Napoleonic).

A citizens' charter should be able to reflect the views of direct customers and general citizens. In line with the equality-diversity argument of this report, if service charters are to promote a standardisation of services, these documents should ensure that customers and citizens are segmented in a meaningful way for the service so that diversities are considered in establishing standards. To date most citizens' charters worldwide have made little effort in recognising the views of direct and potential users which might divert from those of the general group of citizens, and these users might feel discriminated against.

Central departments certainly play a role in fostering the initiative of preparing a citizens' charter. This support ensures a minimum equalisation of the minimum contents of the document. The most important role of ministries has to do with the guidelines, training and continuous support to single units in drafting, implementing and evaluating citizens' charters. In practice, many central departments devote few resources to this support unit, and single authorities have to cope with the problem themselves.

Typically, a citizens' charter has the following components: a description of the mission, functions and services of the organisation and all information necessary for citizens to access the service; standards of services (they should be published, monitored and reviewed against actual performance of the organisation); details of grievance redress mechanisms to ensure that stakeholders are consulted and involved in the charter, that access to users and disadvantaged groups is ensured, that discrimination is not practiced regarding race, age, gender or ability; expectations of citizens; and, in some cases, compensation in case of failure of service delivery. All of these features cannot be established perfectly the first time a charter is drafted. There is always room for improvement, and units aspiring to have sound citizens' charters should be willing to deal with their own mistakes and to improve throughout the process by means of an adequate review process of the charter.

The road map to a citizens' charter should normally be marked by a task force made up of employees of the organisation, citizens and main stakeholders (especially those representing minorities and groups that are typically excluded from service delivery).

In 1999 and in 2005, the Spanish Government linked through legislative measures the implementation of the EFQM model to other initiatives, such as service charters, best practices and quality awards. Citizens' charters have therefore not been an isolated measure. Citizens' charters have spread slowly into some services of regional and local governments. An analysis of the results of charterism due to the double nature of the system (managerial citizens' charter combined with legalistic administrative culture) is useful for this report.

Torres (2003) researched this topic through interviews on best practices of citizens' charters of national, regional and local agencies and through questionnaires sent to local authorities with more than 30 000 inhabitants that have drafted citizens' charters. Some of the main findings will be reported here.

Most service charters (national, regional, local) are shaped in accordance with guidelines drafted by the central ministry of public administration, although this is not compulsory. It proves, however, the potential influence that central ministries can have.

Normally, citizens' charters are initiated and fostered by horizontal departments (quality units, for instance) and have the double goal of improving the image of the agency and improving the service performance. One regional government has promoted the implementation of many service charters in various units that are clearly linked to improving the image of the regional government. In half of the local authorities surveyed, the initiative had been undertaken by politicians and afterwards service managers developed quality commitments, with the technical support of quality departments. For setting charter quality commitments, three-quarters of all public bodies have carried out user opinion surveys, and one-third have collected user opinions from desk staff. These opinion surveys are not carried out *ad hoc* for charters but are linked to other initiatives, such as ISOs or balanced scorecards.

The link with other quality initiatives (ISOs, EFQM or balanced scorecards) has been another important feature of local charterism in Spain. Furthermore, charters are not normally evaluated externally unless they are audited together with other quality initiatives.

Some positive results have come out of citizens' charters when they are not addressed explicitly at improving the image of public organisations. It seems that service charter initiatives have helped to improve the quality of services, but this impact has not been measured systematically by best practice cases. However, all best practice cases have recognised that claims provide an opportunity for service improvement. The monitoring system for complaints often goes beyond the service unit to the political level or to cabinet evaluation units.

Staff surveys show that service charters have contributed to changing internal procedures and have allowed a better knowledge of the organisation, an improvement of quality standard control, an increase in the internal perception of service quality and a greater cohesion of teams. Citizens' surveys have also shown in some best practices cases that service perception has increased, which can be partly attributed to service charter initiatives. In the local authorities surveyed, other gains have been mentioned, such as the redesign and improvement of working procedures, reduction of waiting times for citizens, enhancement of citizens' perception of local government, increase in productivity, cost reduction and diminution of complaints.

Spain has opted for a bottom-up and voluntary approach. This could be the reason why in expert interviews and questionnaire results there is a positive perception of quality and service charter initiatives. In general, service charters have been well received by politicians, staff and users, with some reluctance from trade unions, perhaps because the absence of staff reward systems does not balance the increment of daily work and duties. The change of citizens' perception seems to be encouraging staff to support quality initiatives.

The experience of Spanish pioneers in the implementation of service charters shows that if they are developed by empowering users and employees, charters could support further modernisation initiatives because they point at a new style of relationship between the public administration and citizens.

In summary, citizens' charters by themselves or jointly applied with other quality instruments have the potential of improving service delivery while at the same time giving customers and staff a say in service design. While service charters have addressed the question of efficiency, effectiveness and quality of service, the challenge remains of adequately addressing equality and diversity issues. A second generation of citizens' charters should be built on previous improvements by tackling the issue of diverse societies and needs.

### **c) E-government solutions for small-sized local authorities**

Two different dimensions have been identified as part of e-government. One dimension refers to the electronic provision of services and the new capacity to collect, integrate and use information for the benefit of the public or for tracking broad societal changes and evaluating governmental actions. The second dimension is broader and implies the use of information and communication technologies (ICTs) to expand public space, enabling the direct participation in government activities of stakeholders — citizens, businesses, mass media, NGOs (non-governmental organisations) and other levels of government. Both dimensions stress the idea of improving access to services. Access is a relevant feature in rural communities where service providers are far away. Some e-solutions can therefore bring services closer to citizens. Lenk and Klee-Kruse (2000) offer a model, based on several examples, that they consider to be especially suited to rural areas.

The concept developed by Lenk and Klee-Kruse challenges common practice in service delivery: *Multifunctional Service Shops: A Model for the Public Sector in Internet Times*. If a citizen can buy different products in a supermarket and receive different services from the private sector to cover his/her daily needs, he/she should be able to receive different services from different public/private organisations in a service supermarket. In the Internet era, in a single shop the production and provision functions of the "back office" and the "front office" could be easily separated. A single, multifunctional service shop is not to be mistaken with a one-stop shop, as the latter is normally the enterprise of a single, large agency, with different units spread across the territory, or of several agencies from one level of government.

The main elements of the model are the following:

- Needs of citizens should be considered to match the "what" and "how" of service provision.
- Public and private services delivered in the "front" office (service shop) should be in co-ordination with service providers from the "back" office. In that way, a bank, post office, social security agency, employment office and gas company could join their efforts in the "front" office within a single building while the "back" offices are kilometres away.
- As a proposal from the authors and in order to enhance the local area where citizens normally interact with public and private services, those joint ventures should be accomplished under the umbrella of the municipality. The municipal supermarket would thus be the interface between local needs and service offers from different partners. There are examples in Finland — not explored by the authors — whereby post offices in rural areas have become multi-purpose organisations for different services from different providers.
- Multi-channel options should be offered to citizens in order to obtain a better delivery of the service. Internet is only one option among others, such as call centres and site visits. In that way, traditional and new forms of service and information delivery would co-exist.

Access to the service should take into account not only the type of service to be provided but also the wishes of citizens, in accordance with the equality-diversity argument of this report.

- Specifically trained managers who are highly competent in communication skills should staff the service shop. Their abilities should serve to cope with the highly differentiated needs of citizens. Whenever specialised knowledge and training is required, for instance in relation to social services, a videoconference in a separate and private room within the service shop could be set up for the citizen and specialised staff from the “back” office.
- The keyword for building such an enterprise is “multi-partnership” — among public (from different governmental levels whenever necessary) and private actors.

The philosophy underlying these multi-access and multifunctional shop services, however, is in opposition to most of the ongoing discussions about the use of the Internet in private and public services. It is also a question of the myths surrounding the delivery of e-services. In any case,, there is no unique type of well-educated citizen who is both knowledgeable in ICT issues and competent in administrative matters.

On the other hand, there are standardised services and services in which the handling of an individual case comes to the forefront, with counselling and advice as relevant activities. This counselling case demands a more one-on-one interaction, with either a physical site visit or a private videoconference. For instance, in a rural area 40 kilometres away from a large city — with poor transport facilities — a multifunctional shop of the kind advanced here (with Internet connection) could help a job seeker to identify employment opportunities in the area with the proper counselling of trained staff in the “multifunctional shop”. The staff has to deliver other services, such as the handling of post and provision of information on social services. If the person in search of specialised advice on social matters cannot receive support from the staff in the “multifunctional shop”, in a separate room, this person can be connected to the appropriate civil servant, who might be seated 40 or 400 kilometres away. Similar examples are found in a pilot experience in the city of Bismarck (Germany), which occurred at the time as the book of Lenk and Kruse was written.

Theoretically, this arrangement results not only in bringing services closer to customers and in facilitating citizen access to administrative bodies, but also allows the bundling of the distribution of different services while their production remains with the service provider or under the jurisdiction of the respective administrative body. “Service retail shops”, as the authors have labelled this instrument in English, will thus help to avoid the pilgrimage of citizens from one service provider to another.

However, e-government is not a straightforward solution for all administrative matters, as the Internet is only one solution, and it is up to the citizen to decide whether he prefers dealing with public offices through the Internet or rather through a physical site visit. Besides, there is no longer any distinction about giving priority to public or private services. Citizens are entitled to certain goods and services, and shops could provide an excellent opportunity for local authorities to show that they care about citizens and are pursuing long-lasting partnerships with private sector service providers on behalf of citizens. The public service shop should be a guarantee of service delivery for citizens. The reference model is intended to pave the way for a diffusion of multi-functional service shops, coupled with progress in Internet transactions.

A mix of state guidance and innovative networks is required to create steps involving all tiers of the state beyond local governments. Although the municipality should launch the service shop, an impulse from the central administration is needed. Otherwise, this initiative could be doomed to failure.

At least two additional debatable aspects of multi-functional shops should be borne in mind. Firstly, the whole enterprise of launching multi-functional services involving several partners seems to be very ambitious, and the achievement and maintenance of long-standing partnerships constitute the main challenges for the various actors. Secondly, it is also debatable whether rural communities have the capacity to lead such an enterprise, since the know-how in administrative and technological matters seems to be found mostly at other levels of government, where staff is better suited. If other levels of government are to take the lead, will they be inclined to leave service shops under the umbrella of the municipality? Perhaps this is an option that should be explored by consortia or similar municipal associations.

E-government could help central ministries in offering more services to rural communities than in the past. E-solutions foster the implementation of equality principles, but perhaps only in terms of the exchange of information between citizens and administrations. As in the case of citizens' charters, e-solutions should increase citizen's expectations and enable the identification of meaningful diversities according to age, gender, disability, ethnic origin, etc. The real access to public services in rural areas, however, is a matter that goes beyond expanding the use of the Internet. To adequately promote equal access and foster transparency in service delivery and acknowledge the preferences of diverse citizens, participatory mechanisms should be brought to decision-making processes. These mechanisms will be the topic of the next subsection.

## **8. Conclusions**

Several conclusions can be drawn from the paper, focusing on its three main topics, namely: quality and performance indicators; the problem of small-sized municipalities; and locally driven strategies to enhance service delivery.

### ***Equal quality standards and nationally agreed performance indicators***

There is no European experience proving that equality in quality standards of public services can be achieved across national territories. Problems remain in terms of defining measurements and standards that are useful and acceptable to both national and local actors.

Some countries are trying to raise the level of services provided by local authorities by authoritatively setting common national indicators. This strategy helps national agencies to identify where additional resources should be allocated and what the compulsory level of local performance should be. In the UK, this approach has helped to raise the level of services, while in Ireland it has helped local authorities to focus on performance. This approach, however, is less feasible in countries where local governments enjoy more autonomy.

The above-mentioned indicators cover a wide range of types, but the proportion of indicators related to outputs, quality service and outcomes is still small, and the use of subjective indicators (i.e. perception of users and citizens) remains limited.

No correlation has been found between the width of the range of indicators and service-users' satisfaction, which remains low. It could be concluded that elaborate indicators satisfy the public bureaucracy more than they satisfy the public itself.

There is no successful national approach to defining indicators that fully satisfies both national and local actors. It seems that a successful strategy needs to be based mainly on an inclusive indicator-setting process, in which the interests of the central government is combined with those of local authorities. This approach would suggest a better advisory role for the central government as a "policy-broker" rather than merely as a prescribing authority.

Countries wishing to enhance local public services in a uniform way may want to consider the following strategies, which could be implemented in a phased period of four to eight years:

- 1) A minimal array of services to be delivered by all municipalities across the nation could be set, based on feasibility studies (requirements in terms of human, budgetary, technical and organisational resources) that take into consideration the smallest local units and the features of the population receiving the services.
- 2) Negotiations between central ministries and local authorities (and other local stakeholders, even citizens where possible) could result in agreement on a minimum set of common indicators that measure the management and policy cycle of local services (inputs, activities, outputs, quality service and outcomes) and on diverse local indicators that are meaningful for individual local authorities. The list of indicators should be as small and meaningful as possible. A vast number of indicators usually results in inappropriate measurement and inadequate national monitoring; if these indicators are reported, citizens are swamped with "information overload".

- 3) Implementation of nationally agreed local indicators should follow, with continuous support from central ministries. For the system to work, a set of financial or political incentives may prove to be necessary, and these incentives should be foreseen in the policy design phase. Rather than negotiating financial incentives separately with each local authority, it is advisable to involve some association or league of local authorities that is sufficiently representative of general common municipal interests and in which specific interests could be grouped based on various criteria (e.g. tourist resorts, isolated mountain villages, industrial towns, etc.). It is convenient if the system has a built-in transparent mechanism that enables comparisons and encourages performance, while at the same time addressing adequate reports to citizens.
- 4) Indicators should be refined so that they reflect both national and local needs and also include the citizens' perspective.
- 5) Once some indicators have been tested, they could be used for drafting local service agreements. These bilateral agreements could combine: national aspirations for uniformity or equality; local diversities in terms of goals; and financial formulas based on both head-counting and positive results (outputs and outcomes). However, negative results should not lead directly to punishment, but rather to more intensive negotiation, follow-up and coaching from central ministries.
- 6) National grants should take into account both national priorities and local needs. Experience has shown that when local diversity is not taken into account, trust and interest in the national government and in the national agenda decline, and the need arises to overcome barriers in order to finance local priorities.
- 7) Performance indicator measurement triggers improvement insofar as an adequate balance of learning, coaching from central ministries, and evaluation is found. Whenever performance indicators lead to a strict control of local authorities, efforts at improving service delivery are thwarted by tricks and non-compliance and are even challenged by local authorities.
- 8) If all or some of the above options are considered, the team at national level should be prepared to continually negotiate, monitor and coach the process. As these tasks require a certain infrastructure and resources, it would be wise in the early stages to pilot-test the system with a volunteer group of local authorities.

### ***Small size of local authorities and local partnerships***

There is no single approach across Europe for tackling the problem posed by fragmented local government and small-sized local authorities in order to advance a national agenda aimed at enhancing service delivery. National options historically vary from compulsory amalgamation of small or rural municipalities to incentives for co-operation among municipalities or between municipalities and other layers of government, private capital and/or NGOs.

Compulsory amalgamation is no doubt the toughest national policy, which might find strong opposition from recently autonomised local authorities. No final study has evaluated how partnerships of all kinds — EPCs in France, *mancomunidades* and consortia in Spain — improve service delivery in small municipalities. Judging from the increasing number of this type of co-operation, it can be concluded that it raises the level of services in small municipalities.

If countries opt for fostering co-operation among municipalities through associative formulas, they may want to consider certain issues:

- Unless the central government is prepared to allocate financial resources directly to the associations, it seems to work far better when there are different types of partners (from different levels of government) so that financial support can be better ensured.

- Experience has shown that the functioning of the association is improved if higher levels of government do not interfere to any great extent in the decision-making process and in the voting system. It would be wise to devise a system in which higher levels of government have executive powers and voting capability without undermining the autonomy of local-level authorities. Ideally, local politicians — rather than nationally appointed managers — should be at the top of the association. An autonomous and professionalised managerial team recruited by the association and bound by performance contracts, including negotiated standards of service, would strengthen the managerial capacity of the association.
- Assuming that all partners contribute resources, national legislation should ensure that lack of compliance with financial payments is dealt with in an effective way.
- It is also feasible to grant taxing powers to the associations. This feature entails in the long run direct elections by citizens of those governing the association (“no taxation without representation”).
- Associations could be all-purpose, multi-purpose or single-purpose. Each type has its advantages and disadvantages; however, it seems that different public services have different geographical fits. Each service makes sense from an economic point of view and in terms of the relevant socio-demographic features and monitoring capacity of the association. Therefore, whatever type is chosen, consistency should be ensured between the purposes of the association and the territory that the public service is to cover. At the same time, the issue of overlapping territories of different associations should be taken into account and dealt with when drafting a national system of associated municipalities.
- If municipal association is chosen as an option, financial incentives seem to work far better than compulsory legislation without financial compensation or incentives.
- This association strategy needs to be accompanied by adequate support at central level. It also needs to be taken into account when designing a national system of performance indicators so that indicators are collected at the association level. This would facilitate the evaluation of performance of these associations.
- Finally, while drafting the statutes or the legal founding document of the association, apart from defining the scope of the association, partners should also clearly identify functions and responsibilities of partners, determine performance expectations, circulate trustworthy information among partners, and establish managerial structures and accountability lines — including mechanisms for joint evaluation of results. They should also design an adequate management reporting scheme to partners, donors and citizens.

### ***Individual local strategies to enhance local service delivery***

From the many different experiences across Europe — all of which include positive aspects — three strategies have been especially considered in this report (in view of their relative simplicity and easy application) as possible tools for improving the quality of services at local level. These three strategies are: the use of electronic government in rural communities; the implementation of Citizens’ Charters; and, wherever possible, the use of consultation and participatory mechanisms.

The use of electronic government means more than just setting up a Web site for the locality or the local area. If information and communication technologies are used to combine national, regional and local services, electronic government becomes an interesting option. The prerequisite is then to achieve agreements between the various service-deliverers before designing the electronic government instrument.

Under different names, Citizens’ Charters have been used worldwide —(not only in Anglo-Saxon countries) to identify mechanisms for performance improvement and for reporting to citizens. While the results are still mixed, it is recognised that these charters could be a first step towards improving services. They have not yet included an adequate treatment of minorities, and standards are usually still based on the predominant features of population/users.

Participation is not only a publicity manoeuvre but also a powerful means of increasing citizens' trust in government and of ensuring diversity in the design of public services. In the review of several examples across Europe, it has been found that many participatory initiatives fail because they have not been designed to gain public trust. As long as these initiatives yield results, not only for the public at large but also for minorities, they can help to strike a reasonable balance between equality and diversity.

Local governments are expected to become active in seeking ways and means of rendering better public services and are moving towards a more active role in providing more services and setting better quality standards for their residents. These initiatives belong to the realm of diverse responses to specific environments. The central government should encourage local initiatives that seek better services, as they may have a positive spillover effect on other communities. In order to better profit from local experiences, central governments could consider the following:

- National ministries should actively seek information on domestic and foreign local experiences that have been successful and propose them as sources of inspiration for local governments nationwide.
- The training of central staff and resources for coaching at local level should be a priority.
- Building up a learning network of local and national authorities, where systematic learning of new and productive ways of service delivery are shared, could help both beginners and front-runners.
- Central governments should play a “broker” role with the various stakeholders to pave the way for the provision of more integrated services by different deliverers (national agencies, local stakeholders, NGOs and so on), bringing them together whenever a window of opportunity is open (e.g. if different providers are willing to co-operate and local leadership accepts the challenge).
- National agencies should also encourage local authorities to deal with diversities (ethnic, gender, disabilities, etc within their territory, mainly through consultation and participatory mechanisms).

Pioneers and laggards in public service delivery will remain in the local landscape, no matter how many efforts central governments devote to equalisation strategies. In any case, national agencies should develop a national agenda in continuous dialogue with local stakeholders (public, private and non governmental) in order to ensure that local strategic options are taken into account and encouraged. The role of central governments has certainly changed from direct deliverers to brokers and coaches. This new role entails adequate legislation as well as new demands and new skills of central public managers, but it may also be a challenging professional experience for them.

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