

# Quality of Public Administration A Toolbox for Practitioners



## Theme 3: Government structures - organisation, cooperation and coordination

Every Member State has its own specific governance structures, comprising many layers of administration - from the supra-national, where sovereignty and resources are pooled for shared interests, through the national/federal, to the sub-national (regions, states, provinces, districts, counties, cities, towns, municipalities, communes, parishes, villages, etc.). Multi-level governance (MLG) is about applying the principle of subsidiarity - decision-taking at the most appropriate level, as close as possible to the citizens - to the tiered architecture and activities of government, to better achieve policy goals and societal outcomes, with horizontal & vertical coordination and partnership-working. This theme explores territorial reform options - decentralisation, (re)centralisation, reorganisation, regionalisation, and cooperation - the role of the Centre of Government in coordination, and MLG in an increasingly connected world.

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Public administrations operate at many levels in every European country, from the local to the supra-national. Multi-level governance (MLG) is about applying subsidiarity to the tiered architecture and activities of government, to better achieve policy goals and societal outcomes, with horizontal & vertical coordination and partnership-working.

This chapter:

- ✓ Considers why MLG is critical to Member States, in the context of ‘place’ in policy-making, cross-boundary challenges and ‘wicked problems’;
- ✓ Sets out the policy-makers’ dilemma in seeking the optimal structure (vertically & horizontally) and the competing forces pulling power to the centre & pushing it out to the public;
- ✓ Links the principle of subsidiarity (‘decision making at a level as close as possible to the citizen’) to the values of effectiveness, efficiency, integrity and accountability;
- ✓ Makes the case for ‘institutional mapping’ to clarify who does what at each level of government;
- ✓ Reviews the reform instruments for MLG, especially decentralisation, re-centralisation, reorganisation and cooperation, in the light of Member State experiences;
- ✓ Describes the challenge of coordination by the Centre of Government (COG), and the key factors in developing and managing effective COGs; and
- ✓ Explores what MLG means in an increasingly ‘connected’ world of e-government, interoperability, and user-centred service delivery.

## Introduction

Every Member State has its own specific governance structures, comprising many layers of administration - from the **supra-national**, where sovereignty and resources are pooled for shared interests (the EU itself, Council of Europe, NATO, United Nations, etc.), through the **national/federal**, to the **sub-national** (regions, states, provinces, districts, counties, cities, towns, municipalities, communes, parishes, villages, etc.).

Across the EU, there are almost 95 000 **local and regional authorities (LRAs)** with significant powers in key sectors such as education, planning, transport, environment, social services and economic development. With respect to policy-making (see [theme 1](#)), all the instruments available to central government can equally apply to sub-national governments. For example, LRAs are responsible for around 70% of the EU’s public investment<sup>1</sup> and implement nearly 70% of EU legislation.<sup>2</sup>

The decision to assign authority upwards, downwards and sideways resides with the State. Equally important are the interactions *between* and *within* layers of administration.

**Multi-level governance** is concerned with the multiple tiers of government, their responsibilities and resources, and how they are structured, organised, work together and engage with other stakeholders, to identify, implement and improve policy and to achieve better outcomes for society.<sup>3</sup>

<sup>1</sup> See OECD (2014), [Recommendation of the Council on Effective Public Investment Across Levels of Government](#). In OECD’s definition, public investment refers to capital expenditure on physical infrastructure (e.g. roads, government buildings, etc.) and soft infrastructure (e.g. human capital development, innovation support, research and development, etc.) with a productive use that extends beyond a year. Public investment comprises both direct and indirect investment.

<sup>2</sup> See also OECD (2009), [Multi-Level Regulatory Governance: Policies, Institutions and Tools for Regulatory Quality and Policy Coherence](#).

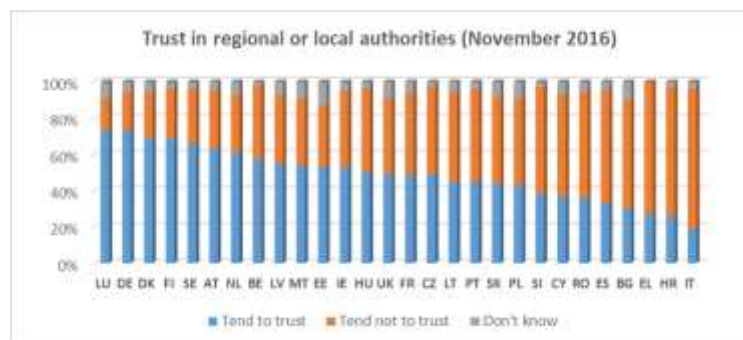
<sup>3</sup> Some of the earliest work on MLG, which places it in an EU context, can be found in: G. Marks, L. Hooghe and K. Blank (1996), "[European Integration from the 1980s: State-Centric v. Multi-level Governance](#)". Journal of Common Market Studies, Vol.34, No. 3, 341-378 Hooghe and Marks (2001) [Multi-level Governance and European Integration](#); and L. Hooghe

Over the years, governments have sought new ways to improve public sector performance and service delivery through organisational change. A regular feature of the political landscape has been to re-allocate roles across ministries, resulting in **reorganisation of the machinery of government** (MOG) at the central level, with the intention of achieving better policy-making and implementation. This leads to ministries (and their subordinate bodies) gaining or losing functions, and the transfer of staff and budgets. Given the inter-dependence of many policy fields, the effect can be a zero-net sum - simply re-arranging the ‘silos’ – or worse, unless the restructuring is linked to better coordination and communication across the whole of government, or specific changes are designed solely to produce productivity gains within a narrow policy domain.

More radically, central and federal governments have also engaged over time in **creating, disbanding or amalgamating sub-national tiers** of the public administration (regions, counties, districts, municipalities etc.). Local government reorganisation has been a recurring theme in Europe for many years, usually with the aim of cutting the number of administrative levels and bodies that citizens and businesses must interact with, and increasing the average size of administrative units in efforts to improve efficiency. Whether these efforts are effective is a moot point, as these initiatives are rarely evaluated, ex-ante or ex-post.

Coherent structures of public administration are self-evidently a ‘good thing’, especially in a time of budgetary pressures. But MLG is especially relevant to the quality of public administration for four reasons.

First, **people feel more connected to policy-making when decision-makers are more likely to represent their local community’s identity and interests**. This proximity is reflected in recent [Eurobarometer](#) surveys of public trust, which show that citizens have consistently more confidence in LRAs than their national counterparts and EU institutions. What is also clear ([see chart below](#)), is this general tendency to trust masks a wide variance across the EU-28, ranging from 73% of the surveyed population in Luxembourg to 19% in Italy, suggesting that local factors also make a huge contribution.



Second, **‘place’ plays a pivotal role in the performance of public policy,**

**which is not always recognised**. Whichever level of government is responsible, all policies can be said to have a spatial impact, even generic ones that are applied universally, such as taxation (which types of tax are raised and where), the rule of law (e.g. concentrations of crime, the location and use of courts), and military defence (e.g. sourcing of armaments, siting of barracks). Everyone understands that LRAs have a specific territorial coverage for certain competences, in line with their legal responsibilities and rights. But central government also decisively affects economic, societal and environmental outcomes *at various territorial levels* through its revenue-raising, staffing,

and G. Marks (2003), “[Unravelling the Central State, But How? Types of Multi-Level Governance](#)”, IHS Political Science Series: 2003, No. 87. [Working Paper].

procurement, subsidies, transfers, grants and welfare payments. The European Commission has issued helpful guidance on conducting [territorial impact assessments](#) (TIAs) as part of the impact assessment system (see [topic 1.2](#)), including methodologies, typologies and other tools.

Third, **many policy challenges cross administrative boundaries**, however determined. For example:

- **Transport, communication and energy distribution networks** extend within, between and by-pass settlements (households and businesses), based on decisions regarding how best to satisfy demand, while minimising investment and operating costs.
- The **environment** does not respect borders. River basins have their own geography, air pollution and groundwater contamination follow their own paths, while the economics of water and waste management means investments need a minimum efficient scale for viability, so the boundaries of environmental utilities do not necessarily coincide with local self-government.
- The success of **employment measures** to help people into work, including vocational education and training, depend on local labour markets, which are shaped *inter alia* by the location of employers, schools, colleges and training providers, commuting time, and housing cost and availability. The catchment areas for studying, living and working often cover both urban and rural communities, crossing local, regional and sometimes even national boundaries in border areas.
- Linked to local labour markets, the footprint of **local economies** is determined by dominant industries and key businesses, each of which have their own dynamics (value chains linking buyers and suppliers), affecting location decisions, transportation needs, demands for skills, etc. Industrial organisation and economic development do not follow administrative lines, so public policies to create a favourable business environment should also cross institutional boundaries.

Fourth, all levels of government face so-called '**wicked problems**', which are not easy to characterise or resolve<sup>4</sup> and which necessitate inter-institutional approaches, such as tackling long-term unemployment or climate change. One of the most enduring challenges at the heart of the EU agenda is reducing internal disparities: how to reverse the decline of peripheral localities and expand the under-performing areas faster than average, while not sacrificing growth in the more prosperous territories. The pursuit of more balanced development is hard to reconcile with the operations of the free market. The 'spontaneous organisation' of economic activity tends to gather around cities and large towns<sup>5</sup>, as the magnets for business location and investment, the motors of economic growth, and the focal point for wider communities. Economic activity flourishes where it is concentrated. This tendency creates 'winners' and 'losers', which also change over time with technological development, as old industries contract and new markets emerge. The effects can be seen in the

<sup>4</sup> See [Rittel & Webber](#) for the original definition of 'wicked problems'; see also [topic 1.1](#), which highlighted "difficult choices, complicated scenarios and complex situations".

<sup>5</sup> Within the context of planning laws and their application, the availability, price and quality of land and premises, and prevailing economic conditions.

global phenomenon of ‘rural-urban shift’, as more and more people move from the countryside to live in cities, chasing higher incomes and better opportunities. Increasingly, this is also seen in patterns of international migration.

The movement of industry, jobs and people can have serious consequences for territories facing decline and, paradoxically, rapid growth too:

- ✚ The loss of a major enterprise or industry not only has a devastating impact on the workers within it, but also has a knock-on effect on local suppliers, shops and other service providers, as demand for goods and services is sucked out of the local economy. Unless the gap is filled by other employers, **closures can lead to economic contraction and trap communities in a vortex of decline**, especially if accompanied by de-population by young, better educated and more highly skilled citizens, who sense the lack of prospects and leave to pursue a better life elsewhere.
- ✚ Success also carries its own cost, as the creation of new businesses and jobs in an area can put a strain on the capacity to absorb additional buildings, people and traffic. **Over-development can over-burden the infrastructure** of housing, education, transport, healthcare and environmental management. Rapid growth needs to be managed, with appropriate policy choices and public investments, to avoid creating social tensions from over-stretched services and gentrification, and endangering sustainability.

Pockets of prosperity and poverty undermine the cohesiveness of society. This is particularly true where they co-exist in proximity to each other.

The challenge is not to passively accept the negative fall-out of structural change, but to design and implement responsive policy interventions. Public policy can help cities to expand manageably and strengthen infrastructure links, so the benefits are captured by surrounding economies, and tap the potential of a territory’s comparative advantages to renew areas which are currently under-developed. **This demands well-coordinated inter-institutional and multi-level government action.**

Both the place-based approach and MLG took centre stage in the ‘[Barca Report](#)’ that informed preparations for the EU’s budget and policies for 2014-2020: “*A place-based policy is a long-term strategy aimed at tackling persistent underutilisation of potential and reducing persistent social exclusion in specific places through external interventions and multilevel governance*”. Similarly, the Amsterdam Pact called for governance across administrative boundaries and inter-municipal cooperation (urban-rural, urban-urban and cross-border), linked to territorial development, as a priority theme under the [Urban Agenda for the EU](#), initiated by the 2016 Dutch EU Presidency. To take this forward, public administrations and their partners can refer to the [Handbook for Multilevel Urban Governance in Europe](#), published under the 2010 Belgian EU Presidency.

In this light, this chapter looks at actions that public administrations can take to strengthen multi-level governance, and sets out ways and tools to address them.

Key questions	Ways and tools
3.1 How can public administrations determine how best to <b>apply MLG</b> to government structures?	<ul style="list-style-type: none"> <li>✚ The principle and practice of subsidiarity</li> <li>✚ Institutional mapping of functions</li> </ul>
3.2 What are the options for <b>reconfiguring government</b> and their respective pros and cons?	<ul style="list-style-type: none"> <li>✚ Decentralisation</li> <li>✚ (Re)centralisation</li> <li>✚ Reorganisation (create, merge, abolish, reform)</li> <li>✚ Cooperation</li> </ul>
3.3 How can <b>Centres of Government (COGs)</b> facilitate more effective working across administrations?	<ul style="list-style-type: none"> <li>✚ Coordination</li> </ul>
3.4 What does MLG mean in an <b>increasingly connected world</b> , in which citizens and businesses deal with administrations online?	<ul style="list-style-type: none"> <li>✚ User-centric service delivery</li> <li>✚ Interoperability</li> <li>✚ e-Environment</li> </ul>



### 3.1 Applying multi-level governance

There is no ideal model: each country's institutional landscape reflects its unique traditions, legal framework, size, history and geography, population concentrations, centres of economic activity, etc.<sup>6</sup>

Principle & practice of subsidiarity

Institutional mapping of functions

Nevertheless, the architecture of public administration can either *help* or *hinder* policy-makers at all levels in solving societal problems and creating opportunities for citizens and businesses – and more importantly, *with* them. In seeking the optimal structure, the key decisions faced by politicians and policy-makers include:

- ✓ **Vertical:** Is it preferable to centralise or decentralise, and (within central administration) to concentrate or de-concentrate?
- ✓ **Horizontal:** Is it better to consolidate (merge units) or separate (create smaller units)?
- ✓ **Collaborative:** How best to ensure the various parts of the administration work effectively together and with other stakeholders in resolving policy challenges?

These headline questions lead inevitably to a set of **second-order ones**, such as: Will the proposed action be effective and sustainable at the local level? Does the local level have the competences and the financial means? If not, can this be addressed, or is a higher tier of government better placed (regional, central or EU institution)? Is the successful performance of the action conditional on complementary roles, functions or tasks in other institutions and tiers of government, or interaction with partners and stakeholders, such as civil society?

In contemplating these questions, policy-makers must reconcile the tension between **two competing forces**:

- ✚ **Centripetal (pull-in)** - aiming to attain policy outcomes by pooling resources, which usually translates as pulling power towards the centre (higher levels of the administration, whether regional, national/federal or supranational), with the goal of gaining economies of scale and scope<sup>7</sup>; and
- ✚ **Centrifugal (push-out)** - moving decision-making closer to the public wherever possible (embodied in the principle of subsidiarity, which is often interpreted as 'more local'), reflecting people's sense of identity as individuals, households and communities, and their

<sup>6</sup> Some studies have sought to capture and model the key features of European governance systems. For example, S. Kuhlmann and H. Wollmann's 2014 book *Introduction to Comparative Public Administration: Administrative Systems and Reforms in Europe* makes a distinction between continental European and Anglo-Saxon cultures of public administration. This analysis is further developed and extended into six administrative profiles, depending on whether they are federal or unitary (non-federal) structures, whether they can be characterised as largely centralised or decentralised, and whether local government is perceived as strong or weak. See also [theme 9](#) on public administration reform.

<sup>7</sup> Whether these benefits are realised in practice is open to debate, as inefficiencies may arise from the distance between decision-making (closer to the centre) and the effects (on the ground).

tendency to trust more lower levels of the administration that they can better understand and influence as both citizens and voters.

Alongside these conflicting tendencies, policy-makers must also internalise the implications of the **administration's finite influence**. Not every problem can be solved by government on its own, other stakeholders must be part of the solution. Institutional designs should be flexible and accommodating at all levels, from the EU to the local.

### **MLG in EU policy-making**

The vitality of cooperation between the different tiers of government for the **effective functioning of the EU** was acknowledged by the European Council, Parliament and Commission in the [Berlin Declaration](#) of 25 March 2007: *"There are many goals which we cannot achieve on our own, but only in concert. Tasks are shared between the European Union, the Member States and their regions and local authorities."*

LRAs help to ensure the exercise of democracy and citizenship, and protect and enforce fundamental rights. Progress has been limited, however, in formalising and operationalising the role of LRAs in European MLG, both at the EU level and within Member States. The **Committee of the Regions (CoR)** took the initiative to construct its vision of an inclusive European decision-making process and political debate, by adopting a [White Paper on Multi-Level Governance](#) on 16 June 2009, opening it up to public consultation. It envisaged a mode of governance which involves LRAs in the formulation and implementation of European policies, and recommended specific mechanisms and instruments for stimulating all stages of the European decision-making process.

The CoR's follow-up opinion, ["Building a European Culture of Multilevel Governance"](#), emphasised the need for European LRAs to **work in partnership**, both vertically with national governments and EU institutions, and horizontally with civil society.

To encourage a **shared understanding and facilitate greater participation** in MLG, the CoR launched a [Charter for Multilevel Governance in Europe](#) and invited public administrations at all levels to commit to its provisions; there were 220 signatories by July 2017. The fundamental principles of the Charter include:

- ✓ Developing a transparent, open and inclusive policy-making process;
- ✓ Promoting participation and partnership involving relevant public and private stakeholders throughout the policy-making process, including through appropriate digital tools, whilst respecting the rights of all institutional partners; and
- ✓ Fostering policy efficiency, policy coherence and promoting budget synergies between all levels of governance.

The CoR also took the initiative of creating a [MLG Scoreboard at the European Union level](#), with the aim of monitoring to what extent MLG was being encouraged and embedded in the EU policy cycle, from the perspective of both process and content.

The CoR also [monitors the territorial dimensions of Europe 2020 and the European Semester](#) including the role of multi-level governance, featuring case studies from an array of Member States.

MLG ranks among the toughest challenges faced by policy-makers, so it is no surprise that it features prominently in the [European Semester](#) of **economic policy coordination**, in the context of the Europe 2020 agenda of jobs and growth. A review of [territory-related country specific recommendations \(CSRs\)](#) by the Committee of the Regions revealed that there were 12 CSRs in 2016 relating to public administration including MLG, the distribution of competences, and management

of public finances. Several of the [European Commission's 2016 Country Reports](#) have highlighted the impact on governance of vertical and horizontal fragmentation in public administrations (see below).

### **MLG deficiencies: Examples from Country Reports on three Member States**

**Case study A:** *The fragmented nature and rigid departmentalism of the public administration complicates strategic planning and coordination. The current set-up limits collaboration between ministries on complex reforms, preventing synergies across policy areas. Coordination between central and local government is complicated by the very high number of municipalities (3000), while their small size may lead to inefficiencies through the duplication of structures.*

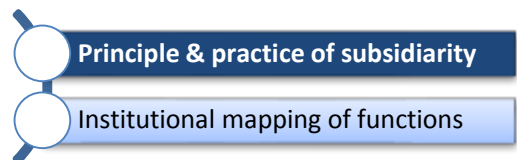
**Case study B:** *One of the key factors hampering investments, in particular in construction, is the spatial planning at a local level. In this area, over-regulation and inconsistency of regulatory frameworks are the key challenge, as spatial planning is regulated by a number of bills at different levels of government and there are inconsistencies between the most important laws. In addition, IT systems are underutilised due to, for example, a lack of connection between platforms dealing with construction permits. Moreover, the geographical information systems often lack integration with different registers (e.g. property and land registers, plot registers, and national judicial register) devolved across all the administrative levels. Additionally, local spatial plans frequently change and are often inconsistent with regional spatial planning documents.*

**Case study C:** *The public administration is characterised by a high level of territorial fragmentation. The legislative framework does not provide a clear distinction between town and municipalities in terms of competencies and function. The distribution of towns by size is skewed, with a high share of very small towns. The distribution of municipalities by population is less skewed with a larger share of municipalities clustering between 2 000 and 3 000 inhabitants per municipality. The fragmentation and complexity of the state administration system weigh on efficiency. Over the past two decades there has been an exponential increase in the number of institutions and legal persons vested with public powers to perform specific tasks. To date the state administration numbers 20 ministries, four state offices, 7 state administrative organisations and 20 state administration offices in counties. The functions of central state administration bodies are performed through a network of 1 279 units and branch offices in counties, cities and municipalities (which in part have independent staff). Another 91 branch offices and 302 register offices, tasked with functions related to the county-level administration, operate in municipalities and cities. The current setup leads to the multiplication of expenses and inefficient utilisation of human resources in the public administration. The current setup is characterised by incomplete decentralisation, in which local government units have been formally allocated a number of functions and responsibilities, although these remain to a large extent financed from the central budget. Given that the main source of revenues for the local units is personal income tax, units from the least developed parts have the lowest financing capacity, which creates high regional disparities in the provision of public services.*

### **3.1.1 The principle and practice of subsidiarity**

The key to implementing MLG across the EU and within individual Member States is respecting the subsidiarity principle, which is enshrined in the [Treaty on European Union \(TEU\)](#) and is defined as ensuring that “[decisions are taken as closely as possible to the citizen](#)”. In the

words of the EU’s Committee of the Regions (CoR): “*The implementation of multilevel governance depends on respect for the principle of subsidiarity, which prevents decisions from being restricted to a single tier of government and which guarantees that policies are conceived and applied at the most appropriate level. Respect for the principle of subsidiarity and multilevel governance are indissociable: one indicates the responsibilities of the different tiers of government, whilst the other*



*emphasises their interaction.*” The EU’s perspective on the subsidiarity principle and its implementation is elaborated [here](#).

The key words are **‘the most appropriate level’** for decision-making, within the framework of the Member State’s administrative structures. This might be federation, state, region, province, county, district, city, municipality, commune or neighbourhood. The default position is the lowest level of government, but this decision should not be automatic. For example, when determining which tier of government should issue planning permits, the pros and cons of the lowest level (typically, communities or municipalities) should be weighed up, and if this is not appropriate, turn to the next tier of government, and so on. The implication is that some interventions should and do occur at the national or supra-national levels. The test of ‘appropriateness’ should be policy-specific. For example:

- ✚ The governance of **transport** policy must accommodate international routes, such as TEN-T (supranational), ensure all areas are accessible, transportation is affordable and safe, and the transport network facilitates socio-economic development (national), and integrate different transport modes within cities, towns and rural communities (regional & local).
- ✚ Similarly, **education** policy exists within a framework which sets standards, structures and funding arrangements (national), allows for the movement of people across borders and the commutability of their qualifications (supranational), but ultimately is delivered in specific locations tailored to the needs of targeted and participating students (regional and local).
- ✚ The maintenance of **public spaces** (e.g. parks) is clearly a municipal responsibility. However, if there was a clear case for ‘economies of scale’ (e.g. the purchase of equipment or training of staff), this might argue for a higher tier of government to take responsibility, or for inter-municipal cooperation to develop a shared service across territories or procure jointly.

The following **criteria can be used to judge what is most appropriate**, guided by the [principles and values of public administration](#) to help reach a balanced decision:

Criteria	Possible questions
<b>Effectiveness</b>	<ul style="list-style-type: none"> <li>✓ Which decision-making level is best placed to determine policy goals and achieve them through implementation?</li> <li>✓ Does the assignment of powers help the administration to reach more readily the intended beneficiaries of the policy, and include them in the decision-making process?</li> </ul>
<b>Efficiency</b>	<ul style="list-style-type: none"> <li>✓ Which level(s) of government is/are best placed to minimise the transaction costs of formulating, consulting, implementing, enforcing, monitoring, and/or evaluating policy?</li> <li>✓ Does the proposed level have sufficient capacity (staffing, skills, equipment) to discharge the proposed competences, and if not, can these be put in place within a reasonable timescale?</li> <li>✓ Has the allocation of functions / responsibilities avoided duplication and overlap?</li> <li>✓ Could there be economies of scale from assigning decision-making to a ‘higher’ level of government?</li> </ul>

Criteria	Possible questions
<b>Integrity</b>	<ul style="list-style-type: none"> <li>✓ Is the assignment of decision-making powers in the public interest?</li> <li>✓ Does it conform to plans to manage integrity and corruption risk in the administration / sector<sup>8</sup>, for example regarding administrative simplification (reducing the number of organisations and steps in processes to the minimum necessary)?</li> <li>✓ Does it mitigate the risk of giving undue influence to interest groups over decision-making, or patronage (diverting public resources towards the political party or coalition in power)?</li> </ul>
<b>Accountability</b>	<ul style="list-style-type: none"> <li>✓ Does the choice of decision-making level better enable citizens to hold the administration to account for its performance?</li> </ul>

The European Commission's [2016 Country Report](#) for Estonia under the European Semester provides a useful illustration of these criteria in practice. Analysis shows that performance at the local level (accountability) is constrained by a fragmented municipal base (efficiency) that is undermining uniform and high service standards (effectiveness). These weaknesses are being addressed through **legislative change**, both regarding local government reform to merge municipalities and setting common service delivery frameworks in specific policy fields - in this case, social services.

### *The case for local government reform in Estonia*

The possibility of reforming local government and thereby promoting competitiveness and inclusive growth has been discussed for over a decade. **Of Estonia's 213 municipalities, around half currently have a population of under 2000 inhabitants.** Public services are provided by local authorities according to the priorities they themselves set. Cooperation between municipalities is picking up, but slowly.

Many public services to individuals, such as social services, transport, education, childcare and care for the elderly have been provided unevenly and with variable quality throughout Estonia. **The varying level of local services has been explained by the small size of many municipalities and the ensuing limited financial means and ability to attract a competent workforce at municipal level.** The lack of minimum requirements and of the central monitoring system has also been detrimental for the provision of social services. The inadequacy of social services has a direct negative impact on the efficiency of activation measures that they are expected to support. This challenge is particularly important in the context of the Work Ability reform, which relies on the availability of social services at local level.

**The funding principles of local government limit the capacity of the poorest municipalities to better match revenue with their devolved responsibilities.** In particular, the Equalisation Fund scheme ensures a quasi-automatic redistribution of revenue to the poorest municipalities. Without any incentives for them to attract enterprises or support job creation, this acts as a disincentive to take such initiatives. In addition, local government currently has no legal obligation to support entrepreneurs or potential investors.

The government has committed itself to making progress on the administrative reform, including the local government reform, first by streamlining all responsibilities at government level under the Ministry of Finance. The proposed Administrative Reform Act is expected to be submitted to the government in March 2016, with adoption expected in June. This would pave the way for local government reform, involving both **voluntary and government-initiated mergers**, both of which will take effect from the local elections in October 2017. The aim of the mergers is to make economies of scale, offer accessible and quality services and provide more efficient and competent governance. The draft act that was publicly consulted upon sets a minimum criterion of 5 000 inhabitants that would enable local authorities to offer an adequate choice of services, hire more specialists and have scope in the budget for investment. In the initial phase (up to the end of 2016), the government is offering financial incentives to promote voluntary mergers. From 2017, the government would itself take the initiative to merge municipalities, without financial support.

<sup>8</sup> See [topic 2.2](#) on managing integrity and corruption risk

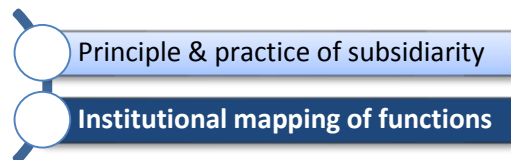
Progress has also been made on setting minimum requirements for nine social services through amendments to the Social Welfare Act. These amendments entered into force in January 2016, with an obligation on local authorities to revise their implementing regulations to ensure application of the requirements from April 2016. The quality of social services is determined by defining the scope for every single service, concrete objectives and minimum standards such as qualification requirements for staff providing the services. This step will lay the basis for **developing a common framework that should ensure uniform quality for the services concerned all over Estonia and better access to the services**. For people in need of these services, local authorities will have to take the necessary measures (alone or in cooperation with other local authorities) to comply with the stipulated quality standards. The provision of childcare is already showing good signs of improvement.

In terms of local government finances, mergers between local authorities are expected to partly address **financial disparities** between the new entities and reduce any discrepancies between local revenues and responsibilities. Mergers are expected to reduce the need for an Equalisation Fund. Changes to the latter are, however, being considered to remove the remaining disincentives for municipalities to attract businesses. Also, under the planned reform local authorities will in future be entrusted with additional responsibilities, including the development of local entrepreneurship. No change to local taxation is currently considered.

*Source: European Semester, 2016 Country Report for Estonia (bold added for Toolbox purposes)*

### 3.1.2 Institutional mapping of functions

As the OECD has highlighted, managing the relationship between levels of government has become increasingly complex, as countries have reconfigured and reformed their administrations through decentralisation, re-centralisation and reorganisation (see next topic). In this light, institutional mapping is a valuable tool to identify clearly who is responsible for what in the policy area under the spotlight, prior to any further action. Institutional mapping can be the precursor or initial phase of a more comprehensive functional review (see [theme 9](#) on public administration reform - making positive change happen).



*“Rather than isolated actors, sub-national authorities and central governments are mutually dependent... In such context, a full separation of responsibilities and outcomes in policy making cannot be achieved ... Given their interdependency, a first step is to set-up an “institutional mapping” of their roles and responsibilities to clarify their relationships”.* OECD, 2011.<sup>9</sup>

The [Committee of the Regions’ portal on division of powers](#), based on the [2012 study](#) of the same name by EIPA, provides an overview of levels of institutional and fiscal decentralisation in all EU countries, (potential) candidate and Eastern Partnership countries, and shows the legal bases. An interactive map provides additional information on **MLG systems and subsidiarity mechanisms** in each country.

A broad overview is given by the work of the [Council of European Municipalities and Regions \(CEMR\)](#) and its members, the national associations of local governments, in the report [‘Local and Regional Governments in Europe, Structures and Competences’](#), which covers 42 countries including all EU

<sup>9</sup> C. Charbit (2011), [Governance of Public Policies in Decentralised Contexts: The Multi-level Approach](#), OECD Regional Development Working Papers, 2011/04, OECD Publishing.

Member States. This work allows a comparative view of **local competences and structures** in terms of administration and political organisation, by country, at one glance.

The example below of a **summary map** of the major policy fields in Croatia is taken from the [European Semester 2016 Country Report](#), drawing on locally-prepared analysis.<sup>10</sup> The typology used does not cover every aspect of governmental oversight and operations<sup>11</sup>, and some of the categories could be further disaggregated<sup>12</sup>. Nevertheless, it provides an interesting example of summary mapping, which could be tailored to the MLG architecture of any country, and conducted by the centre of government, interior ministry or public administration ministry, as appropriate.

**Example: Distribution of responsibilities in Croatia**

	State	Counties	Towns	Municipalities
<b>General services</b>				
Executive & legislative bodies, financial & fiscal affairs, external affairs	✓	✓	✓	✓
<b>Defence</b>				
Military defence	✓			
Civil defence			✓	✓
<b>Public order &amp; safety</b>				
Police services	✓			
Fire-fighting services			✓	✓
<b>Economic affairs</b>				
General economic, commercial & labour affairs (consumer protection)			✓	✓
Transport	✓	✓	✓	✓
<b>Environmental protection</b>				
Waste management		✓		
Waste water management		✓		
Pollution abatement			✓	✓
<b>Housing &amp; community amenities</b>				
Housing planning & development		✓	✓	✓
Community planning & development		✓	✓	✓
Water supply			✓	✓
Street lighting			✓	✓
<b>Health</b>				
Medical products, appliances & equipment	✓			
Outpatient services		✓		
Hospital services	✓	✓		
Public health services		✓		
<b>Recreation, culture &amp; religion</b>				
Recreational & sporting services			✓	✓
Cultural services	✓		✓	✓
<b>Education</b>				
Pre-school and primary education			✓	✓
Secondary education		✓		
Post-secondary non-tertiary education	✓	✓		
Tertiary education	✓			

<sup>10</sup> D. Jurlina Alibegović, S. Slijepčević and Ž. Kordej-De Villa (2014), [Regional Development and Decentralisation – Two options to Overcome Lack of Funding](#), Transylvanian Review of Administrative Sciences, No 43 E/2014, pp. 146-167

<sup>11</sup> It does not include diplomacy and intelligence services, energy distribution and supply, border management, or vocational training, *inter alia*.

<sup>12</sup> E.g. transport can be divided into road, rail, air, sea, internal waterways and multi-modal; economic affairs could be broken down into competition, consumer protection, employment relations, business development and support, etc.

	State	Counties	Towns	Municipalities
<b>Social protection</b>				
Social services	✓	✓	✓	✓
Housing	✓	✓		
Social exclusion not elsewhere classified	✓	✓		

*Note: The capital, Zagreb, has the special status of both a town and a county.*

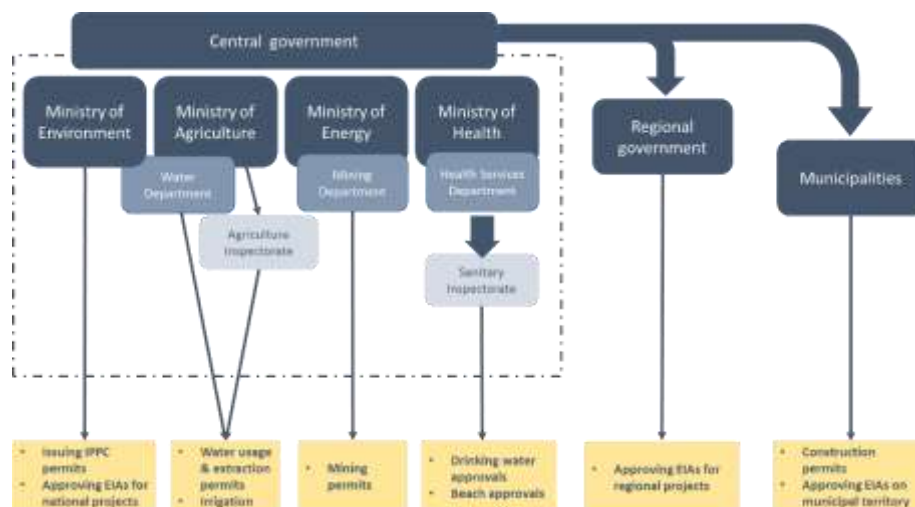
More refined **functional mapping** is appropriate for specific policy areas. For example, environmental management can be broken down into distinct policy fields:

- ✓ Solid waste management (household, industrial, medical, hazardous);
- ✓ Water management (supply, wastewater collection and treatment),
- ✓ Air pollution
- ✓ Noise pollution
- ✓ Soil contamination (protection, reclamation)
- ✓ Etc.

Each of these fields can be mapped for institutional responsibilities for appropriate elements of the policy process (see [theme 1](#)), such as:

- ✓ Designing policy;
- ✓ Implementing policy (laws, regulations, spending, etc.);
- ✓ Issuing permits;
- ✓ Constructing / maintaining infrastructure (if public bodies are eligible);
- ✓ Monitoring performance;
- ✓ Enforcing regulations (including permit conditions);
- ✓ Providing information and reporting.

The graphic below shows an example 'wire diagram' of responsibilities for one element (environmental permits & approvals), as an illustration of how the mapping could appear for one function in one policy field.



The purpose of institutional mapping is to expose gaps and overlaps.



Where there are **overlapping competences**, there is a case for coordination or possibly the rationalisation of responsibilities to the most suitable level and institution. This is well illustrated by the example of the pioneering Commission for the Reform of the Public Administration (CORA) in Spain, which included a dedicated Sub-Commission on Administrative Overlap to identify and eliminate duplication and strengthen cooperation mechanisms. CORA's findings led to the publication of a guidance manual for central and regional government and the adoption of a new law streamlining the classification of administrative bodies and obliging the public administration to justify strictly the creation of any new institutions.

### ***Inspiring example: 'One administration, one responsibility' (Spain)***

The Commission for the Reform of the Public Administration (CORA), which published its [comprehensive findings and proposals](#) in 2013 (see [theme 9](#) for a fuller account), defined "overlap" as different public entities providing identical services to identical recipients, who can then opt for one or the other entity offering the service, and found also cases where "like entities with like missions act on the same subjects", according to the [OECD's 2014 Public Governance Review](#). The main overlaps have occurred due to increasing budgets in the years of economic growth (2000-2007), during which Spain's GDP grew at an annual rate of over 3%. It is evident that a decentralised multi-level administration, which characterises Spain's governance, favours the appearance of overlaps. However, they do not only occur between different levels of administration (national, regional and local), but also among the central government agencies themselves, so that a general common or shared infrastructures policy must be promoted. Of the 217 proposals for measures<sup>13</sup> put forward by CORA in its 2013 report, 118 aimed to eliminate overlaps between the central public administration and the autonomous communities (regional governments), to apply the principle of "one administration, one power".

As the OECD's 2014 review remarked, the decentralisation process in Spain had been successful overall, but had unfortunately "resulted in some duplication or overlapping of administrative tasks, functions and institutions. However, the challenge of administrative duplication in Spain is not simply due to the existence of areas of shared competences ... It is also related to weaknesses in existing shared or integrated planning mechanisms, and insufficient cooperation among administrations". Hence, CORA both addressed the existing deficiencies and improved the MLG framework for longer-term impact. The OECD concluded that "the multi-level governance dimension of the CORA reform is technically well prepared, with a large number of detailed proposals, reflecting both the serious reform commitment by the Spanish government and the large amount of thorough technical work that has gone into it."

The disappearance or reduction of overlaps requires political and administrative cooperation. Cooperation in practice is based on common or interoperable information systems and technical infrastructures, which become key tools, not only in the case of decentralised countries but also in intra-European cooperation or in the generation of cross-border services. In most cases, common information systems allow exchange of information and foster cooperation 'from policy to practice'.

In line with CORA's proposed measures, the Council of Ministers instructed the Agency for Evaluation and Quality of Public Services (AEVAL) to prepare a Handbook on the Rationalisation and Elimination of Duplications for the central government and the autonomous communities (*Manual para la Racionalización y Eliminación de Duplicidades*). The methodology covers: assessing and identifying overlaps; possible solutions; and monitoring mechanisms to assess the effectiveness of corrective measures. These duplications might occur horizontally or vertically (between central and regional administrations) and hence, the potential measures can include joint decision-making, financing, and information systems. The handbook is available to support ministries in making annual assessments, as a whole-of-government coordination tool.

CORA also proposed a legislative instrument to avoid future overlaps, which was subsequently adopted as the new Law of the Legal Regime of Public Administrations (*Ley de Régimen Jurídico de las Administraciones*

<sup>13</sup> Subsequently increased to 222.

*Públicas*). This law replaced the plethora of classifications of public institutions used in central government and the autonomous communities (ACs) with a single one, comprising in OECD's words "a precise delineation and integrated view of the existing types (including those of the ACs and local entities). Under such new regulation, the creation of any new public institution should be strictly justified, in particular avoiding duplication with other existing institutions. To improve the control of potential duplications, institutions depending on the ACs or local governments should be integrated on the Inventory of State Public Sector Entities (*Inventario de Entes del Sector Público Estatal, INVESPE*), which currently only gathers institutions of the central level."

The provision of comprehensive information is essential for decision-making. Thus, an important CORA measure has consisted in the integration of distributed and dispersed databases, to have complete (not fragmented) information on the overall situation. To foster the existence of common information systems throughout the country, the central administration develops technical infrastructures that can be used, generally free of charge, by all administrations. When there is a national infrastructure, the development of the same or similar local infrastructure requires prior authorisation after a study justifying the need for this development.

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With respect to **gaps**, the OECD has identified seven sources of coordination challenges, which can be used as a diagnostic tool for identifying solutions to implementing effective policies in multi-level governments.

Gap	Description
<b>Information</b>	Imbalance between levels of government when designing & delivering public policies either intentional (withholding information as a power play) or through ignorance about the other's role.
<b>Capacity</b>	Insufficient human, knowledge, technical, or infrastructure resources to carry out tasks, irrespective of the level of government.
<b>Fiscal</b>	Insufficient and/or fluctuating revenues, or inflexible spending rules (e.g. strict earmarking of transfers) undermining LRAs from effectively discharging their responsibilities.
<b>Policy</b>	Line ministries with lead policy responsibility taking purely vertical approaches to be territorially implemented, while LRAs look to pursue cross-sectoral approaches that exploit complementarities between policy fields; lack of inter-ministerial co-ordination over mismatched objectives, agendas and timings raises the burden on the LRAs, and creates inconsistencies and possibly contradictions.
<b>Administrative</b>	"Mismatch" between functional areas (e.g. minimum efficient scale for waste or water management, scope of labour markets) and administrative boundaries (e.g. municipal coverage) leading to ineffective planning, intervention and outcomes.
<b>Objective</b>	National and sub-national policymakers pursuing contrasting rationales (for example, due to political differences), rather than serving a common good, creating obstacles to adopting convergent strategies.
<b>Accountability</b>	Difficulties in ensuring the transparency of practices, and possibly integrity in managing public resources, across the different levels of government and constituencies.

*Based on OECD, 2011 (op. cit.)*

This mapping and gap analysis is a natural counterpart to administrative simplification (see [theme 5](#)), following techniques like 'life event' analysis and customer journey mapping (CJM). While mapping is concerned with ensuring an effective and coherent administration from an internal (government) perspective, CJM is about a user-friendly experience from an external (citizen and enterprise) perspective.<sup>14</sup>

<sup>14</sup> See also [topic 3.4](#) on 'MLG in an increasingly connected world'.

### 3.2 Re-configuring government

Many Member States have re-configured their administrative architecture in recent years<sup>15</sup>, and continue to do so. Explicitly or implicitly, each one has been seeking better MLG, but few conduct *ex ante* impact assessments before enacting their decisions to weigh up the costs and the benefits, or

*ex post* analysis to evaluate whether their expectations have been satisfied. Success is often characterised narrowly as (reduced) spending, but improved policy results (particularly with greater responsibilities at the municipal level), public trust and customer satisfaction in service delivery could also be assessed. In some cases, especially the recent tendency to centralisation and reorganisation, the policy is a reaction to the financial, economic and fiscal crisis (deficits and debt) with a drive to seek savings, and a desire to ‘take back control’ at the centre of government. Whatever the outcome, such changes typically involve much upheaval.



In seeking systems of public administration that follow a more effective structure, governments have essentially four **main territorial reform options** at their disposal<sup>16</sup> (see overleaf), each of which has been utilised in recent years in EU Member States, often in combination.<sup>17</sup> In each case, at stake is the assignment of of:

- ✓ **Responsibilities** - for competences or functions (specific or general);
- ✓ **Rights** - decision-making, law-making and/or fund-raising powers; and
- ✓ **Resources** - finance, assets (such as land and property), ICT and staff.

These three factors can be combined in several ways. For example, an individual institution or whole tier of government might be allocated a responsibility that is highly prescribed, tightly regulated and/or subject to oversight by a higher level, with limited power to determine how the function is exercised. Alternatively, the responsibility might be awarded with freedom of execution but without assigning extra resources or allowing revenue to be raised to cover costs.

<sup>15</sup> EIPA’s [2012 ‘Division of Powers’ study](#) for the Committee of the Regions cites at least 10 Member States that were either considering or have implemented territorial reforms since the late 2000s, while the CEMR’s 2016 [Local and Regional Governments in Europe](#) shows 13 Member States have made significant changes to the number and/or structure of LRAs between 2012 and 2016. See also [Decentralisation at crossroads: territorial reforms in Europe in times of crisis](#) published by CEMR in 2013, based on questionnaire response from its member associations in 40 countries including all EU Member States.

<sup>16</sup> Coordination is also an important instrument, but is treated separately from cooperation (see [topic 3.2.3](#)).

<sup>17</sup> Examples are mainly drawn from the EIPA / CoR study and the CEMR 2013 report mentioned above.

### Main forms of territorial reform

Instrument	Description	Examples
<b>Decentralisation</b>	Authority, responsibility and/or resources are transferred from a higher to a lower level of elected government. <sup>18</sup>	In Portugal, the Government announced its local government reform in January 2016, clarifying the model and timetable of its Decentralisation Plan, with a view to deepening local democracy, improving local public services and giving new powers to local authorities, involving at least 10 ministries. <sup>19</sup>
<b>(Re)centralisation</b>	Central government takes authority, responsibilities and/or resources from a lower level of elected government, including possibly to de-concentrated bodies.	In Hungary, a new Law on Local Self-Governments was adopted in 2011, which re-centralised a certain number of competences from January 2013. Central government would then be responsible for the functions which were previously carried out by the counties.
<b>Reorganisation</b>	Public authorities at the central or sub-national level are formed, merged and/or abolished.	In Ireland, the national government took a decision in 2011 to merge the two authorities in the counties of Limerick and Tipperary. In Finland, six Regional State Administrative Agencies (AVI) and 15 Centres for Economic Development, Transport and the Environment (ELY) took over the duties of the six former provinces (lääni) in 2010, which themselves had been reduced from 12 in number in 1997. <sup>20</sup>
<b>Cooperation</b>	National, regional or local authorities work closely together in pursuit of a common (policy) interest, which might include pooling resources.	In Austria, a constitutional law promoting inter-municipal cooperation went into force in 2011. In Iceland, a new Local Government Act entered in force in January 2012 and new legislation transferred specialised services to people with disabilities from the national government to the 74 municipalities, at the same time making inter-municipal cooperation over delivery of these services compulsory for municipalities with less than 8 000 inhabitants.

Within the sphere of reorganisation, the phenomenon of **regionalisation** - forming or reinforcing an intermediate tier of government between the central and the local - can involve elements of decentralisation (including de-concentration), depending on whether the regions remain under the

<sup>18</sup> There is no single, common definition of decentralisation. Some emphasise transfers *away* from the centre, and hence can extend the scope to a wider set of actors, including quasi-independent organisations, arms-length agencies, public corporations and the private sector, which would then cover *inter alia* outsourcing and privatisation (sometimes termed economic or market decentralisation). This Toolbox theme is concerned primarily with relationships within and between levels of elected government, and hence does not cover **'delegation'** (transfer of administrative responsibility to semi-autonomous organisations that are ultimately accountable to government, such as public enterprises, housing or transport authorities, regional development agencies, etc.). Such arrangements are considered further under [theme 4](#) on organisations, although outsourcing is also covered partly by [topic 8.2](#) on public procurement in the context of contracting services. As defined here, decentralisation is about the transfer of responsibilities, rights and/or resources to smaller (and hence more) territorial units of government. When this happens *within* national government, typically to field or branch offices of ministries and agencies at the regional, provincial, district or county level, it is termed **'de-concentration'**, as authority and accountability still ultimately reside at the centre. When it involves transfers of power – permanent or temporary - from central / federal to elected self-government at the sub-national level (e.g. regional or municipal), it can be called **'devolution'**.

<sup>19</sup> [Communication of the Council of Ministers, 14 January 2016](#) (in Portuguese)

<sup>20</sup> Previously, each of the six provinces was led by a governor, appointed by the President, who was head of the State Provincial Office, the joint regional authority for seven central government ministries.

national government's sphere of control, represent the interests of local self-governments, or are directly elected and self-managing themselves.

In some cases, the centrepiece of territorial reform is the **removal of an entire tier of sub-national government**, rather than individual entities, and the re-assignment of its responsibilities, resources and/or authority to a remaining level, vertically or horizontally. In Lithuania, for example, the regional administrations<sup>21</sup> were abolished on 1 July 2010, and their functions distributed among municipalities (minority) and central government bodies (majority).

In other cases, **removal is accompanied by replacement**. For example, the 2014 Local Government Reform Act in Ireland abolished 80 town and borough councils, in existence for 115 years, and replaced them with larger municipal district councils, at the same time reducing the number of locally elected councillors from 1,627 to 949.

In some instances, **new reforms have reversed earlier reforms**. For example, a previous UK Government had created 'Government Offices' (GOs) in 1994 as the de-concentrated arms of various ministries in the NUTS 2 planning regions in England, but these were abolished in 2011, and their staff and functions were re-absorbed into central government. Reverses may signal a re-consideration following review and reflection, but can also represent an incoming administration rejecting its predecessor's approach or simply searching for savings.

### 3.2.1 Decentralisation vs. centralisation


Decentralisation has been the dominant trend in MLG over most of the last 30-40 years, encouraged in the EU by the subsidiarity principle. But what does it mean in practice? And what are its pros and cons? Decentralisation can be said to take three forms. For the purposes of this Toolbox, these three dimensions are defined as follows:



- ✚ **Administrative decentralisation** involves transferring executive responsibility for functions to lower levels of government, which typically involves the planning, management and delivery of public services, and hence staff, equipment and/or infrastructure. When this happens *within* central government, it is referred to as **de-concentration**.
- ✚ **Fiscal decentralisation** refers to transferring financial responsibility to sub-national levels of government of powers to spend public money and/or the right and responsibility to raise and use their own revenues and funding sources (e.g. loans). This can be realised, for example, through intergovernmental transfers, grant aid, the raising of sub-national income, property or sales taxes, fees and user charges, and/or borrowing (possibly underpinned by State guarantees), debt finance and access to the capital markets. A key factor in the extent

<sup>21</sup> Administrations of the Governor of the Region

of fiscal decentralisation is the existence (or not) of constraints, such as expenditure limits, caps on revenue-raising, or borrowing limits.

 **Political decentralisation** (sometimes termed ‘democratic decentralisation’) means transferring decision-making authority to elected officials at regional or local levels who are accountable to their constituents. In some cases, this might mean a transfer of power from appointed officials at the same or similar levels (e.g. in de-concentrated territorial offices).

It can be argued that there is a logical progression from administrative to fiscal to political decentralisation. For example, administrative decentralisation takes place when national government (or parliament) adopts a new regulation or service, and determines that delivery should take place at the municipal level within prescribed parameters. Fiscal decentralisation is added when the responsibility for implementing the regulation or service is accompanied by funds, either through transfer payments or locally-derived taxes or charges. Political decentralisation would occur in this case when the operational parameters are loosened sufficiently to allow elected representatives to determine how the regulation or service is interpreted locally in its implementation (or design their own regulations and services, possibly within a national framework).

However, this path is not pre-determined. Administrative decentralisation can exist without fiscal or political decentralisation, as in the case of de-concentration in which operational and expenditure decisions must be authorised by the centre. Administrative and political decentralisation can happen without fiscal decentralisation if LRAs are assigned new general competences (e.g. a legal duty to ensure no homeless person is sleeping rough on the streets), with no extra appropriations or revenue-raising rights.

**Full decentralisation involves the whole package of administrative, fiscal and political decentralisation**, either in parallel or over time. In the case of local authorities, the principles of full decentralisation were effectively laid down in the provisions of the [European Charter of Local Self-Government](#), which was signed by all EU countries and other Council of Europe members in October 1985.<sup>22</sup> These principles can be used to assess progress along the path to decentralisation, as follows:

Principle	Charter provision
<b>Political autonomy</b>	Local self-government denotes 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. This right shall be exercised by councils or assemblies composed of members freely elected by secret ballot based on direct, equal, universal suffrage, and which may possess executive organs responsible to them (Article 3).
<b>Administrative autonomy</b>	Local authorities shall, within the limits of the law, have full discretion to exercise their initiative with regard to any matter which is not excluded from their competence nor assigned to any other authority (Article 4.2) Without prejudice to more general statutory provisions, local authorities shall be able to determine their own internal administrative structures to adapt them to local needs and ensure effective management (Article 6.1).

<sup>22</sup> See also the [Council of Europe’s webpage on good governance](#), which includes the role of the European Committee on Democracy and Governance (CDDG), the Strategy on Innovation and Good Governance Reform, the Centre of Expertise for Local Government Reform, and [15 toolkits](#) covering various topics, including benchmarking fiscal decentralisation.

<b>Subsidiarity</b>	Public responsibilities shall generally be exercised, in preference, by those authorities which are closest to the citizen. Allocation of responsibility to another authority should weigh up the extent and nature of the task and requirements of efficiency and economy (Article 4.3)
<b>Exclusivity</b>	Powers given to local authorities shall normally be full and exclusive. They may not be undermined or limited by another, central or regional, authority except as provided for by the law (Article 4.4).
<b>Discretion</b>	Where powers are delegated to them by a central or regional authority, local authorities shall, insofar as possible, be allowed discretion in adapting their exercise to local conditions (Article 4.5)
<b>Consultation</b>	Local authorities shall be consulted, insofar as possible, in due time and in an appropriate way in the planning and decision-making processes for all matters which concern them directly (Article 4.6).
<b>Proportionality</b>	Local authorities' financial resources shall be commensurate with the responsibilities provided for by the constitution and the law (Article 9.2)
<b>Fiscal autonomy</b>	Local authorities shall be entitled, within national economic policy, to adequate financial resources of their own, of which they may dispose freely within the framework of their powers (Article 9.1). Part at least of the financial resources of local authorities shall derive from local taxes and charges of which, within the limits of statute, they have the power to determine the rate (Article 9.3). As far as possible, grants to local authorities shall not be earmarked for the financing of specific projects. The provision of grants shall not remove the basic freedom of local authorities to exercise policy discretion within their own jurisdiction (Article 9.7). For the purpose of borrowing for capital investment, local authorities shall have access to the national capital market within the limits of the law (Article 9.8).
<b>Cooperation</b>	Local authorities shall be entitled, in exercising their powers, to co-operate and, within the framework of the law, to form consortia with other local authorities to carry out tasks of common interest (Article 10.1). Local authorities shall be entitled, under such conditions as may be provided for by the law, to co-operate with their counterparts in other States (Article 10.3).

**Fully-fledged decentralisation** requires central government to transfer both decision-making and revenue-raising powers to regional or local authorities. A [2012 DG ECFIN Economic Paper](#)<sup>23</sup> puts forward the argument that LRAs are better incentivised to manage their finances when revenue sources are decentralised, so that they cover a large part of their expenditures from raising their own taxes and fees, for three reasons:

- ✚ They are more **accountable** to their voters for the way they manage their resources, as the link between local or regional service delivery and the taxes raised to finance them is clearer.
- ✚ Central government can more easily resist pressures from LRAs to cover any excesses in their expenditures, as the latter should have sufficient revenue **autonomy** to deal with their spending obligations.
- ✚ Local or regional policy-makers have a stronger incentive to deliver high quality public services which contribute to economic growth in their communities, as they should get the return from this **investment** in the form of higher tax receipts (depending on the type of tax levied).

<sup>23</sup> Further detailed information on fiscal decentralisation across the EU and within individual Member States can be found [here](#).

A counter-argument is that less prosperous communities with lower household incomes and weaker local or regional economies start with a smaller tax base, and hence may need state transfers to underpin their revenue base and kick-start their socio-economic development.

[VNG International](#) (VNGI), the international cooperation agency of the Association of Netherlands Municipalities, has published a guide to strengthening local government performance, which identifies some of the main obstacles to effective decentralisation that also represent challenges in MLG when put in the wider context of LRAs (see below).

### **Challenges to effective MLG**

- ✦ The responsibilities of LRAs are not defined clearly enough;
- ✦ Powers of LRAs are not in line with the responsibilities;
- ✦ The available financial resources needed for fulfilling these responsibilities are not enough;
- ✦ The territorial division is the result of political considerations and some of the units are either not viable or the boundaries are contested;
- ✦ The capacity of LRA staff and elected representatives is insufficient;
- ✦ The (higher level) staff of local governments are appointed by the ministry, and do not know to whom they are accountable (or do not wish to be accountable to elected local political leaders);
- ✦ Top-down interference in the autonomy of LRAs.

Source: Based on VNG International (2015), "[Improving local government performance by strengthening their 5 core capabilities](#)", prepared by Hans Buis and Jamie Boex.

As a [2016 study of the links to local governance and development](#), published by the European Commission's Directorate-General for International Cooperation and Development (DG DEVCO), has noted: "*decentralisation is a highly political process*". Political will and commitment are pre-conditions for the fully-fledged version, which presents us with the **paradox of decentralisation**.

*"Decentralisation poses a fundamental puzzle. On the one hand, any decentralisation measure worthy of the name tends to reduce the power and authority that national politicians enjoy relative to subnational actors. On the other hand, national politicians formally control the decision to decentralise. What incentives do national politicians have to endorse changes that appear, at least at first glance, to diminish their political prerogatives? ... It is difficult, in fact, to imagine a more intensely political process than decentralisation. Roughly since the emergence of the modern nation-state, struggles between and within national and subnational government entities over which levels do what, and with whose revenues, have been at the core of state formation".* World Bank, The Political Economy of Decentralization Reforms: Implications for Aid Effectiveness, 2011.

This raises the question: what **motivates politicians** to retain or relinquish control? The [World Bank study](#) cited above has identified four factors which can influence them in either direction:

- ✓ **Electoral:** If politicians anticipate their electoral prospects look more promising at the subnational level, they are more likely to support decentralisation to make these political offices more powerful.



- ✓ **Partisan:** Decisions about decentralisation can be determined by the internal dynamics of governing parties, and whether national or subnational politicians are the dominant force. The presence of regional parties in government can also strongly favour decentralisation. If parties are polarised, this might encourage a gradual approach to decentralisation, as radical reforms would be deemed controversial.
- ✓ **Institutional:** Irrespective of electoral and partisan pressures, national officials typically face strong pressures to defend the national institutions they occupy and represent in interactions with sub-national governments, which can slow the process of decentralisation.
- ✓ **Coalitional:** Politicians will also weigh up the impact of changes on the coalitions of interest that support (or oppose) them. There is a debate as to whether politicians react to societal pressures to decentralise or whether they direct civil society which in turn shapes decentralisation plans. Either way, the argument is that these groups are influential, but different lobbies can have conflicting goals. For example, business associations might favour decentralisation to encourage competition in setting local business taxes and tailored services, or fight against it because of fears of profligacy in local spending.

As well as political incentives, there are also **technical considerations** to factor into the practicalities of decentralisation:

- ✓ **Planning:** How will central administrations be affected by the transfer of powers and resources? If the decentralisation involves a sweeping devolution of responsibilities affecting many ministries and agencies, rather than narrowly policy-specific, it will need to be coordinated at the centre of government (see [topic 3.3](#)). One of the key considerations in the planning process will be sequencing: should capacity at the local or regional level be built first, or should revenue and responsibilities be transferred first?
- ✓ **Fiscal efficiency & equity:** Central governments can collect some revenues (e.g. personal income taxes, VAT, excise duties, etc.) more efficiently than LRAs, which argues for transfers. LRAs are well-placed to collect local property and businesses taxes, however, which might be more suitable for devolution. Decentralisation can lead to fiscal imbalances, however, as more prosperous territories enjoy the benefits of higher revenues and greater spending power, while poorer areas are disadvantaged by a smaller revenue base, deeper social problems and less financial leverage to improve their prospects. Similarly, the effects of economic shocks and natural disasters are better handled through solidarity, spreading the costs over a larger revenue base, which argues for national administrations retaining a central pool of funding as insurance.
- ✓ **Legislative change:** During the initial phase, decentralisation will need to be reflected in changes to legal frameworks, possibly including constitutional reforms. This will require majority support in the legislature and takes time to enact. This framework will need to pay special attention to administrative capacity and the fiscal rules governing transfers, revenue collection, borrowing etc.

- ✓ **Implementation:** Decentralisation is not a panacea or a quick fix. The dynamics between different actors at the national and sub-national levels will affect the outcome, as their incentives and interests can often conflict. In the words of the World Bank: *“Some initially supportive or non-obstructive agencies may reconsider their position when they come to understand the implications for their own power and resources. In some cases, agencies that did not really see themselves as having a stake in decentralisation may enter the field when they see opportunities to benefit from involvement or look for ways to preserve their own roles with respect to local functions. As threats emerge from agencies that are seen as competitors, the original lead agencies (or sub-agencies) on decentralisation may develop new strategies that are more focused on maintaining their role than on effective decentralisation policy.”* Both patience and good negotiation skills on all sides are needed to steer through the technicalities of devolving responsibilities and resources, while keeping the original goals in mind.

*“Decentralisation is not a one-off policy change. It is an ongoing process where the end point of accountable and efficient local governments may well take many decades to achieve. In addition, in the process of institutional change, inertia and resistance can occur from those who have benefited from the previously centralised system, especially in terms of power, information and decision”.* OECD, 2011 (op. cit.).

This brings us back to the **arguments for decentralisation**. What are the advantages and is it a cause worth pursuing? In many ways, the pros and cons are a mirror image of the case for centralisation, which is contrasted below.

Decentralisation	Centralisation
<ul style="list-style-type: none"> <li>☑ Decisions taken are expected to reflect better the needs and preferences of the public, as LRAs are closer to citizens than national authorities (surveys consistently show that trust is higher in LRAs).</li> <li>☑ Policy-making can be more effective, as both design and implementation can be better customised to circumstances, reflecting the more in-depth knowledge in the local or regional administration.</li> <li>☑ Decentralisation can trigger competition among LRAs which can encourage policy and service innovation.</li> <li>☑ It can speed up decision-making, as smaller territorial units can be more efficient, especially if information does not need to be passed up to a centralised hierarchy at national level</li> <li>☑ Accountability to the public is higher at the lower levels of government; decentralisation can inspire citizens to engage with their representatives and exercise influence over policy, budgets and services.</li> <li>☑ Decentralisation acts as a check against the excessive concentration of power at the centre.</li> </ul>	<ul style="list-style-type: none"> <li>☑ Decisions can be taken in the whole country’s interests, not individual parts. This can help avoid ‘postcode lotteries’ in citizens’ and enterprises’ local experience of public services.</li> <li>☑ Centralisation can be more cost-effective, especially if LRAs are small, have high proportionate overheads, and lack procurement leverage to gain value for money.</li> <li>☑ LRAs can find it hard to compete with central administrations in attracting high calibre staff, undermining analytical and delivery capacity.</li> <li>☑ It can be easier and quicker to implement reforms, especially in times of crisis.<sup>24</sup></li> <li>☑ Centralisation avoids wasteful competition (e.g. which can become a ‘race to the bottom’), and the complexity of myriad local regulations and red tape.</li> <li>☑ It can avoid the creation of ‘clientelist’ networks among local elites and interest groups, in which favours are traded for influence, jobs and contracts.<sup>25</sup></li> </ul>

<sup>24</sup> COCOPS’ working paper on [cutback management](#) argues that centralisation is the corollary of crisis management, as national governments react by moving substantial powers to the centre of the government to promote *“mechanistic structures and hierarchy-based procedures in organisations”*.

<sup>25</sup> See also [theme 2](#).

Some of the **apparent weaknesses of decentralisation can be addressed** by actions at both the initiation and implementation phases of transferring responsibilities. This can include:

- ✓ Strengthening **analytical and delivery capacity** among LRAs, by ensuring the resources are available for effective policy-making and delivery, and making LRAs more appealing employers in the competition with central administrations and private enterprises (see [topic 4.3](#) on human resources management);
- ✓ Encouraging or requiring LRAs to conduct **risk assessments** and ensure **transparency** in their operations, along with other ‘checks and balances’ against abuse of power (see [topic 2.2](#) on managing integrity and corruption risk);
- ✓ Bolstering **local democracy** by encouraging the active involvement of civil society and the use of co-design, co-production and co-budgeting to engage local citizens and businesses (see [theme 1](#) on co-responsibility);
- ✓ Improving **efficiency and effectiveness**, either through re-organisation (see [topic 3.2.2](#)) or through cooperation and partnership (see [topic 3.2.3](#)).

*“There is no “yes or no” answer to whether or not decentralisation is a “good idea.” Centralised and decentralised approaches can work relatively well, or relatively poorly, depending on a country’s historical, cultural and political context, as well as on its ability to exploit inherent strengths and minimise potential weaknesses. The performance of decentralised public policies is also strongly related to the effectiveness of co-ordination among different levels of government”.* OECD, 2011 (op. cit.).

While there are pros and cons on both sides, nevertheless the historic **trend has been towards de-centralisation**. The EU-funded Local Public Sector Reforms ([LocRef](#)) project, which is financed through the European Cooperation in Science and Technology ([COST](#)) programme under [Horizon 2020](#), examined the experience of 39 countries over the period 1990-2014, including the current EU Member States. It found an increase in local autonomy in the period up to 2005, consistent with the long-term trend in Europe towards decentralisation, but a slight tendency towards more centralisation in the last decade.

The research project [‘Coordinating for Cohesion in the Public Sector of the Future’ \(COCOPS\)](#), funded by the EU’s Seventh Framework Programme, has taken a longer perspective and examined *inter alia* the changing role of government in Europe from 1980 to 2010, correlating reforms with public sector employment and expenditure as a share of GDP. COCOPS analysis found that decentralisation has tended to correspond with **cuts in public expenditure**. The implication is that transferring responsibility from central to sub-national government tends not to be accompanied by a commensurate transfer of resources.<sup>26</sup> However, it is worth noting there have been functional transfers in both directions, for example in provision of careers advice, responsibility for making social welfare payments, and the monitoring of public health. In practice, centralisation and

<sup>26</sup> J.M. Alonso, J. Clifton and D. Díaz-Fuentes (2011), “Did new public management matter? An empirical analysis of the outsourcing and decentralization effects on public sector size”, COCOPS Deliverable 2.1.

decentralisation can happen simultaneously, for example during the break-up of a regional or intermediate level of government, and the re-assignment of competences to national and municipal authorities.

Necessity being the mother of invention, many municipalities have responded to financial pressures by exhibiting levels of imagination and innovation that are usually associated in the public's mind with the private sector, and have instigated major **internal reforms** to improve effectiveness and efficiency. The Change<sup>2</sup> project in the German city of Mannheim is a prime example of such an initiative (see case study under [theme 9](#)).

### 3.2.2 Reorganisation and regionalisation

Alongside decentralisation, the other major territorial reform re-shaping MLG across Europe has been **amalgamation**. In the last 25 years, many Member States have engaged in the merger of local and intermediate authorities. This has been mainly focused at the municipal level (or lower), often in



waves on a massive scale, with the aim of achieving significant economies of scale and simplifying territorial organisation with a clear allocation of competences at each tier of government and reducing overlaps. The LocRef study (op. cit.) found the total number of municipalities had fallen by 12% since the early 1990s, from around 120 000 to about 106 500 by 2014. This was particularly the case in older EU Member States over the period, such as Denmark (from 275 to 98), Finland (from 452 to 317), Germany (down by about 5000, mainly in the new Länder), and Greece (from 5775 to 325), but also Latvia (from 500 to 119).<sup>27</sup>

**Regionalisation** involves creating regions, or strengthening their roles and responsibilities, for example in economic development and/or the management of ESIF.<sup>28</sup> Powers may be redistributed downwards (from the centre) or upwards (from the local). In some cases, the regions replace existing intermediate level bodies (e.g. counties, provinces and districts) that might have been considered the upper tier of local government.<sup>29</sup>

In France, for example, a strongly centralised unitary state became a decentralised one mainly through regionalisation. This process started in the 1970s, was consolidated in the 1980s, and was formalised constitutionally in the 2000s. In the 2010s, the French Government has looked to streamline competences around two axes (regional / departmental, and municipal / inter-municipal) and to consolidate and reduce the number of regions.

<sup>27</sup> This is not the case everywhere. Newer Member States, by contrast, have increased the number of municipalities: Croatia (+556), Czech Republic (+2153), Hungary (+88), Romania (+233), Slovak Republic (+64), and Slovenia (+161).

<sup>28</sup> This regionalisation has been seen in France, Germany, Ireland, Malta, Poland, Romania, and Slovakia

<sup>29</sup> See S. Kuhlmann and H. Wollmann, op. cit.

### ***Regionalisation and reconfiguring competences in France***

France used to be a highly-centralised country, with two tiers of local government: departments (départements) and municipalities (communes). Regions (régions) came into existence in 1972 by means of law, but it was the so-called 'Deferre Acts' of 1982 and 1983 that initiated the decentralisation process:

- ✚ The State's supervisory powers over local authorities' activities were abolished.
- ✚ The regions were turned into territorial authorities run by directly elected assemblies.
- ✚ Departmental and regional executive powers were also transferred to the presidents of their respective councils.

Decentralisation was embedded in the Constitution in 2003, when the status of the regions was constitutionally recognised and France became a unitary and decentralised state, enshrining local authorities' financial autonomy and authorising local referenda. In 2004, the departments and regions were attributed some new competences. A further reform wave was adopted in 2010, intended to radically alter the landscape of territorial administration and division of powers in the forthcoming years. LRAs were to be organised around two main axes: regional/departmental and municipal/inter-municipal. From 2014, the same elected representatives would belong to both the regional and departmental councils, to ensure coherence and complementarity between the regional and departmental levels. In October 2012, the French Government announced the launch of a procedure to reform further the system of territorial administration, re-configuring the division of competences from 2015. Departments and regions were attributed some exclusive competences, with shared competences becoming the exception (sport, culture, tourism). In case a competence has not been attributed to any authority, the departments and the regions are allowed to intervene. With regards to municipalities, they kept their general competence for local matters.

In 2014, the French parliament passed a law that reduced the number of metropolitan regions from 22 to 13 through amalgamation, with effect from 1 January 2016. With the five overseas regions, this means that the total number of regions fell from 27 to 18.

*Source: Based on Committee of the Regions "Division of Powers" (op. cit.)*

This combination of regionalisation, decentralisation and reorganisation can also be found in the experience of Greece. The Hellenic Republic's path to decentralisation shares many features with the French Republic, starting with regionalisation - the creation of 13 regions (*perifereies*) in 1986 - albeit on a de-concentrated basis. Both administrative and political decentralisation were reinforced in 1994, while reorganisation took place in 1997 under the 'Kapodistrias Programme' with the merger of communities (*koinotites*) and municipalities (*dimoi*), which reduced their number by over 4 000. With the 2010 'Kallikratis Programme', the number of municipalities was reduced by a further 700 to just 325, which took place within the context of cuts to public expenditure.

### ***Regionalisation, decentralisation & amalgamation in Greece***

The Hellenic Republic is a unitary State organised on a decentralised basis. Greece used to be much more centralised, but has been undergoing reforms over the last few decades which culminated in the adoption of an extensive administrative reform in 2010, the so-called 'Kallikratis Programme'. Currently, central government is exercised centrally by ministries, but also through 'decentralised administrations' (*apokentromeni dioikisi*), which are de-concentrated offices of central government. At the sub-national level, elected self-government is exercised by regions (*perifereies*), each run by a regional governor and regional council, and municipalities (*dimoi*), each run by a mayor and municipal council.

The decentralisation process started in 1986 with the creation of 13 administrative regions (*diikitiki periferia*), as de-concentrated agencies of the state administration. It was strengthened in 1994 with the establishment of elected prefectural bodies (previously, prefects were appointed by the government) and the extension of

the municipalities' competences.

In 1997, the 'Kapodistrias Programme' changed the administrative boundaries of local self-government authorities through merger, without changing their previous institutional status, reducing them to 1 034 in total, comprising 914 municipalities (*dimoi*) and 120 communities (*koinotites*). The Code for Municipalities and Communities in 2006 constituted the main legislative text for their function.

In 2010, the 'Kallikratis Programme' (Law 3852/2010 on the Reorganisation of Local Government) united existing municipalities, modified the vertical division of competences in favour of municipalities, and replaced the 51 prefectures (*nomarhies*) with fewer elected regions, which were further sub-divided into regional units (*perifereiakes enotites*) that largely correspond with the old prefectures. Since the reforms officially entered into force on 1 January 2011, the Hellenic Republic has comprised seven decentralised administrations (*apokentromeni dioikisi*), 13 regions (*perifereies*) and 325 municipalities (*dimoi*).

The seven 'decentralised administrations' exercise responsibility on State matters (regional development & environmental protection), and are each headed by a general secretary appointed by the Minister of Interior. The municipalities and regions constitute the first and second-level of local self-government. The 'Kallikratis Programme' further describes the territorial organisation and the division of powers between the different levels of governance. Since the adoption of the 'Kallikratis Programme', both municipalities and regions should have autonomous central resources calculated on certain percentages of income tax, VAT, and property tax.

*Source: Based on Committee of the Regions "Division of Powers" (op. cit.)*

This pattern of consolidation in local self-government (through voluntary or statutory merger) and reinforcement of regional administration appears to have continued. From 2012 to 2016, there was a net reduction in local and intermediate governments of 1,750 across the EU, but a net increase of 16 regional authorities.<sup>30</sup>

*"Reforms involving territorial reorganisations have become quite common over the past few decades in Europe, usually carried out as mergers of municipalities or regionalisation of the territory. This reform movement, based on the concept of a Europe of regions, was very active in the 1980s and 1990s and, ever since the first signs of the financial crisis, now seems to have found new life. Its goal is no longer exclusively to advance decentralisation, but also to adjust the functioning of local and regional authorities to the budgetary and operational restrictions imposed by the central governments".* CEMR, Decentralisation at a Crossroads, 2013.

The CEMR, quoting a German university study, argues that municipal mergers do not automatically result in increased efficiency and scale economies. Their proposal is that municipal mergers should be based on:

- ✓ **Economic justification**, which reflects the specific territorial situation; and
- ✓ **Consultation** with the local population, to avoid sacrificing closeness to the citizen. In France, for example, the proposed replacement of three existing authorities with a single authority in Alsace (*collectivité unique d'Alsace*) was rejected in a referendum.

<sup>30</sup> Source: CEMR Local and Regional Governments in Europe, 2016 (op. cit.).

Moreover, the upheaval involved in abolishing or merging public authorities - for management, staff and service users - should not be underestimated. It is not just a case of transferring competences to a new organisation (or possibly several, especially if functions are being re-assigned across government levels), the consequences can be felt in the following areas:

- ✓ **Employment contracts**, which will need to be revised and may need to be re-negotiated;
- ✓ **Staffing levels**, as abolition or merger often leads to fewer staff, especially at management level and in corporate services (such as accountancy and human resources), through early retirement, voluntary or statutory redundancy, or 'natural wastage' (recruitment freezes and a decision not to replace leavers);
- ✓ **'Legacy' ownership**, as all assets and liabilities of the previous entities must be accounted for and transferred to new owners (e.g. pension liabilities might be taken on by central government);
- ✓ The **location of service delivery**, if the reorganisation is accompanied by the creation or streamlining of one-stop shops or outreach into rural and remote areas, for example.

The experience of amalgamation and abolition in Ireland's County Tipperary is a valuable lesson in what can be achieved in a relatively short time, just 3-4 years in this case, with effective process management. The Government of Ireland's decision to consolidate two county councils into one, was followed up just 15 months later with the announcement that the seven urban councils at the lower level of local self-government would be dissolved, and their staff and functions absorbed at the unified county level. Clearly, a phased and planned approach and strong stakeholder communication were critical success factors in delivering this major territorial reform to deadline. The ramifications are still being felt, hence the necessity for a consolidation phase that is ongoing.

#### ***Inspiring example: Merger of North and South Tipperary County Councils (Ireland)***

County Tipperary, Ireland's largest inland county, has a population of 160,441 and covers an area of 4,282 km<sup>2</sup>. Tipperary had been administered as two separate local government units since 1838. In July 2011, the national government announced the establishment of a **unified county council** in Tipperary to replace the existing North and South Tipperary County Councils, to be effective from 2014.

The project's general objective was to achieve the merger effectively and on time, maintain delivery of services and maximise resource deployment and savings. The **management process** put in place utilised the resources of the existing councils and allocated them to best advantage in terms of their input to task completion. The merger was managed by a joint management team (JMT) comprising the management teams of the two councils. A project support team, including a full-time project coordinator at director level, supported implementation and coordinated the actions agreed by the JMT. Management sub-groups were also established on a functional basis (e.g. IT, finance).

The national government announced further local government reforms in October 2012. As a result, the merger project became far bigger and more complex and now also involved dissolution of the **county's seven urban councils** and incorporation of their staff and functions into the new county council.

The project took place over two inter-related phases – a planning phase and an implementation phase.

- The **planning phase** ran from July 2011 through to acceptance in July 2012 of the merger implementation plan, which comprehensively detailed the approach to be taken to ensure that the merger would happen on schedule.
- The **implementation phase** then ran to the official merger date of 3 June 2014. It encompassed a focus on the merger of systems and procedures. Overall, there were 128 mini-merger ‘projects’ ranging from the integration of major systems like pay-roll through to minor processes such as parking fines. Innovative features of the merger project include a new service model for delivery of services; introduction of customer service desks; development of a new public-facing website; energy-saving/carbon-reduction improvements in building facilities; and risk management planning.

Given the scale of the project, the number of stakeholders involved, and the wider challenges arising from reform of the overall public service, the merger was managed very effectively. The administrative, legal, financial and political merger was achieved on time and within budget. **Communication with stakeholders** – staff, elected representatives, trade-unions and other local organisations – represented an important aspect of the merger. Social inclusion was a significant priority that guided the merger. Marginalised communities, and the marginalised within communities, now have the opportunity to participate in local decision making and influence and shape local decisions through new structures.

The **consolidation phase** encompasses the period from legal merger (June 2014). This is focused on moving past the technical merger. Removing divisions and developing a new culture around a shared understanding of the aims of the new organisation is fundamental to any merger. The first step has been development of a new corporate plan for the period 2015-2019, which sets out a clear vision for the whole county. The merger of two large local authorities had not occurred in Ireland prior to 2014. Learning from the experience has been identified that will provide guidance to other public service organisations engaged in similar reorganisations in Ireland and across the wider EU.

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Another case is the merger of districts within the Austrian federal state of Steiermark, which resulted in a reduction on the number of district commissions responsible for administrative tasks (business licenses, environmental protection etc.) from 16 to 13, saving €10 million a year over the long-term through natural wastage (not replacing retired staff), and improving service delivery by making better use of the expertise of highly qualified staff.

#### ***Inspiring example: Merging the districts of Judenburg and Knittelfeld (Austria)***

Austria is a federal republic divided into nine federal states, each of which is sub-divided into specific districts. Administrative tasks at the federal state level are carried out by the district commissions, which must implement federal and regional laws, e.g. the authorisation of businesses, monitoring of public health, protection of the environment, etc. District commissions contribute greatly to regional development, especially in rural areas. The federal state of Steiermark was divided into 16 districts, each with its own district commission.

In the framework of this project, the existing administrative framework was substantially changed for the first time in Austria since the 19<sup>th</sup> century. A process model was developed on how to merge two districts, namely Judenburg with some 44,000 inhabitants and Knittelfeld with some 30,000 inhabitants, and its two district commissions to form one bigger administrative unit. All administrative tasks that can be executed quickly and non-bureaucratically are offered at two locations, enabling the authorities to remain accessible to citizens. However, all administrative tasks that require expert knowledge by the authorities were centralised. The new district ‘Murtaal’ came into existence on 1 January 2012, having some 74,000 inhabitants and a new district commission. The project has been implemented without the help of external experts. The new district commission provides the same range of services for its citizens and functions more efficiently at lower costs.



The administrative costs of the new district 'Murtal', and thus the costs for the citizen, were lowered. The first year of the new structure led to savings amounting to €550,000, which should reach €850,000 by the end of 2013. Further savings are expected. These financial means can be used to foster innovative projects and to strengthen the local economy in the future.

The cost savings mainly result from centralisation and the reduction of human resources. The reduction of staff is not based on dismissals, however, but rather from not filling the posts of some staff members that left for retirement. Moreover, highly qualified staff members are now used in different positions requiring expert knowledge. This results in faster and better services for citizens. Six other districts in this federal state have been merged, from 16 to 13 administrative units. The potential financial savings are estimated at €10 million per year in the long term.

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An even more ambitious overhaul was achieved in the Swiss Canton of Glarus, which merged a total of 68 municipalities and corporations providing public services in a major **streamlining** exercise to form three new and large municipalities in 2011, following agreement at two citizens' assemblies.

#### ***Inspiring example: GL2011 (Switzerland)***

Canton Glarus is now equipped to face the challenges of the future. The municipal structures have been fundamentally streamlined and 25 village municipalities, 18 educational corporations, 16 social service corporations and 9 natural citizens' corporations have merged to form three large and strong municipalities.

The directive for the municipal structural reform was given by the Glarner citizens at the citizens' assembly (Landsgemeinde) in 2006 and confirmed at the extraordinary citizens' assembly in 2007. In only a few years, Canton Glarus has been given completely new municipal structures. In this connection, there was a clarification of the tasks allocated to the municipalities and the Canton, an optimisation of the financial channels and an improvement in the public services. On 1 January 2010, the newly elected authorities of Glarus south, Glarus and Glarus north started working to prepare themselves for the scheduled start of their municipality a year later. On 1 July 2010, they finally took over the duties from the authorities of the former municipalities. More than 500 Glarner people worked on this reform project for four years. At the end of 2010, the project phase was completed and on 1 January 2011 the three new municipalities officially 'took off'.

The municipal structural reform has strengthened the Canton, the municipalities and the citizens at all levels. The residents enjoy the benefits of a good and professional infrastructure and an up-to-date public service, and the children have a modern school system at their disposal. Industry profits from improved general provisions and the municipalities have become more powerful and self-assertive. All three municipalities have a collective municipal archive, a collective electronic information system and collective technical services as well as old age and nursing homes. The chances for the Canton Glarus have markedly improved in respect of the competitive situation regarding the location of industry and housing. The structure of the municipalities was optimised; provisions were made for a more efficient, professional and accessible structure. The social and welfare services have been under the administration of the Canton since 2008 and have now all become more professional. The municipalities and the Canton have a uniform financial administration law by decree. It is now possible to compare the accounts. Together, all can benefit from the efficient and therefore economical utilisation of the financial resources.

The Canton Glarus has become more competitive and is an excellent residential and industrial location. Throughout the last five years, the development has been positive in both sectors. The reasons for this are extensive settlement pressure of the greater Zurich area, attractive property prices, and a favourable tax environment for private individuals and companies. The structural reform supports this development by providing the municipalities with more professional structures.

The radical reform caused a sensation across the whole of Switzerland. This is seen in the comments in the

Swiss press. ‘Glarus wipes out 22 municipalities’ was the title in the Tages Anzeiger. The Neue Zürcher Zeitung wrote of an “exciting surprise”, and that the citizens had unexpectedly shown themselves to be liberal and reform friendly. The ‘Blick’ commented that “the Glarner had revolutionised their Canton” and the ‘St. Galler Tagblatt’ wrote “no other Canton has in a short space of time made such substantial changes as Glarus”. Even in the French-speaking part of Switzerland the decision of the citizens’ assembly was acknowledged. The L’Express’ in Neuchâtel wrote: “Un vent de révolution a soufflé sur la Landsgemeinde de Glaris”.

Looking back over the past few years, the Government determines that the structural reform has been positively received across the cantonal borders in Switzerland. Fusions of municipalities are no longer a taboo and many cantons and municipalities all over the country are following suit.

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Reorganisation is not purely a phenomenon of LRAs alone, but also in **central government**. Examples include: the creation of eight, integrated ‘super-ministries’ in Hungary following the 2010 national elections; the reduction to 12 ministers in the incoming Slovenian government in 2012<sup>31</sup>; and the amalgamation of de-concentrated offices in the Slovak Republic.

### ***Inspiring example: Merger and streamlining of de-concentrated offices (Slovakia)***

The programme to reform the local public administration (‘ESO reform’) is ongoing. In 2013, the government started implementing the ‘effective, reliable and open public administration programme’. The programme aims to make the public administration more efficient and better equipped to provide high quality, transparent and cost-effective services to the public. So far it has resulted in numerous regional offices, budgetary organisations and specialised local bodies being merged into more coherent structures. The reform is expected to continue until 2020, with a focus on merging more of the central administration’s offices, opening one-stop shops for the public and businesses, and streamlining the central administration’s processes and structures.

Source: European Semester, 2016 Country Report for Slovakia

Recognising the **impact of re-organisation on workforces** in both the private and public sectors across Europe, the European Commission launched the [European Quality Framework on Restructuring \(QFR\)](#) in 2013 to provide guidelines for restructuring organisations, including public authorities explicitly. This led to a 2015 agreement between the two organisations representing social partners across the EU – the European Public Administration Employers (EUPAE) and the Trade Unions’ National and European Administration Delegation (TUNED) - on a [general framework for informing and consulting civil servants and employees of central government administrations](#).

### **3.2.3 Cooperation within and across levels**

Merger is a major step, but many of the benefits of scale economies can be achieved more easily and cheaply. A less radical alternative to re-organisation, public authorities can also productively engage in partnership-working, including formal cooperation



<sup>31</sup> W. Kickert, T. Randma-Liiv and R. Savi (2013), [Fiscal Consolidation in Europe: A Comparative Analysis](#), COCOPS.

arrangements. This can be mandated<sup>32</sup>, but is typically permitted and encouraged by central government as a voluntary action. This offers a more flexible approach to subsidiarity: sometimes the ‘most appropriate level’ cuts across administrative boundaries, and demands horizontal and/or vertical collaboration across municipalities, cities, districts, provinces, regions or nations.

*“Rather than isolated actors, sub-national authorities and central governments are mutually dependent. Interdependencies between levels of government can be of a different nature: institutional (when the allocation of roles and responsibilities is not exclusive); financial (when central and sub national governments are co-funders of public spending in regions); and socio-economic (when issues and/or outcomes of public policy at one level have impact on other regions and the national level). In such context, a full separation of responsibilities and outcomes in policy making cannot be achieved”. OECD, 2011 (op. cit.).*

In some cases, for example in rural or remote areas, collaboration can be the only realistic option to make investment in infrastructure or services feasible. Individual municipalities might lack the fiscal resources or the borrowing capacity on their own. A prime example is the formation of partnership working is **public utility companies** to plan, build and operate environmental infrastructure for several municipalities, such as waste management centres (landfills and recycling), and wastewater treatment plants.

Less extensive collaborations can be found in other fields, especially at the **intersection of national borders**, such as cooperation in recent years among the Croatian, Hungarian and Serbian border police, which has led to joint training and other initiatives, and the close relations between the Limburg provinces of Belgium and the Netherlands with their counterparts in Germany (Meuse–Rhine Euroregion).

### Cooperation or coordination?

**Cooperation** is a decision for two or more public authorities to recognise a mutual interest and opt to work together, through for example a memorandum of understanding, cooperation agreement, contractual relationship or establishment of a joint enterprise. This typically involves pooling their knowledge, expertise, authority and/or resources for a common purpose. This is distinct from **coordination** (vertical, horizontal or a mix of both) which happens when responsibilities and resources have already been allocated to two or more authorities, and the interaction between them needs to be orchestrated (often by a central or higher-level authority, see [topic 3.3](#)) to ensure that each fulfils their respective roles effectively in pursuit of an agreed goal.

Municipal associations can play a valuable part in bringing their members together, encouraging network formation, and identifying and sharing viable practices.

For example, VNG International, founded by the Association of Netherlands Municipalities, has produced an [introductory guide](#) to successful **inter-municipal cooperation (IMC)** within the context of decentralisation. IMC may be the appropriate solution when there is a business case for example for promoting a larger territory (for example, to attract tourism or investment), sharing the costs of researching and developing a new service or purchasing specialist equipment, for example (see [topic](#)

<sup>32</sup> For example, a French law that came into effect on 1 January 2014 obliged all municipalities within a given territory to join a Public Institution of Inter-Municipal Cooperation (EPCI) with tax-levying powers.

8.2 on public procurement), achieving scale economies or tackling cross-border problems which cut across administrative boundaries (such as environmental protection). IMC was also the subject of a [Toolkit Manual](#), published in 2010 by the Council of Europe, United Nations Development Programme (UNDP) and the Local Government Initiative (LGI) of the Open Society.<sup>33</sup>

*“During the last decades, the trend has been to transfer tasks and responsibilities to the local tier of government. Some municipalities ask themselves if they can execute their tasks satisfactorily alone and how to deal with these new decentralised tasks? Sometimes the tasks are too much for one municipality alone, because they raise costs and risks. Municipalities see inter-municipal cooperation as an efficient and sustainable solution to improve the effectiveness, quality and completeness of their service delivery and municipal administration.”* VNG International, Guide to Successful IMC.

IMC often features **joint procurement**, the opportunities from which are highlighted in [topic 8.2](#). An example can be found in Sweden, where municipally-owned housing companies and the Swedish Association of Public Housing Companies (SABO) have come together to jointly procure house construction to force down the cost of municipal housing.

#### ***Inspiring example: SABO's Kombohus (Sweden)***

Sweden is currently facing a significant housing shortage caused by a level of residential construction that has been far too low for a long time, combined with Sweden having both Europe's highest population growth rate and Europe's highest level of urbanisation. Moreover, the problem has been amplified by Sweden having the highest construction prices in the EU.

The public municipally-owned housing companies in Sweden, together with the Swedish Association of Public Housing Companies (SABO), have initiated and developed the concept of SABO's Kombohus. This concept is an extensive strategic effort being implemented nationally by 300 municipal housing undertakings in Sweden and aimed at increasing Sweden's residential construction of cost effective multi-dwelling buildings without state funding. (Currently there are no government subsidies for residential construction in Sweden.)



The municipal housing undertakings have completed three framework procurements in respect of the concept and have managed to reduce building costs by 25 per cent, while producing better-quality multi-dwelling buildings, through building companies being afforded an opportunity within the public procurement rules to compete for considerable volumes of homes erected under framework agreements over several years. This affords significant opportunities for improving efficiency, performance, lead times, quality and logistics as well as the prospect of extensive cooperation between suppliers.



As the buildings are pre-designed and partially prefabricated, this reduces the construction period while increasing the productivity of the construction companies. Huge interest has been shown in constructing these buildings, far exceeding the objective of the concept. As at September 2016, over 150 projects were underway in over 90 different municipalities. This includes over 7 000 homes in total that have either already been built or are in the construction process. It is considered that the three procurements will provide approximately 11 000 homes in total during the term of the contract. The multi-dwelling buildings procured may be erected by any one of the 300 municipal housing undertakings throughout Sweden, both as individual ancillary buildings or as apartment blocks. Buildings are procured at a fixed price and are fully completed (ready-to-occupy), so that tenants can move in immediately.

<sup>33</sup> See also the summary of a [2014 CEMR seminar](#) on the simplification of local administration in Europe, which included presentations and discussions in the field of IMC

This concept building was developed by the building contractors within the margin of expenditure set in the procurement, and the building proposals submitted have then competed against each other and been evaluated on the basis of standard and quality. This has resulted in the buildings having very good apartment solutions, a robust and environmentally friendly choice of materials and very low running costs. These buildings are also ranked as low-energy buildings.



Independent researchers have monitored the method of procurement and costs together with subsequent moving chains. The results show, among other things, that housing companies operating in areas where previously it was not economically viable to build have now been afforded an opportunity to build homes at a lower construction price. We also see that many of the people who have moved into the new multi-dwelling buildings are older people who now have the option to move from a home that is no longer suitable to a home that is accessible and tailored to them. This has resulted in moving chains starting in areas where no-one has built any new homes for a long while, and also rent levels that more citizens can afford.



Another positive effect of the procurements is that the construction companies involved in the concept could develop products that were so cost-effective that it has been possible to increase their volume of construction for the external market, private property owners and institutional investors

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**Shared services** have become an increasingly popular form of IMC in the search for efficiency savings (see also [topic 5.6](#)). For example, the [UK's Local Government Association](#) (LGA) conducted a 2015 study which found that over 220 local authorities were taking advantage of 416 shared service agreements among them, resulting in over EUR 0.5 billion (£462 million) in efficiency savings. The LGA has produced a [handy guide](#) to the use and management of shared services.

The first consideration for any LRA contemplating IMC is the **legal basis**: is cooperation actually permitted under the law, or at least, not ruled out either explicitly or implicitly? As noted above, some Member States have moved already to encourage and enable IMC within their latest local self-government legislation (e.g. France and Hungary). By contrast, in other Member States, IMC requires the prior consent of a higher tier of government.<sup>34</sup> In the case of joint procurement, for example, the 2014 EU Directives expressly allow for shared purchasing arrangements across authorities, once transposed into national law (see also [topic 8.2](#)).

The second consideration regards the **'make or buy'** decision: can the public authority's needs be met by contracting-out, or is it more effective and efficient to pursue the 'in-house' option, even if that means pooling responsibility and resources with another authority? The weighing up of the pros and cons of cooperation (against the alternative options of outsourcing and the 'do nothing' scenario) in a cost-benefit analysis means taking account of key factors and variables, including:

- ✓ **Timescale**: How urgent is the need to be resolved? Is there sufficient time to plan, investigate, prepare and put in place the proposed solution, including all the stages of procurement in the event of tendering? Are the costs of these steps (including officials' time) justifiable, in the context of the investment being made and expected returns?

<sup>34</sup> H. Heinelt and K. Zimmerman (2011), "How Can We Explain Diversity in Metropolitan Governance within a Country? Some Reflections on Recent Developments in Germany", International Journal of Urban and Regional Research, Volume 35.6, November 2011, 1175–92.

- ✓ **Shared interest:** Is the need a common challenge faced by other LRAs (for example, a core service or a statutory obligation)? Is there likely to be a willingness to cooperate among others, or will the authority have to go-it-alone? How probable is it that it will be possible to develop a common vision and purpose, and agreed objectives, approach and methods?
- ✓ **Specification:** How readily can the need / challenge be articulated not just as objectives, but also as activities and outputs? Can these activities and outputs be specified in a form that can be articulated as a written agreement and managed contractually and/or organisationally?
- ✓ **Risk:** Is there a high degree of predictability and certainty in the proposed activities and outputs, or are there endogenous and exogenous factors that might influence their performance? What is the risk assessment regarding the likelihood of achieving outputs (and therefore outcomes)? If the assessed risks materialise, how serious would the impact be? If the activity is a statutory obligation, what would be the consequences and costs? Can these risks be mitigated?
- ✓ **Accountability:** What is the viewpoint of stakeholders, especially citizens), regarding the options, and do they have legitimacy in the eyes of voters?

If the in-principle decision is to take IMC forward (make, not buy), the next step is to **elaborate and execute an operational plan**, which resolves detailed practical requirements regarding preparation, negotiation and implementation. These include:

- ✓ **Partners:** Which would be the most suitable collaborators? Which other authorities have a shared interest and willingness to cooperate?
- ✓ **Organisational format:** What entity will perform the IMC activities? Where will it be located? How will it be staffed and equipped, including ICT? What will be the lines of management, communication and reporting? How will the staff be recruited, developed and rewarded?
- ✓ **Financial arrangements:** What are the precise consequences and costs of the organisational arrangements? If inputs or outputs are defined in non-financial form ('in kind'), are they valued appropriately?
- ✓ **Legal form:** What is the most suitable legal architecture, given the legislative framework? Are the arrangements equitable, regarding decision-making, resourcing, benefits? Do the voting powers avoid dominance by the largest authority?

An illustration of the value of MLG in tackling a serious environmental challenge, for example – in this case, flood protection – is provided by the Dutch 'Room for the River' programme, which includes all the key characteristics of an evidence-based, consultative, inter-institutional, cross-boundary, and multi-level approach. It is an example of **cooperation that crosses all administrative boundaries – local, provincial and (inter)national**. It addresses the major policy goal of flood

protection, thereby safeguarding lives and livelihoods, but also seeking and seizing opportunities for economic, social and sustainable development. Flood defence was not seen as purely a technocratic challenge, but a chance to re-shape both the natural and business environment. The major budgetary commitment, coupled with an inclusive, rigorous planning and decision-making process was the stimulus for public administrations at different levels to collaborate and work closely with local citizens and enterprises, including the vital farming community.

### ***Inspiring example: Room for the River (The Netherlands)***

The Netherlands lies in a delta that enables three major rivers (Rhine, Meuse and Scheldt) to flow out to the sea. Without dykes and coastal dunes, around two-thirds of the Netherlands would be flooded. Flood protection is therefore a very high priority in water management for the Dutch Ministry of Infrastructure and the Environment. The Netherlands is also the second largest exporter of agricultural produce in the world, making flood defences vital to economic prosperity.

The last major infrastructure project to deal with flood defences in the Netherlands was the Delta Works, a response to the floods of 1953. Since the 1970s, however, the approach to flood protection has slowly changed. The response used to be: build higher dykes to channel the water. But there was a dawning realisation that, with every increase in dyke height, flood risk could also grow. If the dykes broke, water would surge through with an even more powerful force than before, resulting in a greater number of casualties and more economic damage. With the increase of global weather extremes, and a heightened awareness that nature cannot be entirely controlled, a **new approach came to the fore - 'living with water'**.

The moment of truth came in the 1990s, when rivers swelled to exceptional levels twice in two years. Large tracts of farmland were inundated. In 1995, 250,000 people and one million livestock had to be evacuated because of the impending threat. The first reaction was to reinforce the dykes. But the Dutch government realised they also had to act to anticipate future flooding by taking a different approach: river widening. Water would no longer be restrained in a straitjacket. On the contrary, it would be given more space. The 'Room for the River' programme was born. Exploratory work was carried out to discover whether allowing the river more room was a tenable scenario. A structured collaboration was created between all levels of government and interest groups, which led to a breakthrough: a sense of interdependence in redesigning the river for all parties involved. In preparing the 'Spatial Planning Key Decision' (PKB), a regulatory requirement, **alternatives were discussed on a regional level with all partners** regarding several river-widening measures that would jointly increase the flow capacity, while simultaneously improving spatial quality.

As a demonstration of the merits of coordination, the Directorate of Water Management and Public Works (*Rijkswaterstaat*) drew up the PKB on behalf of the **three ministries with a policy interest** – the former Ministry of Transport and Water Management, the Ministry of Agriculture, Nature Management and Fisheries, and the Ministry of Housing, Spatial Planning and the Environment. The PKB dealt not only with the development of nature areas, but also economic progress, such as the construction of new residential areas, recreational possibilities, and even the creation of additional business. In this process, the *Rijkswaterstaat* and the 'rivers region' mapped out and discussed with local authorities 700 level-lowering measures. This number was eventually reduced to a coherent package of 39 measures. Because the planning study revealed that more vigorous implementation could be applied to certain projects, five projects were deemed unnecessary and the total came down to 34. With the development of measures into project plans, the dual objective - flood protection and spatial quality - made it possible to include regional interests.

Looking at the evidence base, the Netherlands Central Planning Bureau (see [topic 1.1](#)) produced a study in 2005 that concluded that dyke reinforcement at certain locations would be a cheaper option than river widening. However, the economic benefits of the Room for the River concept should be bigger than the difference between dyke reinforcement and river widening. As a national initiative, then, the goal of 'Room for the River' was to ensure these major waterways (including the rivers IJssel, Lek, Merwede and Waal) could channel higher water levels safely out to the North Sea. The maximum discharge capacity of the River Rhine, for example, would be raised from 15 000 to 16 000 m<sup>3</sup> per second, an increase equivalent to around 4 000 Olympic-size swimming pools' full of water. The programme would **restore the rivers' natural flood plains** in

places where they are least harmful, to protect those areas that need to be defended, allowing the rivers to flood safely and safeguarding the 4 million inhabitants of the river catchment areas.

With **34 projects at a cost of €2.3 billion**, the programme is lowering and broadening the flood plain, creating river diversions and establishing temporary water storage areas. It is restoring marshy riverine landscapes to serve once again as natural ‘water storage’ sponges, enabling biodiversity, and satisfying aesthetic and recreational values. Every river is different and requires an individual solution to make room for the water. Nine methods were selected: as well as lowering the flood plain and water retention, relocating dykes, strengthening dykes, deepening the summer bed, removing obstacles, building attracting groynes and lowering perpendicular groynes, depoldering, and constructing high water channels. Once the planning phase was over, implementation started in 2007 and was due for completion around 2016.

There is a human as well as a financial cost: **150 houses and 40 farms and businesses had to be relocated** to make room for the rivers. This calls for careful choices to be made and as much support from the local communities as possible. That is why it was vital that the government and the regions worked intensively together to come up with optimal solutions. The result is: better plans and fewer chances of delay in implementation. Making room for the river is also an ideal opportunity to improve the spatial quality of the catchment areas: for example, improving urban and rural development, creating more recreational areas, and strengthening the economy.

Hence, ‘Room for the River’ is a prime example of **multi-level water governance**. While the Minister of Infrastructure and the Environment bears the overall responsibility, along with the Secretary of State for Economic Affairs, the programme centres on cooperation between the Rijkswaterstaat, provinces, municipalities and Regional Water Authorities. But this partnership does not end at national borders, ‘Room for the River’ also involves collaboration with the neighbouring countries through which the three rivers flow - Belgium, France and Germany. The programme shares its experience with other countries all over the world, and highly values the knowledge gained from these international exchanges.

The results of evaluations regarding collaboration found the **feedback from the majority of stakeholders ranged from ‘satisfied’ to ‘very satisfied’**. This satisfaction is not limited to representatives from the high-level representatives from national and regional governments and professionals, nature conservation organisations, residents and businesses are also involved in the programme. The programme as a whole has been positively assessed.

A specific **example of local community participation** was the motivation that was shown in setting up the Overdiepse Polder Association that was made up of dairy farmers working in the polder who were going to be affected by the ‘Room for the River’ programme. Together with the Province of North Brabant, they came up with the idea of constructing dwelling mounds (terps) in the polder on which they could rebuild their farmhouses. Work was carried out and their farms have now been re-located on eight dwelling mounds. Furthermore, their capacity to grow has not been compromised. If high water levels lead to flooding in the polder, their farmhouses will still be on dry land. In 2012, the Overdiepse Polder Association was awarded the Water Innovation Prize in the category of Local Interest Organisation and Unique Initiatives.

As **another example**, for many years there were various ideas for dealing with the Stadsblokken-Meinerswijk area (near the Rhine at the city of Arnhem), but none of them ever came to anything until ‘Room for the River’ came along. The municipality of Arnhem included the Meinerswijk floodplain excavations in their overall vision for the region, which was drawn up in cooperation with the city of Arnhem. That vision did not just focus on giving more room to the river, the idea was that Meinerswijk would become Arnhem’s ‘wild back garden’. Cycle lanes and footpaths would be put down, partly financed by the municipality. The Province of Gelderland made €2 million available for improving this unique region, which is special because of its cultural history (the Romans, the Limes border, the brick factory, the ASM-harbour, the IJssel Waterline, and World War II), the idea being to bring new life to this area and to highlight its cultural past. In addition to increasing high water level protection, ‘Room for the River’ has made it possible for an area that has been ignored for years to eventually become one of the largest floodplain parks of any city in Europe.

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### 3.3 Coordination at the Centre of Government

In pursuing MLG, one of the most challenging aspects is ensuring coherence and consistency of standards in policy design & implementation within and across levels of the government. The Centre of Government (COG) is the body - or group of bodies - within the public administration that

provides **direct advice and assistance to the highest level of government**, namely the Head of Government (HOG) and usually the Cabinet too, depending on the legal and administrative structures for decision-making.<sup>35</sup> In federal systems, the COG model may be elaborated at both national and regional levels.<sup>36</sup>

The coordination challenge

Elements of an effective COG

There is an ongoing debate about how best to define the **scope of the COG**, whether by institutions or by functions:

- ✚ The narrow definition of COGs takes a purely *institutional* perspective; it looks at which administrative units have been established solely to serve the HOG and/or the Cabinet.
- ✚ By contrast, the broad definition takes a *functional* perspective, identifying the responsibilities that could be discharged at the heart of government, and then considers which bodies provide them. This typically includes finance ministries, for example, which play a pivotal role by agreeing and monitoring line ministries' spending plans, but typically also have more specific policy remits and their own high-ranking ministers.

*Self-identification of COGs by Member States for EUPAN survey 2015*

<b>AT</b>	Federal Chancellery	<b>IE</b>	PM's office (Department of the Taoiseach), Department of Finance, and the Department of Public Expenditure and Reform
<b>BE</b>	The Chancellery of the Prime Minister	<b>IT</b>	Presidency of the Council of Ministers
<b>BG</b>	The Council of Ministers Administration	<b>LV</b>	State Chancellery, Cross-institutional Coordination Centre (CICC), PM's office, MOF
<b>HR</b>	General Secretariat	<b>LT</b>	PM's office (Office of the Government), partially MOF
<b>CY</b>	Presidency, Secretariat Council of Ministers	<b>LU</b>	State Ministry, Cabinet of Ministers, Preparatory Cabinet of high-level representatives of the ministerial departments
<b>CZ</b>	Office of the Government	<b>MA</b>	PM's office
<b>DK</b>	All ministries within their spheres, thus the COG performs all COG functions, in some sectors together with one of the leading ministries	<b>NL</b>	All ministries within their spheres perform COG functions, largely COG functions are performed by the Ministry of General Affairs, including also the PM's office, partially MOF and Ministry of Justice, of the Interior, and of Economics

<sup>35</sup> The HOG may have various titles, including president, chancellor, prime minister, first minister or other alternatives. The term 'Cabinet' is used throughout the topic as intended to cover all its equivalents, such as Council of Ministers. In its [2014 report](#), the OECD found that the Cabinet is the principal channel for decision-making by the HOG in 27 out of its surveyed 33 member countries.

<sup>36</sup> This note uses language for COG at the national / federal level, but the concepts could equally apply to the provincial/regional levels, while internal policy coordination is also a concern at municipal levels.

<i>Self-identification of COGs by Member States for EUPAN survey 2015</i>			
<b>EE</b>	Government Office, MOF, Ministry of Justice, Ministry of Economics	<b>PL</b>	The Chancellery of Prime Minister
<b>FI</b>	PM's office, partially MOF and Ministry of Justice	<b>PT</b>	Secretariat of the Council of Ministers, IT network management centre of the Government, National Security Office
<b>FR</b>	Secretariat of General Policy and Legal Coordinate and other secretariats	<b>RO</b>	General Secretariat
<b>DE</b>	Federal Chancellery	<b>SK</b>	PM's office (Government Office)
<b>EL</b>	PM's office (General Secretary of the Prime Minister), General Secretary of Government	<b>SI</b>	PM's office, general government secretariat, partially MOF, Ministry of State Administration, Ministry of Foreign Affairs, Legal Office of the Government, Government Communication Office, Institute of Macroeconomic Analysis and Development, Institute of European Cohesion Policy Development.
<b>HU</b>	Prime Minister's Office	<b>ES</b>	Presidency of Government, Ministry of Presidency

Note: PM = Prime Minister; MOF = Ministry of Finance; Source: SAFEGE Baltija (2015), *Report on Centres of Government in the EU Member States*<sup>37</sup>

Adopting the narrow definition makes it easier to identify staffing and budgets, but can produce misleading comparisons and typically understates the COG's true scale and influence. This Toolbox takes the wider perspective and proposes 18 potential functions that the **COG is uniquely or best placed to perform within the administration**:

<i>Key potential functions of the COG</i>	
<b>1.</b>	Running the HOG's private office, managing his/her diary, providing briefings, preparing speeches, receiving representations, etc.
<b>2.</b>	Providing secretariat functions for the Cabinet, inter-ministerial committees, teams & working groups, ensuring the flow of intelligence and proposals, checking and verifying quality, organising meetings, etc.
<b>3.</b>	Operationalising the ruling party or coalition's political agenda (e.g. election manifesto commitments) by translating it into a governmental work programme with instructions to ministries
<b>4.</b>	Liaising with Parliament as the single point of contact to manage legislative business on behalf of the whole government (including where executive action might be a viable alternative)
<b>5.</b>	Vetting draft legislation put forward by ministries, to ensure that it conforms to regulatory standards, including conducting impact assessments, competitiveness proofing, SME tests, etc.
<b>6.</b>	Setting standards and giving guidance to the whole of the administration (e.g. how to draft legislation or reduce red tape, how to conduct impact assessments, how to interpret procurement rules, etc.)
<b>7.</b>	Developing and delivering centralised services for the rest of the (national) administration, such as information provision, HR management, procurement, ICT networks & maintenance, etc.
<b>8.</b>	Acting as the main supra-national interface with other national governments and international organisations (including EU institutions, EIB, EBRD, Council of Europe, OECD, UN, World Bank, etc.)
<b>9.</b>	Communicating the government's messages, developing and implementing a media strategy, and managing public relations (including coordinating with line ministries' press offices)
<b>10.</b>	Developing innovative, strategic and forward-looking policy analysis for the whole government
<b>11.</b>	Bringing ministries and others together to tackle policy challenges that cross institutional boundaries (including cross-cutting issues such as gender equality and sustainable development)
<b>12.</b>	Taking forward large-scale administrative reforms across government, for example in the areas of spending cuts, territorial reorganisation, integrity and anti-corruption drives, or modernisation
<b>13.</b>	Mediating inter-ministerial differences & resolving disputes arising from policy tensions or diverging

<sup>37</sup> The study was performed for the State Chancellery of Latvia within the framework of the project "*Reducing the administrative burden and simplification of administrative procedures*", co-financed by the European Social Fund.

<i>Key potential functions of the COG</i>	
	interests
14.	Ensuring that the government's priorities and resources (budgeting) are synchronised
15.	Monitoring the implementation of the government's programme, cross-institutional policies and major reforms, and providing delivery advice and support
16.	Engaging in risk assessment, disaster planning and management, including rapid reaction to crises by drawing on resources across government
17.	(In the case of federal or regional systems), coordinating with the governments and legislatures at the sub-national level
18.	Acting as the steward of the government's longer-term strategy at risk of crowding-out by more immediate domestic political pressures and unforeseen events

These functions are not discrete activities, they **dovetail and interact**. For example, operationalising the government's work programme [3] involves legislative planning [4], policy coordination [11] and major reforms [12] including HRM and ICT services [7], all of which must be financed [14] and monitored [15].

Many of the COG's functions reflect its **special status at the top of the government pyramid**, and its obligation to provide leadership and maintain oversight. The public tend to see the HOG as ultimately accountable for the government's performance, whether he or she is responsible by constitution or convention.

Public administrations are generally organised along vertical lines, specialising in policy sectors, which is reflected in '**command and control**' management and reporting. There is a *de facto* obligation on the COG to set the policy direction, be fully appraised of the administration's performance in delivering its objectives and achieving results, steer the ship of government around obstacles in its path, and communicate progress to citizens, businesses and the international community. Other functions reflect the limitations of vertical management in situations where a **horizontal approach** is more appropriate: the coordination challenge (see overleaf).

Some functions (such as centralised services, setting standards, and liaising with the legislature) are concerned with **administrative efficiency**. It is most effective and a rational choice that one body at the centre should be tasked with these duties on behalf of the whole administration.

Most EU Member States make policy coordination the mainstay of their COG operations, as shown in the recent EUPAN and OECD surveys.<sup>38</sup>

### **Centre of Government functions in Member States**

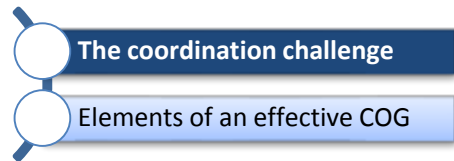
The [OECD's study](#) of 33 member countries in 2013 found that two interlinked functions stood out as priorities for most COGs: facilitating evidence-based decision-making for the Head of Government and/or Cabinet; and cross-government policy coordination. Casting the net wider, around one-third of surveyed countries also prioritised monitoring the implementation of government policy, and strategic planning. Unsurprisingly, the findings of the OECD study overlap with those from [EUPAN's survey](#), which elicited responses in 2014-2015 from 26 EU Member States plus Norway & Turkey, found that the scope of most COGs' operations can be grouped under five headings: policy coordination (political & technical); strategic planning; performance monitoring; stakeholder relations; and information & communication.

<sup>38</sup> See also E. Truswell and D. Atkinson D. (2011), [Supporting Heads of Government, a Comparison across Six Countries](#), Institute for Government Working Paper.

### 3.3.1 The coordination challenge

As already noted, every Member State has its own machinery of government (MOG): the specific arrangement of ministries, offices, agencies, public corporations and other public bodies that are tasked with discharging the duties of the State. Each country also has its distinct approach to MLG: defining which

responsibilities are carried out at the central (or federal), regional / provincial and local levels. In its entirety, **every public administration is a coalition of interests**, some of which diverge. The challenge of coordination is accentuated when the government itself is an actual coalition, with a negotiated political programme and ministries assigned to more than one party.



Many HOGs, especially in the immediate aftermath of national elections, seek to raise the performance of their administrations through MOG changes. These might include the creation, merger and abolition of specific ministries, the reassignment of portfolios to different ministries, the formation of cross-governmental offices, and the establishment of executive agencies to take care of policy implementation. The impact of such reforms is rarely evaluated, and would anyway be hard to assess, given the difficulty of formulating a ‘counter-factual’ in a constantly evolving policy environment. However, it is likely that there is **no perfect alignment** that brings together all synergistic policy fields in one place, given so many aspects of public administration affect each other. For example:

- ✚ The economy, transport and energy all have a major impact on the environment.
- ✚ Education, training, science, innovation and infrastructure development are key factors in the prosperity of every economy.
- ✚ Schooling dovetails with skills development, and is complemented by job search and other support measures to raise employment, shaping and shaped by the state of the economy.
- ✚ Agriculture, energy, defence, tourism and culture make major contributions to Member State economies, but are typically treated as separate policy fields.
- ✚ The judiciary and law enforcement (police, prosecutions, prisons and probation) are functionally inter-dependent, but administratively independent, in ensuring the rule of law.

There will always be policy challenges that cross institutional boundaries. According to the [OECD](#), the number of **cross-ministerial policy initiatives** increased in the five years since 2008 in almost 6 out of 10 surveyed countries. Inadequate coordination raises the risk of inefficiency, duplication, confusion, lack of cooperation, conflicting or contradictory actions, wasted spending, and sub-optimal services for citizens and enterprises. In an era of austerity, the cost of incoherence is higher still.

In some cases, HOGs have created **super-ministries** to co-locate complementary disciplines under one roof. The danger, however, is that the scale economies that are generated by bringing together major policy fields are more than offset by establishing unwieldy organisations that are hard to oversee, especially by one minister.

At the same time, central administrations often have less direct control over policy implementation than in the past, due to **decentralisation, privatisation and contracting-out** to businesses and NGOs. This raises the stakes for coordinated action even higher.

Moreover, many of the biggest policy challenges facing governments in the 2010s are **so-called “wicked problems”** that are complex and multi-dimensional, such as climate change, the refugee & migration crisis, an ageing population, access to energy and scarce natural resources, the impact of technological change on employment, sovereign & household indebtedness, and the economic outlook in emerging markets (see [introduction](#)). These issues often demand solutions that are multi-functional within administrations and across nations, but also engage with non-governmental stakeholders from the private sector and civil society, which calls for a strong COG as a focal point.

The essence of good policy-making is preparedness (see [topic 1.1](#)). Public administrations face a continuous challenge to be **robust and resilient** in the face of events. Evidence-based policy should always seek to understand cause and effect, to anticipate the consequences of alternative scenarios, and to choose the optimal path to achieve the desired result, taking account of all available facts. But information is often inadequate or insufficient, many factors cannot be foreseen, and prediction and projection are rarely perfect. Governments operate within what economists call bounded rationality, which means decisions are rarely sub-optimal. They can only work (within limits) with ‘known-knowns’ and acknowledge the ‘known-unknowns’, with no access to ‘unknown-unknowns’. Administrations must be flexible enough to adapt their adopted policy to changing circumstances.

This is especially the case with **disaster planning and risk management**. Even when the parameters are recognised - such as the prospects for flooding, fire, financial crises or major *force majeure* events such as earthquakes - there will always be elements that occur outside of the planned response. Even if one ministry (usually interior) is notionally responsible, it is almost inevitable that other ministries will be drawn into mitigating and addressing the disaster, including possibly defence, health, finance, environment, and economy. Regional and/or municipal authorities may also be called upon, as well as civil society. Again, COG should be the most effective and efficient location for coordinating disaster reactions, as well as conducting risk assessments in anticipation of such scenarios. Risk management can also include other forms of risk, such as integrity and anti-corruption risk (see [topic 2.2](#)).


Research<sup>39</sup> has posited a **scale of coordination** at seven levels, from ‘no’ to low to high, reflecting to some degree the strength of the COG (overleaf). The literature suggests that higher levels of coordination correspond with better quality policies.

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<sup>39</sup> See M. Alessandro, M. Lafuente and C. Santiso (2013), [The Role of the Center of Government, a Literature Review](#), Inter-American Development Bank (IDB), Technical Note No. IDB-TN-581

<i>Level of coordination</i>	
1.	Ministries make independent decisions in each policy area.
2.	Ministries communicate with each other through institutionalised channels and share information on decisions that may affect other areas.
3.	Ministries share information, but also consult before making decisions.
4.	Ministries start to create a consensus among themselves and the COG manages to avoid public disagreements between the ministries, generally by controlling communication
5.	The COG arbitrates conflicts between ministries (but is still reacting to policy initiatives developed by the ministries themselves)
6.	The COG imposes its priorities and directs the strategic orientation of the ministries.
7.	The COG coordinates policy design and defines strategic priorities to be implemented by the ministries.

Low



High

However, there is a risk that higher levels of coordination lead to the COG over-riding the policy expertise within the ministries through micro-management. The impact of an over-bearing centre that over-reaches itself can be to suffocate initiative and innovation in the line ministries, and only generate resentment and resistance (passive or active). **Control is not the goal - coherence is the means to the end of better policy outcomes.** To guide this process, the OECD<sup>40</sup> has identified eight tools of coherence, to be interpreted within the context of each national system.

<i>Tools of coherence</i>	
1.	Commitment by the political leadership is a necessary precondition to coherence & a tool to enhance it.
2.	Establishing a strategic policy framework helps ensure that individual policies are consistent with the government's goals & priorities.
3.	Decision-makers need advice based on a clear definition and good analysis of issues, with explicit indications of possible inconsistencies.
4.	The existence of a central overview and co-ordination capacity is essential to ensure horizontal consistency among policies.
5.	Mechanisms to anticipate, detect and resolve policy conflicts early in the process help identify inconsistencies and reduce incoherence
6.	The decision-making process must be organised to achieve an effective reconciliation between policy priorities and budgetary imperatives.
7.	Implementation procedures and monitoring mechanisms must be designed to ensure that policies can be adjusted in the light of progress, new information, and changing circumstances.
8.	An administrative culture that promotes cross-sectoral co-operation and a systematic dialogue between different policy communities contributes to the strengthening of policy coherence.

So, how best to organise coordination? There is a consensus in COG research that **there is no single 'best practice' model**. Every country has its own approach, which has emerged over time through a mix of legal tradition and the personalities and preferences of successive HOGs, continues to evolve, and varies enormously.

### ***Diversity in Centre of Government geometry***

Each country's Centre of Government is a product of diverse historical, cultural and political forces and has developed incrementally over time. Despite this heterogeneity, and notwithstanding a confusing array of institutional titles, the 2013 OECD Survey found that the vast majority of countries have a recognisable Centre of Government corresponding to "the administrative structure that serves the Executive (President

<sup>40</sup> See S. James and M. Ben-Gera (2004), *A Comparative Analysis of Government Offices in OECD Countries*, Meeting of Senior Officials from Centres of Government on Using New Tools for Decision-Making: Impacts on Information, Communication and Organisation, 7-8 October 2004.

or Prime Minister, and the Cabinet collectively)". Common needs and similar responses are visible across very diverse constitutional situations.

According to the survey responses, the proportionate allocation of the resources of the Centre would assign around 15% of resources to the private office of the Head of Government, 25% to the decision-making support role linked to preparation of senior government meetings, 16% to policy coordination and so on among the other main functions identified in the survey. A final 10 percent goes to the miscellaneous activities that each country's Centre of Government seems to undertake. However, the geometry of the Centre of Government varies greatly. It certainly varies more across countries than is the case with most sectoral ministries which often look quite similar from one nation to another.

Source: OECD (2014), "[Centre Stage: Driving Better Policies from the Centre of Government](#)".

In many ways, the COG is like the headquarters of a multi-national corporation: small, but steering a diverse organisation with many 100,000s of employees, locations across the country and abroad, and revenues and costs that can run into 100s of EUR billions. But the **COG itself absorbs relatively few resources**. The OECD's survey finds that the average COG consumes less than €5 out of every €10,000 spent by its government, and employs fewer than 40 staff per million inhabitants.<sup>41</sup> Total professional and support staff rarely exceed 1000, except in the larger unitary states (e.g. France, Italy and UK).

#### **Examples of Centre of Government bodies in EU Member States**

- ✚ **Austria:** The Federal Chancellery has around 15 staff to support the Chancellor directly out of 400 Chancellery staff, as policy development rests with the political parties and competencies are distributed widely across strong line ministries. As such, the Chancellery focuses on cross-departmental issues (eGovernment, public service reform, policy coordination).
- ✚ **Germany:** The Chancellor's Office has around 10 senior advisors, while the Chancellery's 600+ staff provide complementary policy advice and a range of other coordination and brokering services.

Source: OECD (2014), *op. cit.*

The message is: **size does not matter; it is what you do with the COG that counts**. The COG has limited internal resources except its status and the capabilities of its staff. In this respect, the modus operandi is partnership with stakeholders inside and beyond the administration, especially line ministries that remain responsible to parliament and populace for their policy briefs.

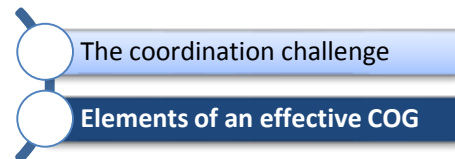
COGs are ideally placed to **encourage experimentation**. A solid evidence base is the platform for successful policy design (see [topic 1.1](#)). This typically involves gathering information systematically from an array of sources and viewpoints, testing pre-conceived ideas and present practices, and challenging conventions in the search for more effective and efficient policy solutions, as illustrated by the example of Australia's Productivity Commission. This may, for example, involve interrogating big data (see [theme 1](#)), which is being successfully deployed to indicate potential corruption in government tenders (see [theme 2](#)).

<sup>41</sup> The average COG across OECD countries accounts for 0.045% of total government expenditure and 0.1% of central government employment.

While COGs may be small in resources, their pan-governmental perspective and lack of day-to-day service delivery duties creates the space to **think creatively and laterally, in partnership with line ministries and stakeholders** from outside government. Initiatives such as Mindlab (Denmark) and the Behavioural Insights Unit (UK) emerged from their COGs precisely because they have a cross-ministerial remit and were afforded the freedom to look with fresh eyes at existing or emerging problems and inject multi-disciplinary thinking (see [theme 1](#)). Administrations do not have to rely on dedicated units, they can also draw on networks of expertise and the wisdom of crowds, but they do need an organisational ‘home’ to drive innovation and it often falls to the COG to host it.

### 3.3.2 Elements of an effective Centre of Government

Every country has a COG already, but there are great variations in size, scope and structure. Hence, the overarching issue for public administrations, and especially HOGs, is how best to strengthen the capacity of their COG to maximise its influence & impact.



There is **no optimal COG structure**. Every EU Member State has a COG that has been shaped by various factors, including: the constitution and legal foundation; (dis)continuity from past practice, as the COG evolves (or not) over successive governments; the choice of functions for the COG by the present HOG; the political make-up of the government, which may need to be reflected in support services to Deputy HOGs and the Cabinet; and the working style of the HOG, including the blend of partisan and impartial advice, and the size of administrative support.

Nevertheless, the EUPAN survey has characterised a **typical COG** as comprising the following units, reflecting the standard roles and functions:

- |  |                           |
|--|---------------------------|
| ✓ Direct support to HOG                  | ✓ Policy consulting       |
| ✓ Strategy                               | ✓ Legal consulting        |
| ✓ Policy coordination                    | ✓ Internal administration |
| ✓ Performance monitoring                 | ✓ Budget                  |
| ✓ Press, communication & speech drafting |                           |

As the OECD and EUPAN surveys have shown, many functions are not the sole preserve of the COG, but are shared with other ministries, such as policy analysis, monitoring implementation, communication, and international relations. The OECD’s 2013 survey (op. cit.) found that few countries have clearly defined units to perform policy analysis in their COGs, and limited analytical capacity, exceptions in the EU including Austria and Lithuania. In most cases, this function is shared with other bodies, especially the finance ministry.

While the typical COG is relatively small, each must operate with sufficient capacity to cover their principal functions, otherwise their ability to analyse, advise the HOG, interact and intervene with ministries, and coordinate stakeholders will be undermined. At the same time, COGs must be nimble and flexible enough to react and adapt to new challenges. In this context, the general **‘rule of thumb’** is that **COGs should not engage in delivering services directly**. COGs already face exacting



demands without distractions from their main mission. As already noted, COG functions can include internal services such as HRM or procurement, on the basis that these are best organised centrally for the whole administration. Some COGs have re-assigned ‘non-essential’ functions to re-focus on the core business of supporting the HOG and policy coordination.

### ***Re-allocating non-essential functions***

For the last few years, the Government Office of **Estonia** has been transferring functions not directly related to serving the Prime Minister and the Government to ministries, such as developing records management, management of civil service training and managing certain EU funds.

Based on various spending reviews, **Italy** has introduced significant consolidation of the Centre, including elimination or transfer of non-core activities. Streamlining of the COG is often accompanied by enhanced secondment and reassignment mechanisms.

*Source: OECD (2014), op. cit.*

One of the big questions for COG organisation is to choose **separation or integration**. As the OECD and EUPAN surveys have demonstrated, some COGs are organised vertically, comprising of many separate units each with a discrete task (examples can be found in France, Germany & Italy). In other cases, the COG is characterised by multi-disciplinary teams that cover a wide array of responsibilities.<sup>42</sup>

As the OECD notes, there are **pros and cons** with each approach. There is a compelling case for integrated teams that allow officials to follow policy through from design to implementation, as this reflects the iterative nature of the non-linear policy process (see [theme 1](#)). However, separate units can help to mitigate the risk that too many COG officials get drawn into mundane daily business and short-range concerns, especially in response to unforeseen events and short-term political crises, and neglect by default the more developmental activities. By ‘ring-fencing’ responsibilities (say, separate units for strategic planning, policy design, monitoring of implementation and cabinet briefings, etc.), the COG can minimise the tendency for one large team to put ‘all hands to the pumps’ in times of political crisis. At the same time, separate units may lead to alternative perspectives and competing opinions (and paradoxically might involve more staff time); whether this is desirable or not will depend in part on whether and how views are sought and inputs are managed, but what is ultimately essential is that the COG has sufficient critical mass of expert opinion and in the right areas.

The following case study from the regional level in Belgium illustrates how COGs can be organised flexibly, with both vertical and horizontal structures in a ‘**network organisation**’.

<sup>42</sup> “In Spain, the same group of staff are responsible for policy analysis and coordination, strategic issues and work planning. In Hungary, the Referatura of the Prime Minister’s office combines responsibility for preparing items for the Council of Ministers, policy analysis, legal verification, work planning, monitoring implementation and relations with Parliament” (Source: OECD 2014, op. cit.).

### ***Inspiring example: Flemish Department of Public Governance & the Chancellery (Belgium)***

Belgium is a federal state consisting of three regions (Flanders, Walloon and the Brussels-Capital region), and three communities (Flemish, French-speaking and German-speaking), each of which has its own government and parliament. Six Belgian state reforms (from 1970 to 2013) have given the Flemish Government important competences with a substantial budget of €38 billion and 40 000 civil servants. These competences are structured into 12 policy domains, which constitute the [Flemish administration](#):

- ✚ Nine ‘vertical’ policy domains, of which the first two of these competences account for more than half of the Flemish Government’s budget: education & training; welfare, public health & family; culture, youth, sport & media; economy, science & innovation; work & social economy; agriculture & fisheries; environment, nature & energy; mobility & public works; and spatial planning, housing policy & immovable heritage; and
- ✚ Three ‘horizontal’ policy domains: public governance & the chancellery; finance & budget; and foreign affairs.

The **policy domain ‘public governance and the chancellery’** is administratively organised into several entities, of which the following six are the most substantial:

- ✚ The Department of Public Governance and the Chancellery (DPGC);
- ✚ The Agency for Government Personnel;
- ✚ The Facility Company;
- ✚ The Department ‘Information Flanders’;
- ✚ The Agency for Local and Provincial Government; and
- ✚ Audit Flanders.

The coalition government consists of 9 ministers, led by the Minister-President. The ministers have cabinet staff members to manage day-to-day political business and create the link with the administration. At the end of 2014, Flemish cabinets consisted of 258.3 full time equivalents, of which 32 worked for the cabinet of the Minister-President<sup>43</sup>. In its Coalition Agreement 2014-2019, the Flemish Government indicated that over the coming years more results per euro spent had to be achieved, meaning less bureaucracy and more efficiency. Moreover, these challenging macroeconomic conditions come along with other important turning points in the Flemish political landscape, including a significant next step in the Belgian state reform and a government switch leading to a centre-right coalition.

In this climate of budgetary constraints on the one hand, and increasing demands and responsibilities for public services on the other hand, Flemish Government leaders are compelled to seek for better ways of coordination. In its Coalition Agreement 2014-2019, the Flemish Government indicated that it wanted to develop a real COG within its administration. **Since July 2014, the Department of Public Governance and the Chancellery (DPGC) has officially been appointed as the Flemish Centre of Government and is now implementing its role.**

The policy note of the Flemish Government leader stated the need to implement a COG within the Flemish administration with the following tasks:

- ✚ The decision-making and activities of the Flemish Government, activities of the political cabinets and the relations with other governments;
- ✚ The quality, coherence and certainty of Flemish regulation;
- ✚ The strategic planning based on a long-term vision on society;
- ✚ The structural policy support and program management with focus on sustainable, well considered and supported solutions for government wide societal challenges;
- ✚ Specific horizontal strategic priorities, such as the sixth state reform, the reorganisation of the public sector, the relations between politics and administration, risk management and crisis coordination;

<sup>43</sup> [www.geertbourgeois.be](http://www.geertbourgeois.be)

- ✚ The monitoring of the developments in the society, the international context and the policy execution based upon the quantified, supported and international comparable long-term targets;
- ✚ Communication and stakeholder management.

These tasks were translated into concrete strategic and operational goals, with several projects and processes to tackle between 2015 and 2019, summarised in the table below.

Typical COG	Projects and processes for the DPGC between 2015 and 2019
<b>Administrative assistance</b>	Providing reliable services for the Flemish Government, especially regarding their weekly meetings; Assistance to the provincial governors, as commissioners of the Flemish Government; Providing administrative support for the cabinets (such as HR, ICT).
<b>Ensuring high-quality decision making</b>	Quinquennial contribution of the Flemish administration to the coalition agreement of the Flemish government <sup>44</sup> ; Day to day assistance of the cabinet of the Minister-President on policy matters; Supporting the consultation with social partners and civil society; Maintaining a good relationship with the Flemish parliament; Sharing knowledge and expertise with the Netherlands; Evaluation of the policy measures concerning the effects.
<b>Strategic planning</b>	Proactive and coordinated participation to EU and international policy evolutions e.g. the European Semester and the Europe 2020 strategy <sup>45</sup> ; Designing and coordinating a long-term policy towards a sustainable society, e.g. the crosscutting policy memorandum with a 2050 horizon; Risk management and organisational development within the Flemish administration.
<b>Coordination of policy design &amp; implementation</b>	Reinforcement of the political - administrative cooperation through the Chairman's board which unites chairmen from all twelve policy areas, presided by the head of the COG; Proactive and coordinated participation to EU and international policy evolutions, e.g. the European Semester and the Europe 2020 strategy (also part of 'strategic planning'); Reduction of regulation and improvement of the technical quality and practical applicability of regulation in all domains; Harmonisation and innovation of the Flemish administrative regulations: Supporting the Flemish ministers at the concertation committee where federal and regional governments meet regularly; Cooperation with the administrations of other regional governments; A common strategy for transversal themes; Coordination of a participative and inclusive sustainable development; Coordination of public private partnership; Coordination of the integration policy; Coordination of the equal opportunity policy; Coordination of an integrated inspection policy; Coordination of the design of a core task plan and its implementation; Coordination of the implementation of the sixth state reform; Coordination of good governance policy.
<b>Performance monitoring</b>	Periodical screening of current developments; Analysis of international and long-term developments; Design of a framework and instruments to monitor results and effects and communication about them: <ul style="list-style-type: none"> <li>- Management of objectives within the Flemish administration;</li> <li>- Monitoring themes such as equal opportunities and integration;</li> <li>- Monitoring indicators concerning cities, municipalities and areas in Flanders (e.g. the Flemish periphery around Brussels);</li> <li>- Monitoring Europe 2020; etc</li> </ul> Coordination of a Flemish statistical policy; Collection and improvement of statistical data and communication.

<sup>44</sup> For further information, please see: <https://www.vlaanderen.be/nl/publicaties/detail/bijdrage-van-de-vlaamse-administratie-aan-het-regeerprogramma-van-de-vlaamse-regering-2014-2019>.

<sup>45</sup> For further information, please see: <http://www.vlaanderen.be/nl/vlaamse-overheid/werking-van-de-vlaamse-overheid/vlaanderen-en-de-europa-2020-strategie>.

<b>Communication</b>	Integration of communication in policy making to strengthen the buy-in of policy; Insight in obstacles and opportunities to strengthen the effectiveness of the communication; Coherently sharing what the Flemish administration does, to strengthen its recognisability; Support for communication staff in other parts of the administration; Internal communication within the Flemish administration; Evaluation and research of communication.
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The Flemish COG is clearly executing most of the 'typical' COG tasks<sup>46</sup>. The budget coordination function is less prominent within the DPGC, however, as this is the responsibility of the Finance and Budget Department within the Flanders region.

In total, about 270 **staff** members are currently working for the DPGC, all of whom are civil servants (not political appointees), representing 0.67% of the total administration of 40 325 civil servants. The staff of the department has a high education level and has a large number of years' experience in the Flemish administration. There is no practice of mobility with other departments and agencies. However, these 270 civil servants work closely together with the 32 cabinet staff members of Minister-President Bourgeois. The DPGC **budget** for 2015 is around €43 million<sup>47</sup>, which is just over 0.1% of the overall Flemish budget of approximately €38 billion.

The DPGC has existed in its current form since 1 April 2015, following the merger of three (parts of) former entities: The General Government Policy Services Department, the Public Governance Department and the Research Centre of the Flemish Government. It is now in a process of **transition**, looking for the right structure, management and culture to face the challenges as a COG. In doing so, the transition team decided to depart from the traditionally hierarchical **model of organisation**, in favour of a more flexible model that overcomes fragmentation and promotes cooperation, based on 8 clusters, which are vertical structures, and 4 programmes, which are horizontal sets of important strategic projects across the clusters (see table below). These clusters and programmes were installed as temporary, to be modified if necessary.

Structure	Title	Role
<b>Cluster</b>	Support Centre of Government	Supports the entities' leading executive in its responsibilities as head of the Centre of Government
	Decision-making of the Flemish Government	Administratively supports the Flemish Government in the decision-making process
	Research	Supports the Flemish Government with scientific research and monitoring
	Risk management	Supports the Flemish Government concerning its risk and crisis management
	Flemish justice & regulations	Supports the Flemish Government in achieving better regulation
	Communication	Supports the Flemish Government concerning internal and external communication
	Transversal policy	Supports the Flemish Government in the field of transversal policy domains, intergovernmental relations, long term policy making, etc.
	Management support services	Supports the other seven clusters in the field of HRM, logistics, facility management, ICT and budget
<b>Programme</b>	Stakeholder management	Brings together strategic projects in the field of stakeholder management, such as the reform of the strategic advice councils within the Flemish administration
	Digital	Brings together strategic projects in the field of digitalising processes, such as the digitalisation of the decision-making process of the Flemish government
	Regulation	Brings together projects in the field of regulation, such as the reduction of regulation
	Administrative innovation	Brings together strategic projects in the field of administrative innovation, such as the design of the core task plan of the Flemish administration

<sup>46</sup> Note: a lot of these tasks are executed together with, and often in support of, the political cabinet of the Minister-President

<sup>47</sup> This figure originates from the budget for 2015 and includes all tasks of the Department of Public Governance and the Chancellery, including Research and the Flemish Service of the Provincial Governors.

On 1 January 2016, the clusters were reorganised into 30 smaller and self-organising teams.

The Flemish COG operates today as a **network organisation**, attempting to connect the staff members and to connect the Flemish COG with all Flemish entities and stakeholders. It promotes the principles of self-organisation and the new world of work, so the organisation becomes more efficient and flexible. In this way, the Flemish COG wants to contribute to customer-focused and solution-oriented services and to a workplace with more committed and satisfied employees.

The Flemish COG faces two other challenges within the wider public administration. First, there is a transition in the organisational model for the whole Flemish administration, as the structure that has existed since 2006 has recently been abandoned under the ‘better administration’ policy. Before, departments and agencies each had a clear task description - departments were mainly in charge of preparing and evaluating policy, agencies in implementing it. Following recent legislation, both structures can execute each other’s tasks, which means that the difference between departments and agencies is no longer clear. Second, the entities within the Flemish administration have substantial autonomy. As the Flemish COG must rely on the cooperation of all the Flemish entities, a culture of cooperation must be stimulated.

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An effective COG should **avoid ambiguity of duties**, meaning that line ministries, external stakeholders, and indeed the HOG, must be clear about who is responsible for what. This is particularly important at the border between the HOG’s private office (which is likely to slant towards more political support structures) and the Cabinet’s office (which may need to play a more non-partisan, ‘honest broker’ role). This is also critical when the COG is a partnership with the Finance Ministry, which will take the lead in setting budgets, but should operate within the framework of the government’s overall strategy. Most HOGs favour a COG which is itself collegiate, sharing ideas and working across units. By contrast, some prefer to set up competing sources of in-house advice, so that they can bounce ideas around before settling on a route forward.

At the same time, **clarity does not equate to rigidity**. The COG is the dynamic engine room of the administration, and must be able to react rapidly to new scenarios, particularly in times of national disaster or crisis. It must be capable of absorbing facts quickly, briefing the HOG and Cabinet on the salient points, interpreting the best policy response under the circumstances, energising and engaging with ministries and non-governmental stakeholders as necessary, and ensuring the solutions are shared with the wider world via news networks and social media, especially when citizens and businesses need to be reassured. To reach this point entails a slick operation that might need to draw upon all the diverse resources of the COG, and not necessarily in sequence; problem-solving means parallel processes and lateral thinking.

COGs are also distinguished by a state of permanent evolution, changing in size and structure in over three-quarters of OECD countries from 2008-2012. COGs need to strike a **balance between stability and agility**, especially over changes of government. This has been characterised as comprising two components: permanent and temporary. Some elements of the COG structure are anchored in constitutional law, or should be maintained across governments to retain institutional memory, ensure continuity of process, and develop strategy for long-term challenges such as climate change. The reality is that every COG must be able to offer not just high quality, impartial analysis and options that a professional civil service can provide, but also advice that is attuned to the HOG’s

partisan perspective, so political advisers are employed from the duration of the government. The OECD's 2013 survey found that, in some countries, between a quarter and a half of senior COG staff change with the arrival of a new government<sup>48</sup>. COGs are increasingly turning to secondments and temporary placements to bring in expertise and build in-house analytical capacity.

Moreover, some units or assignments may only be **time-limited**, created purely to deal with short-term crises, such as responding quickly to an environmental disaster (floods or earthquake) or leading a specific administration-wide reform process (such as cutting red tape or introducing eGovernment), as illustrated by the example of Ireland's Reform and Delivery Office (see below). In such cases, the unit may be established from secondments from other ministries and/or external experts. If the function moves to a more permanent footing, it may be moved out of the COG over time and located in a line ministry.

#### ***Inspiring example: The Reform and Delivery Office (Ireland)***

Ireland's banking and construction collapse in 2007-08 led to a loss of one-third of its state revenues while significantly increasing demand for social services. An unprecedented Public Service Reform Plan was introduced in 2011, led by the newly established Department of Public Expenditure and Reform, which works in cooperation with the Department of the Taoiseach to lead and monitor reform efforts and control expenditures. The Department established a Reform and Delivery Office (RDO) to drive implementation of a cluster of reforms aimed *inter alia* at reducing public sector payroll levels, consolidating service delivery and rationalising government agencies, consolidating state-owned property and enhancing leadership and performance management to link more clearly the performance of senior officials to the achievement of reform results. The RDO's tasks include communicating reform implementation effectively across government and to the public, and sharing across government best practices in resource management plans and successful reform implementation methodologies.

*Source: OECD (2014), op. cit.*

However, incremental change in COGs over time, as successive HOGs tinker with functions and units, can lead to structures that are no longer fit-for-purpose. This can lead some HOGs that inherit dysfunctional COGs to engage in **wholesale reorganisation**.

Clearly, every COG must have a **legal basis** that enshrines its existence and defines its duties, and a budget allocation, to employ staff and operate as an administrative unit. This legal authority will specify the scope and powers assigned to the COG.

But the COG needs more than legal and financial underpinning, it needs **political legitimacy**. It must be clear to all ministries and other entities that the COG speaks and acts with the authority of the HOG. This means that the HOG should not keep officials 'out of the loop' when communicating decisions especially to public institutions, and must be willing to enforce the instructions from the COG with sanctions if necessary. Ministries that look to 'by-pass' the COG's vetting procedures, or fail to respond to requests to submit information and proposals to the format, quality or timescale set out by the COG, should understand that this will be deemed unacceptable by both the COG and the HOG, their proposals will not be accepted and appropriate action taken to deter future

<sup>48</sup> According to the 2014 OECD report: "In half of OECD countries, the Centre is led by a minister-level political appointee and in the other by a senior civil servant. In countries where the head of the Centre of Government is a political appointee, he or she is normally replaced after an election, along with up to 50% of senior staff."

transgressions. This political back-up is more complicated in coalition governments, where the position of the HOG may be under continuous challenge and cross-party relations are a continual negotiation. However, allowing rule breaches sets precedents, and undermines the HOG's own authority, and hence there is a strong incentive to take a tough stance and not to use discretion to waive procedure.

The other major source of COG power is **high calibre and adaptable staff**. Most COGs comprise a mix of political appointees and recruited civil servants, with the HOG determining the precise balance and the job demarcations. To be credible in the eyes of the rest of the administration, the recruited COG officials (especially those in frontline positions, dealing directly with ministries, media, citizens, businesses, NGOs and other stakeholders) should be the cream of the civil service. Aside from job-specific skills and know-how, they should be able to demonstrate:

- ✓ Strong inter-personal skills;
- ✓ High levels of intelligence and integrity,
- ✓ An ability to cope with a diverse workload, evolving circumstances and new challenges;
- ✓ Calmness under pressure.

EUPAN's 2015 study asked survey respondents which specific skills and competences they considered important for COG officials.

#### ***EUPAN study: COG skills and competencies***

- Legal and political analysis (DE, IT, LT);
- Team work (HU, LT); communication (HU, LV);
- Coordination (IT), planning and organisation (LV), planning (LT);
- Political sensitivity or political intuition (NL, NO);
- Skills in document drafting (DE, IT);
- Analytical, strategic, conceptual, creative and flexible thinking (LV), problem-solving (HU);
- Investing efforts (LT);
- Improving operations (HU);
- Diligence, accountability, reliability (Hungary, Lithuania);
- Economic analysis (IT);
- Management and informal management skills (SI - for top level posts);
- Observing deadlines, accuracy, capability, useful time consumption, focus on results (HU)

Furthermore, the importance of work experience is emphasised for COG officials: duration of civil service (NL) or experience in other institutions, such as universities, National Legal Council (EL), quality of working experience (SI - for top level posts), special achievements in professional career (NO).

COGs are expected to show leadership, set out strategy, solve problems and stimulate innovation. As well as effective verbal and written communication, such officials should be capable of empathy (emotional intelligence), to assess situations and evaluate the best way forward. Staff must be able to 'hold their own' in discussions with their counterparts in other ministries and the outside world, who are often more knowledgeable of specialist areas. They should have good listening skills, be capable of learning and understanding quickly, and capable of both advising the HOG and Cabinet members with context, key points, conclusions and recommendations, and formulating convincing counter-arguments if necessary within the framework of government policies and strategies. The

main weapons in the COG armoury are **persuasion, negotiation, mediation and instruction**, which demands awareness of both the political and administrative culture.

### ***COGs as the central intelligence of the administration***

If we use the metaphor of the brain, an intelligent government has some of the same capacities as an intelligent individual:

- *Observation* – the ability to see, hear, smell the world, in this case through intelligence, data flows, feedback of all kinds;
- *Attention* – the ability to focus;
- *Cognition* – the abilities to think and reason;
- *Creation* – the ability to imagine, innovate and design;
- *Memory* – the ability to remember (and not to repeat past mistakes);
- *Judgement* – the ability to judge; and
- *Wisdom* – the ability to make sense of complexity and to integrate moral perspectives.

Source: NESTA (2014), [Rewiring the Brain, a Rough Blueprint for Reforming Centres of Governments](#)

This also implies firm **leadership**, which means a management team capable of steering a small but complex set of units, dealing with diverse duties, coping with a heavy workload, satisfying the daily demands from politicians accountable to the public, facing the spotlight of external scrutiny, and able to inspire. In most cases, the top of the COG is a very senior and experienced civil servant, but sometimes a political appointee. In either case, the individual concerned must be both politically sensitive and administratively savvy, with advanced analytical and coordination skills.

To be credible, COGs must also **get their timing right**. As NESTA argues, many COGs do things slowly that should be done quickly, such as weighing up options, reaching decisions, and responding promptly. Equally, they can rush to do things fast which should take time, for instance putting in place fundamental reforms or change the culture of the administration. Post-election governments often want to demonstrate success in delivering their electoral promises in their ‘first 100 days’, build on the momentum from their new mandate, and seize the opportunity while the opposition is disorientated, but they should also be wary of making rash decisions. At the same time, the patience of the electorate is time-limited, so it falls to the COG to counsel the HOG and the Cabinet on the balance to be struck between caution and compulsion.

Some studies have argued that, given the COG’s position and status, it should also be **exemplary** in the way it works, shining a light that the rest of the administration should follow in its innovation, including modern HRM practices (see [theme 4](#)).

The COG’s status and staff should give it influence over line ministries, which is a pre-condition to be effective, but not sufficient on its own. It must also provide **clarity and focus**. As well as opening channels of communication, the COG also needs to provide clear instructions regarding what it expects from the relationship. If the centre is pursuing frequent changes of direction in response to daily news stories or new political imperatives, or constantly launching a flurry of new initiatives, line ministries will lose confidence in the relationship and lose sight of the underlying strategic intent. The COG’s main goal should be to maintain the coherence of government, which means setting out its long-term priorities as clear and understandable policy goals. Policy content and delivery must be



adaptable to changing circumstances, but the initial vision should be well conceived and simply communicated.

Every administration needs a set of instructions that extend out from the COG through the government network, sometimes codified as **procedures** in a ‘rulebook’, codes or guidelines. This might include the process for submitting proposals to Cabinet, detailing progress in implementing the government work programme, providing monitoring data, or confirming with legislative standards. This often includes guidelines on the application (when and how) of specific tools, such as risk assessment, cost-benefit analysis, impact assessments, data collection for monitoring purposes, evaluation techniques, etc.

However, official procedures have their limitations in shaping the behaviour of line ministries. Rules are useful to direct activity and to avoid ambiguity over respective roles, but more fundamental reforms come through leverage using less formal methods – dialogue, leadership, and the capacity to influence and motivate, including use of solid evidence and robust argumentation. In the case of the finance ministry, it has the added **leverage** of its management, control and oversight of public expenditure, and its relationship with budget-holders. That is why the finance ministry is often a powerful partner to the HOG / Cabinet offices, and should be seen as part of the COG alliance.

#### ***OECD Public Governance Review of Estonia***

This 2011 OECD review identified the Estonian EU Secretariat of the Government Office as an example of how formal arrangements were integrated with informal cross-departmental ways of working, to respond effectively to the demands and procedures of working on EU policy in a flexible way.

Inter-ministerial cooperation can also be factored into the government’s **performance management** system, through the design of objectives at the departmental and individual levels, so that staff throughout the administration are encouraged to engage in policy coordination (see [topic 4.1](#)).

Given the proximity to the chief executive, the default setting for the COG (especially the HOG’s private office) tends to be immediate problem-solving and fire-fighting, rather than the slow-burning issues. The relentless 24-hour news cycle means constantly dealing with the headlines of the day, and responding to events; these pressures only multiply during economic, environmental, social or political crises. To meet their wider mandate, COGs must be able to lift their sights to the medium-term horizons of policy development and delivery, and especially the long-term challenges such as demographic change, pension reform and climate change. COGs can too easily be drawn into tactics, not strategy, and prioritise the urgent over the important. As the UK’s NESTA has proposed (op. cit.), this argues for HOGs and COGs to consciously **create the time and space for reflection**. Options include:

- ✓ ***Establishing dedicated strategy units***: While many COGs rely on integrated teams, there is an argument in favour of specialist units that are gifted the time and space to generate medium-long-term solutions, utilise the best available means and inputs, engage with frontline staff and service users that understand the realities of implementation, and test out workable solutions.

- ✓ **Creating ‘thinking time’ for leaders:** Teachers have an expression ‘non-contact time’ for the hours of the day when they’re not educating their students (their main job), but are instead: planning for the next day, term or semester; developing their curriculum and materials; assessing the student’s work; meeting with other staff; and engaging in training and personnel development. The proportion of the working year given over to non-contact time is essential to make the ‘contact time’ meaningful. This is no less true of HOGs, who should set aside planned time for strategy sessions, away days, seminars and other mechanisms that take them away from the fray, however hard it is to resist being drawn back in.

COGs should also **construct a coalition around coordination**, to make it harder to unravel tough decisions. Line ministries especially can be resistant to coordination, resenting the intervention of COGs into their policy domains and interference in programmes they are not close to and cannot fully comprehend. For their part, COGs sometimes view line ministries as too parochial in their thinking and needing a broader perspective. To avoid conflicts arising from the outset, it is important to build good working relations between centre and line, based on open and two-way communications. It is also helpful to engage a wider group of stakeholders in policy-making, especially civil society and representatives of affected parties. This has the benefit of not only strengthening policy design, but by sharing ownership of the decision-making also builds momentum that is harder to reverse, even with a change of government (see [topic 1.1](#) on qualities of policy-making).



### 3.4 MLG in an increasingly connected world

As public administration becomes increasingly ‘digitalised’ and user-centric, however, do government structures still matter? [Themes 5 and 6](#) describe the seemingly unstoppable rise of online service delivery, and the advent of tools such as ‘once-only’ registration, ‘digital by default’ and ‘clouds of services’ that enable citizens and enterprises to interact with the administration at a time and in a manner of their convenience. People increasingly assemble their own services to fit their requirements and suit their circumstances, and hence, in practice, interact at multiple levels within and across government simultaneously, without necessarily knowing it. Is interoperability now the driver of MLG in the European Union?

To some extent, the answer must be ‘yes’ - or rather, ‘increasingly yes’, as Member States are at various stages of development in eGovernment, and there are sections of the population which are not online and might never be. Nevertheless, the popularity of one-stop shops and multi-channel delivery shows that politicians are increasingly sensitive to citizens’ and enterprises’ expectations of a seamless service, where the administration is interoperable and therefore ‘indivisible’ to the user.

However, there are two caveats:

- ✚ First, administrative structures and interactions must obviously be designed for the **full range of government roles, not just user-centric service delivery**. Public administrations are also organised to raise revenue and manage debt, offer social protection, provide security, ensure justice and the rule of law, construct infrastructure, deliver major services directly (e.g. health, education, welfare, social services, etc.), legislate and regulate, including monitoring and enforcing a raft of environmental, employment, consumer and other laws. MLG is relevant to all the policy instruments at the administration’s disposal in the pursuit of policy goals (see [topic 1.2](#)).
- ✚ Second, interoperability is increasingly essential to ensure that the administrative system as whole is effective, vertically and horizontally. But the design of the system itself must also be rational, efficient and streamlined. Indeed, **interoperability is the natural counterpart to subsidiarity**. Applying the subsidiarity principle means every element of the administration should be clear regarding its competences (and receive the resources to match the responsibility); interoperability ensures that the connections between them are fluid and fully functional.

The recent experience of Spain’s far-reaching CORA reforms is an inspiring case-in-point.<sup>49</sup> MLG has been tackled within the framework of a **major nationwide reform programme**, involving all levels of government, aimed at evolving towards a transparent, agile administration that is focused on providing better and increasingly online services to citizens and businesses. Within this extensive package, the Spanish Government has *inter alia* taken measures to: remove duplication of competences from the entire administration and in the creation of new public entities (summarised

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<sup>49</sup> The CORA case study is explored in more depth in [theme 9](#) on public administration reform - making positive change happen.

in [topic 3.1.2](#)); and improve administrative efficiency with full eGovernment, paperless and interconnected in its internal and external relations with interoperable systems between administrations (see [theme 5](#) on service delivery and digitalisation).

Given the importance of eGovernment for streamlined public administration and online service delivery, both in the ‘back office’ and ‘front office’, Latvia’s e-index is an interesting initiative to assess **readiness of the e-Environment** at both central and local levels of government.

### *Inspiring example: E-index (Latvia)*

A partnership initiative, Latvia’s e-index is a nationwide evaluation of the e-Environment in state institutions and municipalities. It provides an overview of how actively and appropriately for their circumstances central and local government use the solutions provided by ICT to improve the quality and availability of their services to citizens and businesses, and to optimise their internal processes. Launched in 2014, the e-index is Latvia’s first national-level initiative helping state institutions and municipalities to recognise their level of digital development, evaluate their approaches, and foresee solutions for more efficient development, as well as to identify the best examples implemented by other institutions and thus enable exchanges of experience and motivate the development of the e-Environment. This initiative also provides support for the achievement of goals set for the state in general (National Development Plan, National Digital Strategy, etc.) and provides localised guidance on best practice approaches evaluated in different international benchmarks.

The e-index was developed by the Ministry of Environmental Protection and Regional Development (VARAM), which identified at an early stage that two different views of the e-index were required - one for national authorities, taking account of the specifics of such institutions, and the other for municipalities. The biggest challenge was to build a research framework and methodology (choose questions and indicators), which would take account of the specifics of different institutions and would allow meaningful comparisons of various aspects of institution work (e.g. internal processes, inter-institutional cooperation, communication with citizens, etc.). In this aspect, municipalities are more comparable to each other, because they operate based on a pre-defined regulatory framework and common principles. Hence, Latvia’s e-index contains two measurements:

- ✚ The **e-index of state institutions** was developed by the VARAM. based on a survey questionnaire of 102 (out of 103) state institutions, including the State Chancellery, Chancery of the President, ministries and subordinate institutions, institutions under supervision of the Prime Minister, and independent institutions. In general, the efficiency of e-Government in the institutions is analysed in five fields: organisation of internal processes within the institutions; inter-institutional cooperation; circulation of documents; provision of services; and involvement of society.
- ✚ The **e-index of municipalities** was developed by a working group comprised of representatives of the initiative partners, chaired by the IT and telecommunications company, Lattelecom. Participation in the municipal measurement is voluntary, but still 116 out of 119 local governments have taken part. They can use the acquired results to become aware of their situation, compare their achievements with other municipalities, and gain inspiration from the best examples.

With regards to the **process**:

- ✚ Information necessary for the creation of ‘Latvia’s e-index’ was acquired via the survey questionnaire, i.e., by special inquiry forms, sent to each authority.
- ✚ To ensure the inclusion of sensible and measurable indicators in the measurements of authorities of ‘Latvia’s e-index’ in the process of designing the e-Index methodology, members of the working group visited authorities and municipalities to discuss the ‘Latvia’s e-index’ initiative and the possible indicators to be included in the e-index.

- ✚ Additional data for the questionnaire was acquired from other trusted sources, for example, the information collected by the State Employment Agency and ministries, and other types of objective data at the disposal of partners.
- ✚ A press conference was organised to provide an overview of the situation and indicators concerning the e-environment of public authorities of Latvia, supplemented by communication with the media.

To ensure effective collection and analysis of information, a special **data extraction tool** was created, providing an opportunity for the authorities to collect information and use it for analysis. State and municipal surveys used different tools. The institutions were very responsive, because filling in the data could be completed at comfortable times, with the assistance from colleagues and expert specialists.

Powerful partners from the public administration and experts from the sectors concerned were involved in the **expansion and scale implementation** of the initiative (Latvian Association of Local and Regional Governments, Latvian Large Cities Association, Latvian Information and Communications Technology Association and Latvian Chamber of Trade and Commerce).

**Winners** of 'Latvia's e-index' were celebrated in an official ceremony, together with the announcement of the Annual Award of Public Services of Latvian Chamber of Trade and Commerce, with the participation of top management representatives of all project partners ('Lattelecom', Latvian Association of Local and Regional Governments, and Latvian Information and Communications Technology Association), as well as heads of local governments and representatives of authorities etc. The winners are split into five categories: two at state level (ministries and agencies); three at sub-national level (cities, large counties, and small counties).

Since the e-index scope is quite wide, the measurements have not only helped in understanding the maturity level of using ICT on the level of institutions, but also marked the current status of using ICT solutions in the public sector in general. With regards to **benefits**, benchmarks provide institutions with a detailed view of their existing imperfections for mutual comparison. The results are detailed enough for institutions to use them in developing a plan for further improvements. An important aspect of the e-index benchmark is the information regarding the provision of services, such as access to information, e-services and feedback from citizens. The benchmark is an expedient tool for analysing all public services, because authorities have provided detailed information about services, the frequency of using the services and channels provided, taking account of the interrelated service processes of institutions. Similarly, the study helps to identify Latvia's progress in the implementation of various European initiatives, such as open data, give information once and others that are prerequisites to build an efficient and client-oriented public administration.

With respect to **lessons learned**, the Ministry implemented several activities to receive the necessary responses and obtain valuable information from the authorities:

1. **Successful e-index branding:** Only focus on the best solutions and positive experience, the awards ceremony with the participation of government officials, and intensive communication through media ([www.eindekss.lv](http://www.eindekss.lv), [www.twitter.com/eIndekss](https://www.twitter.com/eIndekss), [www.facebook.com/Latvijaseindekss](https://www.facebook.com/Latvijaseindekss), <http://www.draugiem.lv/latvijaseindekss>). The initiative's website ([www.eindekss.lv](http://www.eindekss.lv)) displays the results and examples of best practices, as well as relevant news.
2. **Online solution:** An online tool created by VARAM specifically for this survey, where representatives of institutions may conveniently fill out information. All historical and known information (about information systems and services) is prefilled.
3. **The interest of the institutions:** State and municipal institutions, especially top management, are interested in the evaluation of the current situation of e-government implementation, and their progress in comparison to other institutions. In several institutions, the e-index is used as a guidance to set improvement targets.

On 26 January 2016, the **results** of the first measurements of Latvia's e-index were published. Among municipalities, Valmiera achieved the best results in the republic city category, Dobele County achieved the

best results in the large county category, and Strenči County ranked highest in the small county category. In turn, the Ministry of Finance demonstrated the best results among state institutions (in the category of ministries), while VAS Ceļu satiksmes drošības direkcija (JSC Road Traffic Safety Directorate) ranked highest in the agency category.

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### 3.5 Conclusions, key messages and inspiration for future action

If the past is any guide to the future, governments will continue to restructure their public administrations regularly in a relentless quest for better governance systems. The last 30 years have seen much capital and time spent across Europe in decentralisation, recentralisation, regionalisation, formation, abolition and amalgamation. Against this backdrop, it is perhaps surprising that the **costs and benefits** are rarely assessed, and hence reforms are largely based on intuition and ambition, rather than robust evidence-based cases. There are exceptions, of course, such as the extensive CORA review, which looked at the impact of decentralisation on duplication, and set in chain a process of rationalisation and legislation to avoid future overlaps.

At the central level, ‘machinery of government’ changes often revolve around elections, either to energise the incumbent’s electoral chances in advance, or in the aftermath to enact the incoming administration’s new mandate. But the bigger MLG story is sub-national, and hence the primary focus of this theme.

MLG is about a **systemic approach** that is more than the sum of its parts. To move from multi-level government to multi-level governance requires that administrative structures are coherent, consistently apply the administration’s principles and values, and that institutions interact to maximum effectiveness. This means:

- ✓ Reviewing the **existing architecture** of the public administration using the subsidiarity principle, and asking whether the right balance is struck between centrifugal and centripetal forces, and whether too many institutions creates coordination challenges or conversely that too few creates unwieldy bureaucracies and undermines the connection with citizens;
- ✓ Assigning **legal powers and functional competences** to each level and organisation appropriately, in line with the principle of subsidiarity in decision-making;
- ✓ Implementing fully the provisions of the [European Charter of Local Self-Government](#), which embodies the subsidiarity principle and *inter alia* commits the signatories (including all EU Member States) to applying basic rules guaranteeing the political, administrative and financial **independence** of local authorities;
- ✓ Ensuring that administrative units within each level are ‘**fit for purpose**’, with sufficient scale, resources and capacity to be effective;
- ✓ Putting in place practical mechanisms for **vertical and horizontal coordination**; and
- ✓ Enabling **partnership working** with external bodies representing citizens, businesses and non-governmental organisations, either by law or by encouragement.

Administrations must also be able to deal with the unexpected, namely disasters and policy challenges they did not or could not anticipate, which means all levels need **flexibility** in their functions and responsiveness in their resourcing.

Paradoxically, the major decisions about the structures, powers, resources and relationships of LRAs fall to national governments and parliaments. Counter-intuitively, the history of MLG has been dominated by the trend to decentralise, ceding powers from the centre of the State. The rationale is good politics and better policy. Statistics show that subsidiarity is popular: people prefer power to reside with public institutions that are closer to their communities. The advent of co-creation and co-production taps into the growing interest of the public in actively contributing to policy design and service development, which can happen most readily with local and regional authorities - less so at the national or supranational levels.

DG DEVCO's study (op. cit.) finds no automatic, direct or causal link between decentralisation and local development, and argues that certain conditions must be put in place, including the empowerment of LRAs. What appears to be critical is the coupling of:

- ✓ **Autonomy** - the ability of LRAs to take initiative and exercise discretion (within the limits of the law), and thereby to respond to citizens' needs and expectations; and
- ✓ **Accountability** - the extent to which LRAs are held responsible for their decisions, and hence citizens can elicit and ensure that responsiveness.

Improving the 'supply side' of governance by empowering LRAs is not enough. It is just as important to strengthen the 'demand side' too, by ensuring that citizens are enabled and encouraged to engage with them. While the argument is made in the framework of third countries, the principle holds true for LRAs in Member States too.

*"Citizens are not interested in electing or holding accountable local authorities that do not have powers (executive, legislative or judicial) worth holding them accountable for, and citizens cannot hold local authorities accountable and make them represent them without an array of accountability mechanisms (positive and negative sanctions)... Together, discretionary powers in the hands of leaders who are accountable to citizens constitute democracy. Accountability without power is empty. Power without accountability is dangerous. Democracy - at any scale - needs both". DG DEVCO, 2016.*

The emergence of open data and open government (see [topic 1.1](#)) is equipping citizens with the motivation and means to connect with their LRAs. The online availability of transactional services has also transformed access to public administrations, and increasingly allows service users to tailor packages to their circumstances (see [theme 5](#)). It also permits them to interact potentially with all parts of the administration, at all levels and locations, at the same time - bringing the whole of government within reach of the population.

Whatever the structure, for the system to work requires effective and well-functioning organisations, which is the subject of the next theme.



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