

*Special Contribution*

**European Local Governance Reforms:  
A Comparative Perspective**

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#### **Abstract**

In taking on the general theme of this volume, that is, “enhancing the quality of local governance”, the following article aims at giving an account of efforts that have recently been undertaken in European countries to modernize local government and governance. For this purpose, this paper will focus on a country sample comprising essentially the U.K., Germany, France, Sweden, Italy and Hungary. These countries can plausibly be seen as prototypical of European local government development.

The article approaches the subject matter in three stages.

- First, the article outlines the intergovernmental architecture in which the local government systems are institutionally and functionally placed. Hereby the decentralization of the intergovernmental structures and territorial local level reforms will be highlighted.
- Second, the article then sketches the functional profile of local (self) government.
- Thirdly and most importantly, the article will spell out some crucial aspects of administrative reforms (inspired by New Public Management or NPM) carried out by local authorities since the 1980s.

Due to length constraint imposed on the article, the discussion of these three dimensions certainly falls short of completely covering the multi-faceted issues of “enhancing the quality of local governance”. However, the article should shed some light on the pertinent development in European local government systems and provide some useful comparative information for the readers in the Asia-Pacific region — for students, academics and practitioners alike.

#### **Introduction**

This article is meant to contribute to the EROPA 2015 yearbook addressing the overarching theme of enhancing the quality of local governance. Congruent to this, the article gives an account of the efforts recently been undertaken in European countries to modernize local government and local governance. This article provides an internationally comparative perspective vis-a-vis the other contributions in this yearbook in relation to the related problems being dealt with by countries in Asia-Pacific region.

This article approaches the point at issue in three progressions:

- First, the intergovernmental architecture will be outlined, in which the local government systems are institutionally and functionally placed. By doing so, the decentralization of the intergovernmental structure and territorial reforms will be highlighted.

- Second, the functional profile of local (self) government will be sketched.
- Thirdly and most importantly, some crucial aspects of administrative modernization, which the local authorities have experienced since the 1980s and primarily inspired by New Public Management (NPM), will be spelt out.

Due to space constraint set upon the article, the discussion of these three above-mentioned dimensions comprising the article progression certainly falls short to completely and exhaustively cover the complexity of the issue posed by the theme. However, it should (hopefully) suffice to shed some light on the pertinent development in European countries and their local authorities in offering some comparative information to the interested reader.

## I. Intergovernmental Architecture

In European countries the intergovernmental system is typically made up of levels or tiers (Table 1):

- the central government level
- the regional level (“federal” or “ordinary” regions)
- the local government level (consisting, as a rule, of two layers)
- And, in some countries, “inter-municipal bodies”.

## II. Variants of Decentralization

In recent years, the intergovernmental institutional architecture in most European countries experienced significant decentralization. Decentralization is generally understood and defined as essentially a political concept. This involves the transfer or devolution of public responsibilities, functions and powers to the lower levels of government structure which possess democratically elected and politically accountable (parliamentary or quasi-parliamentary) decision-making bodies. For one, decentralization can take place between the central and the regional levels. In a federal system, the regional levels have a “federal” status in a dual sense. First, the latter are constitutionally endowed with legislative and executive powers in their own right. Second, it also pertains to the relation between the central and regional levels on the one hand and the local level on the other.

By contrast, *deconcentration* is an essentially administrative concept as it signifies the transfer (delegation) of an administrative function from one administrative level/agency to another (lower) one.

Drawing on selected key European countries, the process of decentralization and deconcentration, and its resultant implication, for local government levels shall be briefly outlined and discussed.

### A. Germany

Germany’s traditional federal system is made up of federation at the federal level (*Bund*) and 16 regions (*Länder*) of which three are called “City States”

**Table 1** Intergovernmental structure of selected European countries (data from 2006–2009)

County			Levels	Number	Population Ø
1	Germany	Federal	Federal States (Länder)	16 (of which 3 City States: Berlin, Hamburg, Bremen)	Average 5.2 million
		Local	<i>(two-tier) counties (=Kreise)</i> <i>Municipalities (within counties)</i> <i>(=kreisangehörige Gemeinden)</i> <i>(single-tier) cities (=kreisfreie Städte)</i>	323 12.196 116	170.000 6.690
		Intermunicipal	<i>Intercommunal bodies</i>	1.708 "administrative unions" (= "Verwaltungsgemeinschaften", "Ämter" etc.)	
2	France	Local	<i>Régions</i> <i>Départements</i> <i>Communes</i>	21+4 (d'outre-mer) 96+4 (d'outre-mer) 36.569	2,3 Mio. 550.000 1.560
		Intermunicipal	<i>Intercommunalité</i>	12.840 syndicats 2.601 communautés (à fiscalité propre)	
3	U.K.	"Quasi-Federal"	<i>Regions</i>	Scotland, Wales	Scotland: 5.0 mio inhab. Wales: 2.9 mio inhab. (=13% of total U.K. population, 87% in England)
		Local	<i>(two-tier) counties</i> <i>districts/boroughs (within counties)</i> <i>single-tier authorities</i>	34+Greater London Author. 238+33 London boroughs +Corporation of London 36 metropolitan councils +47 unitary authorities	720.000 (counties) 140.000
4	Sweden	Local	<i>Landsting kommuner</i> <i>Kommuner</i>	20 (of which 2 "regions": Skane+Västra Götaland) 290	420.000 31.300
5	Italy	"Quasi-Federal"	<i>Regioni</i>	20 (15 statuto ordinario+ 5 statuto speciale)	2,9 mio
		Local	<i>Province</i> <i>Comuni</i>	103 8.101	570.000 7.270
		Intermunicipal	<i>Intercommunal bodies</i>	356 comunità montane 278 unioni di comuni <i>consorzi and consenti</i>	
6	Spain	"Quasi-federal"	Comunidades autónomas	17	2,5 mio
		Local	Provincias Municipios	50 8.111	870.000 5.430
		Intermunicipal	Comarcas mancomunidades consorzi	81 1.000	

Source: Wollmann 2008 (own compilation largely drawing on Dexia 2008)

**Table 2** Public employment by levels of government (in %) (in 1985, 1994 and 2005)

country	central/ federal			regional/ Land			local			special sector			distribution within local level (100%)	
	85	94	05	85	94	05	85	94	05	85	94	05		
1 <i>Germany</i>	9,9	11,6	12,0	55,6	51,0	53,0	34,5	38,1	35,0				municipalities	37,2
													county free cities	32,8
													counties	25,6
													Intercommunal	4,7
2 <i>France</i>	54,9	48,7	51,0				27,1	30,7	30,0	hôpitaux			régions	0,7
										18,0	20,6	19,0	départements	16,3
													communes	68,7
													intermunicipal	10,3
3 <i>U.K.</i>	21,9	21,4	16,8				55,0	53,0	56,0	National Health Service			counties	36,0
										17,6	20,8	26,0	metropolitan	25,6
													councils	
													London	12,0
													boroughs	
													unitaries	19,0
4 <i>Sweden</i>		17,3	17,0					84,7	83,0				landstingskommuner	66,0
													kommuner	33,0
5 <i>Italy</i>		63,0	54,7			3,8		14,0	13,6	aziende sanitarie locali			province	13,0
										17,0	19,0	20,3	comuni	87,0
										enti pubblici				
												7,6		
6 <i>Spain</i>	58,9	46,2	22,7	24,7	34,7	49,9	16,4	18,7	23,6					

Source: Wollmann compilation largely from Dexia 2006: 202, 167 and Dexia 2008: 64;

(*Stadtstaaten*). City States combine *Land* and municipal functions. The local government level consists of two layers, the counties (*Kreise*) and the municipalities (*Städte, Gemeinden*). Larger municipalities are given the status of “county-free municipalities” (*kreisfreie Städte*) which combine county and municipal functions (see table 1, line 1).

In the vertical attribution of functions, most of the legislative and policy-making powers lie with the federal level, while the bulk of administrative functions are assigned to the *Länder* (and in part, within each *Land*, to the local authorities (see Kuhlmann/Wollmann 2014: 72ff.). This vertical attribution of administrative functions is mirrored by the corresponding distribution of public personnel between government levels (see table 2). It is a peculiarity of the German federal system that the federal level is explicitly forbidden by the Federal Constitution of 1949 to establish regional or local offices of its own. However, there are a few exceptions such as the Federal Employment Agency. Hence, the share of federal employees out of the entire public sector work force amounts to merely 10 percent, more or less. By contrast, some 53 percent of the public sector personnel are employed by the *Länder* (of

whom a lion's share are teachers and the police force), while some 35 percent are local government personnel. The latter carry out a broad gamut of tasks which pertain to local self-government proper as well as functions that are "delegated" to the local authorities by the *Länder*.

In 2006, the Federal Constitution underwent a major reform. As a result, additional legislative powers have been decentralized or devolved from the federal level to the *Länder* (see Wollmann 2013). The latter now have full legislative command over the entire education sector as well as over the regulation of its own personnel and of local government personnel. These and other constitutional amendments of 2006 have been widely interpreted as Germany's federal system moving from a hitherto largely "homogeneous" and "unitary federal state" (Hesse 1962) to a "heterogeneous" and "competitive" form of federalism.

In recent years, some *Länder* embarked on further decentralizing their administrative system by transferring administrative functions to the local authorities. A striking example has been set in 2005 by the *Land of Baden-Württemberg*, in the South-West of Germany, where 350 (out of 450) regional and local offices of *Land* administration were dissolved. Their functions and personnel have been transferred, by way of delegation, to the counties and "county-free" municipalities. Thus, the *Land's* administration has largely "withdrawn", in terms of administrative units and staff, from the sub-regional and local administrative space (see Kuhlmann/Wollmann 2004: 141), which is quite conspicuous in international comparative terms.

## **B. United Kingdom**

Historically, the origin of England's modern local government dates back to the Municipal Corporation Act of 1835. On the basis of the secular territorial reforms of 1888 and 1894, England's modern two-tier local government structure was put in place and has persisted until the 1970s. The local councils were assigned a broad or multifunctional range of responsibilities, which were essentially exercised by sectoral council committees ("*government by committee*") and financed almost entirely from locally levied property tax ("*rate*"). For these reasons among others, the early 20th century England experienced the "golden ages of local self-government" (Norton 1994: 352), which was much admired by contemporary observers abroad.

Since the 1980s, the status, functions, and autonomy of the local authorities in the U.K.'s intergovernmental structure have been dramatically changed when the Conservative government under Prime Minister *Margaret Thatcher*, through a series of incisive policy decisions and measures, massively reduced the political and financial autonomy and functional scope of the local authorities (for details see Wilson/Game 2011: 184ff. and Kuhlmann/Wollmann 2014: 87ff.). As a result, it has been transformed from, as it was bluntly put, a historically "unitary highly decentralized" country into a "unitary highly centralised" one (Jones 1991: 208). Since 1997 and under the New Labour Government headed by Tony Blair, the centralist thrust was even strengthened particularly through the introduction of the New Public Management (NPM) — inspired "Best Value" regime. This placed the activities of the local authorities under a stringent top-down performance management control by central

government (see Wilson/Game 2011: 376ff.). The current conservative-liberal coalition government under David Cameron proclaimed to reverse this centralist trend by providing the local authorities with additional powers. The Localism Act of 2011 was declared to make a significant decentralizing move. Yet, the financial and performance management centralist control of central government over the local authorities appears to have hardly lessened.

In so far as the relation between the central and the regional levels, the New Labour government embarked upon a historic devolution policy by establishing elected regional parliaments (assemblies) in Scotland and Wales in the late 1990s. This was done by referenda held in the said two regions. Subsequently, new powers were granted to the new regional parliaments and executives. The U.K. has embarked on “a road to quasi-federalism” (Wilson/Game 2006: 82). However, this makes for an essentially “asymmetrical” variant since only some 13 percent of the country’s entire population live in these “quasi-federal” regions while all others reside in still “unitarily” ruled England (see table 1, line 3). In September 2014, a referendum was held in Scotland to decide whether Scotland will continue to stay under UK or become an independent state. A narrow majority opted to remain part of the U.K. The political controversy before and after the referendum has triggered a wider debate about UK’s constitutional reform including the future role and function of local government.

### C. *France*

France’s traditionally unitary state can be considered as a highly centralized form. It dates back to the structure put in place by Napoleon in 1800, hence is called “Napoleonic”, whereby most of public tasks were performed by the (central) state that acted through the central ministries and by State administration on the level of the (100) *départements* under the direction of the central government-appointed *Préfet*. The functions of the *départements* and the (some 35.000) *communes* were minimal and stood under the tight control (*tutelle*) by the *Préfet* (see Kuhlmann/Wollmann 2014: 57ff.).

In a first significant decentralisation move (*Acte I*) in 1982, the country’s inter-governmental system was profoundly remoulded by politically and functionally upgrading the subnational (local) government levels (*collectivités locales/territoriales*). Besides introducing 22 regions (*régions*) as an additional third local government level, the reforms explicitly and revealingly avoided any quasi-federal connotation. The main beneficiaries of this decentralization drive were the 100 *départements* in their local self-government form. Important responsibilities, particularly in the social policy and social service field, hitherto performed by the departmental state administration were transferred to the *départements* in their self-government guise — along with the related State personnel.

When France entered another phase of decentralisation (*Acte II*) in 2003, this measure was accompanied and symbolised by the first explicit recognition in the Constitution that France was a decentralized country (“*son organisation est décentralisée*”). At the same time, the functions of the *départements*, the *régions* and,

to a lesser degree, of the municipalities (*communes*) have been enlarged. Due to the continuing lack of territorial reforms on the local level, approximately 35,000 municipalities with an average of 1,600 inhabitants continued to exist. A complex system of inter-municipal bodies (*intercommunalité*) has emerged (see table 1, line 2), designed to support the small municipalities in carrying out local level functions (for details see Wollmann 2010, Kuhlmann/Wollmann 2014: 157ff., see also below section on territorial reforms).

Notwithstanding the advances of decentralization, France's public administration remains characterised by a "dualism" (*dualisme*) under which a significant part of public tasks continue to be carried out by state field offices on the departmental and local levels. This is strikingly manifested by the fact that, despite decentralisation, still half of the public sector personnel are state employees and that this share has not decreased but, on the contrary, slightly increased since the early 1980s (see Kuhlmann/Wollmann 2014: 136ff., see also table 2, line 2).

In reaction to the operational problems and dysfunctions which have been generated by the complicated institutional system, not least in terms of its duplication and overlapping ("*enchevêtrement*") of functions, France has in recent years entered another phase ("*Acte III*") of intergovernmental reform essentially directed at simplifying and streamlining the complex institutional structure. Currently, legislative steps are being taken to reduce the number of regions (*régions*) and to create metropolitan local entities (*métropoles*) (see Kuhlmann/Wollmann 2014: 159ff., see also below section on territorial reforms).

#### **D. Sweden**

Sweden is traditionally a unitary but distinctly decentralised country in which the central government essentially exercises policy-making functions. National legislation in 1862 established the two-tier local government structure consisting of the counties (*landsting kommuner*) and the municipalities (*kommuner*). The law endowed these local government tiers from the beginning with the power to levy their own taxes to cover local expenditures (see Kuhlmann/Wollmann 2014: 78ff.). Embodying the country's conspicuously decentralized tradition and structure, less than 20 percent of the public sector personnel are employed by the central government or the State while over 80 percent of the public sector personnel are employees of the two-tier local government system, mostly of the lower tier municipalities (see table 2, line 4).

### **III. Territorial Reforms**

In European countries, local governments are, as a rule, consist of two tiers: that of municipalities and counties and called by their varied country-specific names or terminologies. This holds true for federal countries such as Germany, Austria, Belgium, as well as to quasi-federal ones such as Spain and Italy. In some countries, larger local authorities combine municipal and country functions, for instance, "county-free municipalities" in Germany and "unitary authorities" in England (see



table 1, lines 1 and 3).

From its origins in the 19th century, the development of modern local government in European countries has been shaped by the organizational principle of multi-functional territoriality. This principle means that a broad gamut of functions and institutions is to be absorbed and integrated within a single territorially defined local space to be operated and coordinated by and under a single comprehensively responsible elected local authority.

Two groups of European countries can be distinguished as to the local level territorial development (see Kuhlmann/Wollmann 2014: 150ff.): One group is exemplified by the UK, Sweden and some German *Länder*. International comparative literature labeled this group as the *North European* pattern (see Norton 1994, 40). The North European type territorial reforms were characteristically based on the assumption that while the affected municipalities should be given the opportunity to be heard, it was seen to fall upon the power of the national government level to carry such reforms through binding, as it were, coercive legislation. In 1974, UK implemented territorial reforms, unparalleled in terms of scale, resulting in local level units (districts/boroughs) with size averaging 140,000 inhabitants.<sup>1</sup> It was followed by territorial reforms in Sweden with municipalities averaging 34,000 people (for further comparative data see Norton 1994, 40; Dexia 2008, see also tables 1 and 3).

On the other hand, the *South European* pattern took shape in most other European countries. They are historically and culturally hinged on the principle of *voluntariness*<sup>2</sup>, making the amalgamation and fusion of municipalities' contingent on the consent of the local councils or local populations concerned. For this reason, there is only little, if any local level amalgamation in these countries leaving them with extremely fragmented municipalities. While the territorial structure of the municipalities has thus been left largely unchanged, a new layer and type of inter-

**Table 3** Structural Data on Municipalities and Inter-municipal Bodies of some selected European countries (in 2005)

	Number	Average Population	Average Area (km <sup>2</sup> )	% of municipalities with less than 5,000 inhabitant.	Inter-municipal Bodies
Germany	12,340	6,690	29	77	1,708
France	36,683	1,720	15	95	15,440
Italy	8,401	7,270	37	71	634
Sweden	290	31,310	1,552	4	0
England	389	139,480	562	0	0
Spain	8,111	5,430	62	85	1,080
Hungary	3,175	3,170	29	91	2,590
<b>EU (27)</b>	<b>92,506</b>	<b>5,410</b>	<b>47</b>	<b>82</b>	

municipal bodies has, instead, been created with the purpose of providing administrative support to their small-scale member municipalities in the operation of functions and delivery of public services.

France has become exemplary of generating a complex multitude of inter-municipal bodies (*intercommunalité*) with the *syndicats* and *communautés* adding up to some 15,400 units (see table 1, line 2 and table 3). Other countries of the South European territorial format have similar, albeit less numerous, inter-municipal patterns (see Norton 1994, 40; for an overview see Dexia 2008, 67, Kuhlmann/Wollmann 2014: 168, see also table 3).

In recent years, a new round of local level territorial consolidation has gained momentum in a growing number of countries (see Kuhlmann/Wollmann 2014: 167ff.). It has been conceptually and politically driven by mounting criticism of the function of small-size municipalities and inter-municipal bodies and by the intention to improve the administrative performance, i.e., coordination capacity, of local governments through territorial enlargement and viability (see Wollmann 2010). In 2007, Denmark implemented a radical consolidation of its local governments, resulting in municipalities with an average of 55,000 inhabitants. Greece took the same path and also some East German *Länder* (with moderate versions of territorial consolidation). (See Kuhlmann/Wollmann 2014: 166).

Recently, a trend gained momentum in creating “metropolitan local governments” (see Marcou/Wollmann 2008: 137) known as *métropoles* in France and *Città Metropolitana* in Italy. In the current reform move in France, 14 *métropoles* are going to be established comprising France’s biggest cities and population ranging between 6.6 million (*Métropole de Grand Paris*) and 213,000 (*Brest Métropole*). In their basic concept the *Métropoles* are designed to resume most of the functions of the member municipalities, and also some functions of the related *départements*.

It should be added that in most European countries within big cities, intra-municipal districts have been established in order to “devolve” (deconcentrate) administrative functions within the city and to enhance the opportunities for the citizens to get involved in intra-city decision making. In some countries such as France, these intra-municipal units have primarily administrative functions, whereas in other countries such as Germany, intra-city district level government have been established with elected district councils and elected district mayors. This applies to Germany’s two biggest cities — Berlin and Hamburg.

To sum up, the municipalities in 27 EU countries have, on the average, 5,410 inhabitants and have an area of on the average 47 square kilometers and 82% of them have less than 5,000 people. 500 cities have more than 100,000 inhabitants with an average population size of 5,410 inhabitants. Five cities have more than 2 million inhabitants<sup>3</sup> (London 7.4, Berlin 3.2, Madrid 3.2, Rome 2.5 and Paris 2.2 (figures in million for 2012/13). In total, 18 cities have more than 1 million inhabitants<sup>4</sup>.

#### IV. Functional Profile

The historical development of local self-government has seen two different

conceptual traditions in European countries (see Marcou/Wollmann 2008: 149ff, Wollmann 2012). On the one hand, essentially in Continental European countries, local self-government has been regarded as hinging on a “general competence clause”. This concept has been laid down in Constitutions and national legislations as well as in the European Charter of Local Self-Government adopted by the Council of Europe in October 1985. Article 3 of the European Charter states:

*“the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population”.*

On the other hand, the British political and legal tradition is rooted in the so called *ultra vires* doctrine according to which the local authorities may exercise only those responsibilities and functions which are explicitly assigned to it by act of legislation. However, the difference between these two principles — general competence versus *ultra vires* — has been mitigated and somewhat blurred particularly for two reasons. First, the UK *Local Government Act of 2000* assigned to the local authorities the right and duty to “promote the economic, social and environmental well-being of their area”. Thus, the scope of responsibilities of the local authorities has legislatively been brought closer to what the “general competence” clause implies in the Continental European tradition (see Wilson/Game 2011: 31f.). Secondly, the constitutional and legal provisions in Continental European countries stipulate that the local authorities can exercise their (general) competence only “within the limits of the law”. This reservation clause often proved to be a kind of “Trojan Horse” through which (national) legislation could pass an ever tighter body of legal regulations the density of which has come close to the effect of the *ultra vires* doctrine (see Marcou/Wollmann 2008: 148).

It is also worthy to note that in most European countries, a broad catalogue of tasks has been assigned to the local authorities (for details see Wollmann/Marcou 2008: 149ff.). As was mentioned earlier, a plausible indicator of the functional role, which the local government level plays within the individual country’s intergovernmental system, can be seen in the percentage of personnel employed by the local authorities as compared to the entire workforce of the public sector (see table 2, for data on all EU countries see Dexia 2008: 64, Kuhlmann/Wollmann 2014: 105 table 3.5).

## **V. Administrative Modernization**

### **A. NPM-driven Administrative Reforms**

The process of NPM-related administrative modernization in European countries has shown commonalities as well as differences which shall be illustrated by again drawing on a selection of major European countries.

In U.K., the administrative reforms pushed by the Thatcher government after 1979 and driven by the neo-liberal critique of the expanded welfare state, aimed to reduce local government to its alleged “core” functions. During the 1980s, the

Thatcher government adopted the *Compulsory Competitive Tendering (CCT)* legislation obliging the local authorities to put many of their operations and services out for tender which aimed at dismantling the existing quasi-monopoly of the local authorities through market competition. The impact of the CCT legislation on local government has been considerable both internally and externally-internally as the municipal administration has been reorganized along the “purchaser/provider split” and externally as activities and services have been “outsourced” to outside (preferably private-commercial) providers (see Kuhlmann/Wollmann 2014: 190ff.).

After 1997, the U.K.’s New Labour government revoked the previous Conservative government’s binding CCT legislation and distanced itself from the latter’s fixation on privatising service delivery. Despite of this, it remained committed to and even accentuated the predecessor’s NPM doctrine by introducing and imposing a centrally determined and controlled indicator-based performance management regime (see Wilson/Game 2011: 376ff.). Although the centrally guided top-down performance management control over the local authorities has been, in the meantime, somewhat mitigated the centralist grip still prevails that British central government exercises over the local government level and which is unparalleled in other European countries.

In 1980s, Germany remained remarkably aloof from the then internationally dominant NPM-driven reform debate. In early 1990s and in the face of skyrocketing budgetary problems largely caused by the unification of Germany, many local authorities turned to NPM<sup>6</sup> as a solution to cost-cutting and administrative efficiency (see Kuhlmann/Wollmann 2014: 196ff.).

In Germany, the “New Steering Model” (as the German version of NPM) is primarily directed at remedying the traditional Max Weberian model and the latter’s rule-bound legality and hierarchical rigidity. It was done by introducing Managerialist principles — such as performance indicators, cost-accounting, monitoring etc. — meant to enhance the flexibility and the cost-efficiency of administrative operations. At the same time, it triggered debates reviving interests in (traditional) reform concepts that had fallen dormant since the 1970s.

In the build-up of organizational and personnel structures at local government levels<sup>6</sup>, France was a conspicuous latecomer. Most of public functions were carried out by the central State and its regional and local offices, until the epoch-making decentralisation of 1982. It was only after 1982 that the sub-national levels began to establish and staff their own administration. More particularly, *départements* in the field of social policy<sup>7</sup> had to create the organizational and personnel base from scratch by transferring part of the personnel from State administration (see Kuhlmann/Wollmann 2014: 193ff.), in order to cope with the new tasks bestowed upon them.

The New Public Management debate also accompanied the administration expansion in local authorities. In the wake of the municipal election of 1983, a number of large cities elected mayors who adhered to the NPM-inspired concepts of running their municipalities as “enterprises”<sup>8</sup>. Furthermore, managerialist concepts, focusing on indicator-based performance management, have been promoted. “One stop” type

local agencies or *Maisons de Service Public* introduced an important innovation to provide the citizens/clients with an “one stop” access to the services<sup>9</sup> of different departmental, communal, private, etc., providers.

In the early 1990s, the NPM debate, with its neo-liberal policy and marketization demands, finally arrived also in Sweden as the country entered a severe economic crisis — the first since 1945. A bourgeois majority government, temporarily replacing the until then ruling social democrats, proclaimed a “system change” in Sweden’s welfare state (see Kuhlmann/Wollmann 2014: 192ff.). Since the social services were traditionally delivered by local government personnel the *New Public Management* repertoire mainly demanded the introduction of marketization and of the purchaser-provider split in the handling of social service provision.

More so, the concept of “vouchers” was introduced to financially compensate parents wishing to send their children to “independent schools” or non-municipal schools. Municipalities ruled by bourgeois majorities, which was especially the case in the economically affluent region around Stockholm, applied market-oriented outsourcing methods, just to name a few. However, outsourced local government activities and services remained remarkably limited, amounting to about 10% on the average.

In Hungary, the country’s fundamental transformation from a Communist/socialist and State economy to a democratic constitutional state and market economy decisively shaped the build-up of local administration (see Kuhlmann/Wollmann 2014: 90ff.). The administrative modernization faced two double challenges: First, it was to overcome the legacy of party-politicized and largely incompetent administration of the Communist past by way of building-up professional non-partisan, “Weberian”, and rule-based administration (see Dimitrov/Goetz/Wollmann 2006: 8ff.). Second, the international and European NPM discourse and concepts influenced and drove the administrative modernization. At the same time, Hungary’s wish to attain the accession to the EU further fuelled the dynamics of the administrative modernization.

While, in the internal reorganization, a number of NPM-derived instruments have been introduced, the modernization process appears to have been seriously marred by the fact that NPM concepts were put in place before some basic features of the “classical” („Weberian“) professional, non-partisan and “law abiding” administration were sufficiently installed.

## **B. Evaluation of NPM-inspired Administrative Reforms**

Evaluation of administrative modernization at the national level is amply available in nationally and internationally comparative studies and literature (see Pollitt/Bouckaert 2011, Wollmann 2003). This stands in contrast with the NPM-inspired administrative modernization on the subnational/local levels on which comprehensive evaluative analyses are still largely lacking.

However, reference can be made to the recent empirically penetrating evaluation study conducted in Germany on the NPM-guided — that is, Germany’s “New Steering Model” (NSM) — guided — local level administrative modernization (see

Kuhlmann et al. 2008). According to the study, the NPM/NSM-driven modernization drive falls short of its early high expectations and promises, although its effects on local administration have no doubt been significant. The observable increased awareness of the need of economic efficiency and accountability in public administration complemented, shifted and attenuated the previous fixation on legal correctness, hence, contributing to cultural and behavioural changes. Moreover, traditional reform concepts that date back to the 1970s and 1980s and that have since fallen “dormant” have been revived and merged with NPM/NSM concepts and elements. Internationally comparative analyses labelled this amalgamation of the traditional legal rule-bound (“Weberian”) model with NPM concepts and elements as “a Neo-Weberian” model (see Bouckaert 2006 quoted in Kuhlmann et al. 2008).

### **C. *New Public Management and Corruption in the Public Sector***

In the face of expansion of New Public Management doctrine and its practice in European administration, some raised the question whether the introduction and application of NPM has more positive or negative effects on the behavior of public sector personnel as compared to the traditional Weberian administration, more particularly with regard to corruption (see von Maravic 2007, 2008 with further references). Some scholars argued that NPM is potentially fraught with “corruption fostering” factors on a number of scores (see also Hood 2000: 29). For one, the internally decentralized organizational structure, in terms of management of resources and personnel, and the concomitant relaxation of hierarchical control and legal supervision may make the public actors concerned more “receptive” to corruption. Furthermore, the increased marketization and contractualization of public functions and services enhances the direct interaction and bargaining between public and private actors as the boundary between what is public and what is private is being blurred. Thus, the public and private actors involved are embedded in an “opportunity structure” that may be conducive to bribery, kickbacks and favors.

There empirical indications that that the “corruptibility” of public sector personnel has increased since the introduction and application of NPM principles and instruments. The “corruptibility” potential on either side appears to be virulent particularly when and where the conduct and provision of public functions and services are “commissioned”, “purchased” and “procured” by the public from the private sector (for some — still episodic rather than systematic — empirical evidence see von Maravic/Reichard 2003 with references).

Some further empirical evidence may be gained from the *Corruption Perception Indicator* (CPI) which is regularly composed by *Transparency International* (see [www.transparency.org/cpi213/results](http://www.transparency.org/cpi213/results)) on the basis of surveys and interviews conducted with “users and clients” of public administration in almost 180 countries world-wide. The CPI score of a country is based on how corrupt public sector personnel is perceived to be — on a scale between “0” and “100”, that is, between “highly corrupt” and “very clean”.

On the basis of the CPI’s survey, the European countries fall into three distinctly different groups, to wit;

- The “North European” countries, in a general sense, stand out as having the most favorable scores with eleven of them ranking among the top 15, out of total sample of 177 countries, being Denmark ranking number 1 and the U.K. ranking number 14.
- The “South European” countries form another noticeably different CPI cluster with Spain at number 40, Italy at rank number 69, and Greece at rank number 80.
- Finally, the Central and Eastern Europe (CEE-countries) form another CPI cluster ranging from rank 38 (Poland), rank 47 (Hungary), rank 61 (Slovakia) and Romania and Bulgaria on as low as rank 69 and 77.

In interpreting the CPI variance between countries and country groups, a complex set of factors needs to be taken into consideration. Country-specific administrative and cultural givens and traditions, preceding the advent of NPM-driven administrative modernization, need to be considered as possibly impinging on the current state of corruptibility perceptions. In the South European countries the “clientelism” and “nepotism” (including Mafia infiltration) which have historically and traditionally marked public administration are likely to persist onto the current situation and still foster current corruptive behavior. In the ex-communist CEE countries the former absence of “rule of law” guided administration and the former (communist) party patronage system along with the concomitant lack of professional non-partisan administration are a legacy that is likely to still influence the current development. Finally, the “North European” countries have been characterized by a historically grown professional administration in which, due, particularly in “Nordic” and “Germanic” countries, to (“Weberian”) hierarchical control and (“rule of law”-type) legal supervision, corruption has traditionally been contained.

Against this background, it can be plausibly argued that the introduction of NPM exhibited different corruption fostering potential. In the case of CEE countries, it can be plausibly surmised that such corruption fostering potential could be set free because the NPM-typical discretionary flexibility of managers was introduced before an adequately functioning professional Weberian administration was put in place following the system change of 1990.

It should be recalled, at this point, that the World Bank (and other influential international organized), at an early stage of the transformation of CEE countries (as regarding developing countries in general) advocated an immediate introduction and application of NPM. Subsequently, however, the World Bank and their likes have conspicuously changed their mind and strategy and have embraced a “sequencing” concept and strategy in which they now recommend to give priority to first establishing a professional (“Weberian”) bureaucracy before (!) introducing NPM.

#### Notes

- 1 see Stewart 2000 for an analysis and critique of the excessive “sizeism” of the British territorial reform varian



- 2 in French: *volontariat*
- 3 London with 7.4 million; Berlin with 3.2 million; Madrid with 3.2 million, Rome with 2.5 million and Paris 2.2 million, based on 2012/13 population count.
- 4 [http://en.wikipedia.org/wiki/Largest\\_cities\\_of\\_the\\_European\\_Union\\_by\\_population\\_within\\_city\\_limits](http://en.wikipedia.org/wiki/Largest_cities_of_the_European_Union_by_population_within_city_limits)
- 5 NPM is conceptually and terminologically “translated” into “New Steering Model” or *Neues Steuerungsmodell*
- 6 *collectivités locales/territoriales* consisting of *régions, départements and communes*
- 7 *action sociale légale*
- 8 *ville entrepreneuriale, ville stratège*
- 9 *polyvalence d'accueil*

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