



Federal Institute for
Research on Building,
Urban Affairs and
Spatial Development

within the Federal Office for
Building and Regional Planning



Local Governments' Capacity to Act: A European Comparison

Autonomy, Responsibilities and Reforms



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The project is part of the research programme „Experimental Housing and Urban Development (ExWoSt)“ and has been conducted by the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR) on behalf of the Federal Ministry of the Interior, Building and Community (BMI).

Foreword

Photo: Schafgans DGPh, Bonn



Dear Readers,

On July 1st 2020, Germany took over the Presidency of the Council of the European Union (EU) for six months. Urban development also plays a crucial role in this context. 'The New Leipzig Charter – the transformative power of cities for the common good' is also to be discussed and adopted during Germany's 2020 presidency. The focus of the charter is on strengthening the transformative power of cities with a greater orientation towards promoting the common good. With the signing of the 'Leipzig Charter on Sustainable European Cities' in 2007, the EU Member States had already agreed to pursue an integrated and place-based approach to urban development.

But what does 'urban transformation' in Europe mean? How much capacity do local authorities have to shape urban development policy for the common good in the various Member States? These are the questions addressed in this Europe-wide comparative study, which the University of Potsdam has prepared for the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR). The research team examines the position of local authorities in the EU Member States, the degree of their autonomy, their tasks and their fiscal and financial capacity to act within the structures of their states.

Although the study identifies a 'local government-friendly' trend in Europe, there are significant disparities in many cases with regard to the capacity of local governments to manage and shape their own affairs. Strong local authorities that assume the central tasks of providing local services of general interest and public welfare can be found primarily in the Scandinavian countries and Germany. In countries like France and Italy, public utilities, such as energy, water and the waste sector, are still partly state-owned. Local governments in Northern Europe also enjoy a high degree of financial autonomy.

According to the study, a minimum degree of local financial autonomy and own-source revenues promote effective public service provision by local governments. Moreover, local governments should be able to decide on a wide range of tasks and, accordingly, have the necessary robust organisational structures for steering and coordination.

I very much hope that the following study makes for interesting reading.

A handwritten signature in black ink, appearing to read 'M. Eltges', written in a cursive style.

Dr. Markus Eltges | Director of the Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR)

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Federal Institute for Research on Building, Urban Affairs and Spatial Development (BBSR)
Eva Schweitzer, Department I 5
eva.schweitzer@bbr.bund.de

Research contractor

Authors: Prof. Dr. Sabine Kuhlmann/Benoît Paul Dumas/Moritz Heuberger
Chair for Political Science, Public Administration and Organization, Potsdam University
Edited by: Lily Maxwell/Lea Scheurer
European Urban Knowledge Network (EUKN) EGTC, The Hague

Translation

Pearl Joy Wallace, wallace els, Berlin

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A core element of the New Leipzig Charter is the strengthening of the transformative powers of cities. This means that local governments must have sufficient capacity to act to fulfil their tasks in terms of promoting the common good. The effectiveness and quality of public service provision depend largely on the capacity of local governments to act and manage their own affairs. In the European context, this capacity is very differently developed and organised. Against this background, the present study compares local self-government in Europe and provides indications of the extent to which the demand for greater local government capacity to act can be incorporated into the New Leipzig Charter. This study is based on relevant data for measuring local autonomy and performance, as well as on in-depth analyses of local development in selected countries (France, Italy, Sweden, Hungary, Poland, United Kingdom). Each of these countries is a typical representative of a different country profile in the European context, based on different models and traditions of local public administration.

From a comparative perspective, a very heterogeneous picture emerges with regard to the role of local governments in the administrative structure, which also reveals shifts and changes over time. While the role of local governments in the multilevel system has been clearly upgraded and strengthened in, *inter alia*, France, Italy and Sweden in recent decades, the English local governments have been weakened considerably since the 1980s. In Hungary, after an initial strengthening in the wake of the early transformation and decentralisation process, local government autonomy has now been increasingly curtailed. This is, however, not the case in other Eastern European countries, such as Poland, which still has comparatively strong and increasingly autonomous local governments. Although the trend towards the upgrading and affirmation of local government still dominates in Europe – as demonstrated by decentralisation reforms, the transfer of responsibilities and the increase in the degree of local autonomy over the past 25 years – there are also countertrends in some countries (England, Hungary, partly Southern Europe) that are weakening the role of local governments. However, they represent rather exceptional cases within an overall ‘local government-friendly’ trend in Europe.

The strengthening of local self-government in some European countries, especially in the Nordic administrative model (e.g. Sweden), can be interpreted as a contin-

uation of a traditional development path in which local governments have increasingly represented a significant level of subnational policymaking and service delivery. In these countries, local-oriented policies and reforms generally encounter fertile ground in terms of administrative culture. By contrast, the upgrading of local governments in other countries, especially within the Continental European Napoleonic type (France, Italy), but also partly within the Eastern European profile (e.g. Poland), tends to be an institutional path change or even a total break in which the traditional features of executive centralism have to be questioned. This has increasingly been the case since the 1980s or, regarding the Eastern European countries, following the regime change. However, in these countries with traditionally rather weak local government systems, changes and shifts in competence are associated with greater resistance and they also require a longer administrative-cultural change.

Focusing on individual elements and indicators of local governments’ capacity to act and manage their own affairs, a wide European range is also evident in the area of fiscal autonomy (as reflected in own local government tax revenues and the share of state allocations in total local government revenues). Once again, the local governments in the Nordic administrative profile (Sweden) are the leaders, which indicates an accordingly pronounced autonomy and a broad scope of action for managing local affairs. By contrast, the local governments in the Anglo-Saxon group of countries have a low degree of fiscal autonomy and respectively a limited scope of action for managing local affairs compared with the rest of Europe. Measured in terms of their own tax revenues, the Eastern European local governments also have rather limited financial leeway, which has been reduced even further, particularly in Hungary, over the past ten years. The local governments in the Continental European Napoleonic group of countries (except Greece) enjoy a comparatively high degree of local fiscal autonomy, which, in financial terms, implies a high degree of decision-making freedom. It should be noted that the latter local governments have a traditionally rather limited – albeit now growing – task profile and that the locally operating state apparatus still occupies a significant position.

European countries also show differences in the tasks and functions assigned to public administration and the individual levels of administration. They thus vary sometimes considerably in the extent and design

of local self-governance of public goods, for example in the health and social care sector, local public utilities or the exercise of local planning sovereignty. Functionally strong local government systems, which assume essential tasks of local services of general interest and welfare state provision, can be found primarily in the Continental European Federal and Nordic systems (e.g. in Germany and Sweden), but also in pre-Thatcher England. By contrast, in the Continental European Napoleonic systems, the majority of these responsibilities used to be reserved for state administration, and it is only in recent decades that local governments have become more important. This is particularly true for welfare state and planning tasks, whereas public utilities (such as energy, water, waste) are still partly in state hands and partly handled by private companies in these countries (France, Italy). Local intergovernmental cooperation, however, is becoming an increasingly important organisational form. By means of this cooperation, local governments in territorially fragmented systems (Southern European and partly Eastern European group of countries) manage to perform local services of general interest more efficiently.

The different responsibilities of the local governments, which – in conjunction with their autonomy and institutional framework – determine local government action and performance, are also reflected in the share of local government expenditure in GDP, which is highest in the Swedish local governments (24 percent) and still reaches comparatively high levels in France, Italy and Poland (over 10 percent). By contrast, the share in the United Kingdom has fallen below 10 percent in the wake of centralisation tendencies and the functional erosion of local governments. In Hungary, too, the recentralisation process that has been taking place since Orbán took office in 2010 has meant a significant decline in the share of local government spending as a percentage of GDP.

The functional profiles and capacities of local governments to provide local services of general interest for their citizens and to take on new tasks are closely related to their territorial viability, which also varies considerably among European countries. The Southern and Eastern European countries are characterised by rather small-scale municipal structures and many municipalities with a small population. This is due to the decision not to carry out legally 'forced' territorial reforms (Southern European territorial type), whereas the countries of the Nordic administrative model (except Iceland), the United

Kingdom and some North-Eastern European countries, are characterised by a small number of large-scale unitary municipalities with high population figures, as a result of far-reaching (legally enforced) territorial reforms. The functional capacity and, in turn, performance of local governments is (also) largely determined by their territorial viability. Large local governments tend to be more efficient, have more professional administrations and are more likely to achieve cost savings due to economies of scale. However, there are also indications that oversized local governments can cause problems for the quality of local democracy, participation, acceptance and local identity.

In order to improve local governments' capacity to promote the common good and perform their public service functions in an effective and efficient way, a number of institutional adjustments can be made and steering principles can be identified. First of all, a minimum degree of local autonomy is required. This includes, in particular, aspects of local fiscal autonomy (e.g. ability to raise own tax revenues and then to determine how to spend those revenues), in order to ensure that local governments have the capacity to act and perform efficiently. The financial condition of local governments has a decisive influence over their performance. Local government task execution functions particularly well when it is combined with strong fiscal autonomy and financial leeway. By contrast, centrally imposed austerity constraints can, in extreme cases, lead local government self-administration to be completely pointless. Additionally, strong local governments with the capacity to act and perform efficiently have a broad multifunctional portfolio of tasks they perform independently. If possible, this also includes political decision-making rights for the elected representatives as for the tasks performed and should be based on the principle of universal responsibility. This ensures that the local governments can fulfil their territorial steering and coordination function and reconcile potentially conflicting sectoral policies in the territorial area. Massive privatisation, outsourcing and subcontracting of (parts of) municipal services of general interest, on the other hand, leads to steering and coordination problems as well as losses of political-democratic control and responsibility, with the result that local services of general interest can no longer be carried out adequately. In order to perform an overall local steering function within the framework of the multifunctional competence profile, local govern-

ments must also be able to achieve adequate territorial viability. The creation of more robust organisational structures, the improvement of administrative processes, the increase in the administrative and organisational power of local governments and the professionalisation of administrative work are among the central advantages of territorially viable municipal units. This basic institutional profile of strong local governments must be accompanied by a corresponding political responsibility and articulation capacity in order to ensure the democratic legitimacy and political participation of local governments in the

multilevel system. For example, in the form of rights of participation in legislation or access to decision-making processes at higher levels, as well as opportunities for citizens to have direct influence and control.

In the face of new social challenges and increasingly complex problems ('wicked problems'), a strong local level in Europe is indispensable. Increasing the capacity of cities to act and manage their own affairs is, therefore, a central institutional and administrative policy issue that should be given high priority.

1. Comparison of the Role of Local Governments in Europe: Autonomy, Self-Government, Local Democracy

In many European countries, the administration of legally regulated tasks and services is mainly organised locally and in a decentralised manner. The decentralisation reforms since the 1980s and 1990s (e.g. in France, Italy and Eastern Europe) have, in part, intensified this trend. However, in some countries, financial crises (e.g. Greece, Italy and the UK) and political shifts (Hungary) are stimulating emerging recentralisation tendencies, which are limiting the previously established scope of local action. The following chapter first presents the position of local self-government in different European administrative models (1.1) as well as essential comparison-related dimensions of local government systems (1.2) based on relevant concepts of comparative public administration. This is followed by an analysis of the local government¹ systems of typical country representatives of the five most important European administrative profiles, based on five central analytical dimensions: local autonomy (1.3), local government task models and self-governance of public goods (1.4), the position of local governments in the multilevel system and the relationship between state and local governments (1.5), territorial profiles (1.6) and local policy profiles/democracy models (1.7). The country cases selected represent variants of local government and administrative systems across Europe, each of which has had a significant impact on administrative development and on reform policy as a whole. Against this background, a more detailed analysis of their local government systems is useful for assessing the future capacity of local actors in Europe.

1.1 Comparison of European Administrative Models

In order to determine the position of local governments in different European administrative structures, the typology approach developed by Kuhlmann and Wollmann (Bouckaert and Kuhlmann, 2016, p. 11ff.; Kuhlmann and Wollmann, 2019, p. 71ff.) is used, which is based on comparative public administration and allows European countries to be assigned to six administrative profiles. This does not affect the distinctive features of other countries not under study, which cannot be pursued here. France is selected

for the Continental European Napoleonic administrative profile and Italy specifically for the Southern European subgroup, Sweden for the Nordic administrative profile, the United Kingdom (UK)/England for the Anglo-Saxon administrative profile, and Hungary for the Eastern European country profile. Although in the presentation of the brief country profiles the countries mentioned are highlighted and dealt with in detail as examples of the respective administrative profile, it is important to note that brief reference may be made to other countries (especially Poland), by way of example.

The typology used here is based on administrative, legal-cultural and political-institutional features. With regard to administrative traditions and cultures, two Western European clusters are roughly distinguishable: the classic Continental European rule of law culture and the Anglo-Saxon public interest culture (or civic culture tradition) (cf. Heady, 1996; König, 2006; Kuhlmann, 2009; Pollitt and Bouckaert, 2017). The affiliation with one of these administrative culture groups is significantly shaped by the legal tradition and allocation of the respective country to a particular family of legal systems (for Europe: Common Law; Roman-French; Roman-German; Roman-Scandinavian; cf. LaPorta et al., 1999; Schnapp, 2004, p. 44ff.; König, 2006). The legal tradition of a country has a significant influence on the dominant values in administrative action and the way in which administration is implemented, as well as the relationship between politics, citizens and administration. Concerning the second comparison-related dimension, the structure of state and administration, the degree of centralisation or decentralisation of public administration as well as the relationship between centralised and subnational-decentralised/local self-government, are crucial. Once again, for the sake of simplicity, we can distinguish three variants: federal, unitary-centralised and unitary-decentralised. Figure 1 shows that, on this basis, five country families or groups can be distinguished for the European administrative area, each of which is characterised by typical combinations of features of their respective administrative systems and traditions (for details see Kuhlmann and Wollmann, 2019, p. 10ff.).

¹ Not all countries have one single level of local government. Nevertheless, the term 'local government' – in line with the German understanding of the term *Kommune* – is hereinafter used to analyse the regional/local authorities both at the upper local government level (*Kreise, départements, counties, etc.*) and at the lower local government level (*Gemeinden, communes, districts, etc.*). When making comparisons between European countries, the peculiarities of the different local institutional models need to be included, especially the territorial and functional variances. However, it is common practice in comparative local government research to use the two-tier local government system found in most European countries as the institutional starting point for the comparison. Special cases of an amalgamation of lower-level and upper-level local governments (according to the model of the county-free city or the unitary authority) will be dealt with in the given context. By contrast, regions are hereinafter excluded, as are subnational units of government.

1. Comparison of the Role of Local Governments in Europe: Autonomy, Self-Government, Local Democracy

Figure 1:
Administrative profiles in Europe

Source:
Following Kuhlmann and Wollmann, 2019, p. 24 and Heinelt et al., 2018

The countries in italics in Table 1 are subject to further analysis in this study.

Administrative Profile/Group of Countries	Administrative Tradition	Administrative Structure
Continental European Napoleonic Belgium, <i>France</i> , Luxembourg	Rule of law culture, legalism	Unitary-centralised; weak local government (decentralisation in France, Italy, Greece since the 1980s and 1990s)
Southern European Subgroup <i>Greece, Italy, Portugal, Spain</i>	Additionally: clientelism, party patronage, politicisation	
Continental European Federal <i>Germany, Austria</i>	Rule of law culture, legalism	Federal decentralised; strong local government
Nordic Denmark, Finland, Netherlands, <i>Sweden</i>	Rule of law culture, transparency/contact culture; opening up of administration to citizenry	Unitary-decentralised; strong local government/civic self-determination
Anglo-Saxon <i>Ireland, Malta, United Kingdom, Cyprus</i>	Public interest culture, pragmatism	Unitary-centralised; strong (although has weakened since the 1980s) local government
Eastern European Czech Republic, Estonia, <i>Hungary</i> , Latvia, Lithuania, Poland, Slovakia	'Real' socialist cadre administration; since change of system, re-establishment of pre-communist (rule of law) traditions	Unitary-decentralised; strong local government (recentralisation since 2011 in Hungary)
South Eastern European subgroup Bulgaria, Croatia, Romania, Slovenia		Special case South Eastern European Subgroup: unitary-centralised; weak local government

(1) The Continental European Napoleonic administrative profile (Belgium, France, Italy, Greece, Portugal, Spain) is marked first by the common Roman-French legal tradition and the importance of statutory law. The understanding of state and administration is defined by the principle of legality (*principe de légalité*) and is reflected in a comprehensive codification of legal norms and an extended administrative judicature. When it comes to the Napoleonic tradition, the reforms carried out under Napoléon Bonaparte at the beginning of the nineteenth century were especially groundbreaking. At first, these reforms shaped the French administration and then spread to the Benelux countries and into Italy and Spain. The Napoleonic tradition (Ongaro and Peters, 2008) is characterised by a strong centralised government, a comprehensive, political culture-rooted acceptance of (centralised) gov-

ernmental regulatory authority and a powerful centralised bureaucracy. The sectorally defined authorities and centralised bureaucracy usually extend from the central to the local levels. The centralist nature of this tradition is personified in the central government-appointed role of the prefect (*préfet*). Within the Napoleonic tradition, the subnational and local levels are functionally subordinate, so the principle of territorial administrative organisation and institutional subsidiarity is poorly developed.

(2) In comparative research, Italy, Greece, Portugal and Spain are assigned to a common Southern European (or Mediterranean) subgroup of Napoleonic Continental European administrative systems (Kickert, 2011, p. 107; Sotiropoulos, 2004; Kuhlmann and Wollmann, 2019, p. 19). One explanation for this lies in the specificities of the public

service and administrative culture that the countries of this subgroup share. This is particularly the case with regard to the blatant (party) politicisation of the public service; clientelism in the appointment of administrative positions; and political patronage, which, in contrast, is fairly unusual in Northern Europe.

(3) The Nordic countries (Sweden, Denmark, Finland, Norway) exhibit distinct overlap with Continental European Federal countries (not discussed here) in their administrative profiles since these countries are also rooted in the Roman law tradition. However, the openness of the recruitment and career system in the public service and the explicit opening up of the administrative system to citizens (freedom of information, transparency, citizen participation) are distinctive features of the Nordic administrative profile that distinguish it from other systems with a Roman law tradition. Further commonalities with the Continental European Federal countries include the principle of subsidiarity regarding the allocation of tasks between the central and local administrative levels. These countries possess a highly decentralised administrative structure with, by tradition, politically and functionally strong local self-government and local government units and a high degree of autonomy. They thus operate – despite their unitary state structure – in an even more decentralised way, in some cases, than federal countries. Although the Netherlands has historically been influenced by the Napoleonic tradition, it also has a lot in common with the Nordic group of countries, which has been further strengthened by recent (decentralisation) reforms. For this reason, the Netherlands is assigned to the Nordic administrative profile here.

(4) The countries with an Anglo-Saxon (and Anglo-American) administrative tradition (the United Kingdom, Ireland, Malta, Cyprus) are typologically classified within comparative public administration as belonging to the public interest or civic culture tradition (Heady, 2001; Halligan, 2003; König, 2006). Based on liberal and utilitarian philosophies of the state, this tradition is characterised by an instrumental concept of statehood. At its centre is the acting government rather than the state as a value in itself. Embedded in a civic culture and individualistic tradition, the cognitive and normative differences between the state and the social-economic sphere have historically been less pronounced in the British administrative system. The crucial separation of the public and private legal spheres (see above) in Continental European ad-

ministrations is largely unknown in the countries with a tradition of public interest. Against this backdrop, the transfer of concepts and ideas between the public and social market spheres is also far smoother. Thus, for example, managerial principles of action of New Public Management (NPM) are deeply rooted in the Anglo-Saxon administrative culture (König, 2006). Furthermore, the doctrine of parliamentary sovereignty is crucial for the formation of the subnational administrative levels since it stipulates that regional and local authorities can only carry out those tasks that have been expressly assigned to them by parliamentary legislation. This maxim, known as the doctrine of *ultra vires*, contrasts with the Continental European presumption of general competence. It implies – not only in theory but in repeated practice – that tasks assigned to decentralised institutions can be revoked at any time through a simple act of parliament. However, the doctrine of *ultra vires* has been considerably weakened by ‘new localism’, a concept associated with Tony Blair’s New Labour government.

(5) Hungary and Poland are representative of the Eastern European administrative profile. These countries possess a chequered history. Due to their geopolitical past², they have historically been particularly shaped by the Continental European and especially by the Austrian or Prussian administrative model (cf. Wollmann 1995, pp. 566, 572). After these countries’ independence in 1919, the administrative organisation was shaped by a distinctly centralised system in accordance with the French model (“stark zentralistisches System nach französischem Modell”) (Kaltenbach, 1990, p. 85). This Continental European line of development was broken off in 1945 as a result of the communist takeover of power. In its place, the (Stalinist) state organisation model was imposed (double subordination of state administration under a centralised party rule, cf. Dimitrov et al., 2006, p. 205). After the split with the communist regime, the systemic transformation of these countries was implemented via the abolishment of the socialist state organisation and the (re)introduction of the Continental European constitutional, state and administrative model (König, 1993). This development took place against the backdrop of country-specific, political-institutional and pre-communist administrative conditions at different speeds and with different emphases (cf. e.g. Heinelt et al., 2018; Nemeč and De Vries, 2018). In Hungary, in particular, this transformation was prepared and initiated by ‘reform communists’ as early as the 1980s, and later accelerated by its (expected) acces-

² Large parts of Poland were annexed by Austria and Prussia as a result of the partition of Poland in 1772. Hungary became part of the Habsburg Austro-Hungarian Empire in 1867.

sion to the EU. Hungary was considered a pioneer in the (re)establishment of the Continental European constitutional and administrative model. Under the Local Government Act of 1990, the municipalities, as the lower level of self-government, were designated as pivotal points in the decentralisation and democratisation of the new state organisation. However, since Orbán took office in 2011, previous democratisation and decentralisation efforts in Hungary have been partially reversed by radical recentralisation measures.

The Continental European Federal country profile (Germany, Austria, Switzerland; see Kuhlmann and Wollmann, 2019, p. 87ff.) will only be explained below to emphasise certain specificities of other systems. This is also useful because Germany has a strong local government system compared with the rest of Europe. This is determined by factors like the constitutional protection of local self-government, including a legally recognised power of general competence, a broad multifunctional task profile (subsidiarity principle), strong political and democratic legitimacy (elected representatives, citizen participation), and territorial viability (territorial reforms in some German federal states). Furthermore, reforms in recent years have further strengthened the German local government system by introducing additional participation rights for citizens (direct election of the executive, binding local referendums), further transfers of tasks from the state to the local government level (functional reform) and new attempts to increase territorial scale. Nevertheless, German local governments still have only a low to moderate degree of fiscal autonomy (non-existent at the county level). Furthermore, since local governments perform a comparatively large share of state functions and the elected representatives do not have any political decision-making rights, this entails a certain tendency towards the 'nationalisation' of local governments.

1.2 Dimensions for Comparing Municipal Systems

To enable us to analyse the role of local governments in a European context, we draw on relevant concepts of comparative local government research. We examine a range of five key characteristics, which determine the capacity of local government actors in Europe to act (i.e. the ability of a given local government to perform its functions in an effective and efficient way) and manage their own affairs (see Page and Goldsmith, 1987; Wollmann, 2004, 2008; Heinelt and Hlepas, 2006; Kuhlmann, 2009; Heinelt et al., 2018; Kuhlmann, 2019, Kuhlmann and Wollmann, 2019):

- ▶ Local autonomy, that is, the ability of local governments to act and manage their own affairs, make decisions about local policies and service provision, and uphold these decisions. Given its critical role in evaluating the capacity of local governments in Europe to act, local autonomy is treated here as a separate analytical dimension.
- ▶ Functional profile, that is, the scope and salience of the functional responsibilities that are assumed by local territorial bodies. The functional profile describes the framework within which local governments must exercise their functions and provides information on the concepts of 'the common good' and 'services of general interest' underlying the local government system.
- ▶ The position of local governments in the multilevel system, the division of functions between local and central (state) governments, aspects of state supervision, control and intervention, as well as local decentralised access to the higher levels of government.
- ▶ Territorial profile, that is, the territorial structure and related territorial viability of the local government level.
- ▶ Political profile, that is, the form of local democracy (representative versus direct democracy), the horizontal power relations and, in particular, the relationship between the council and local executive authorities (monistic versus dualistic) and the electoral procedure of the head of administration (direct versus indirect).

1.3 Local Autonomy

The degree of local autonomy exercised by a local government is one of the key criteria for evaluating its capacity to act and manage its own affairs. The relevant quantitative indicators for this are: the share of the local government's own tax revenue and the share of state allocations in total local government revenue. It should first of all be noted that the lower the share of state allocations and the higher the share of own local government (tax) revenue, the higher the degree of local autonomy – and vice versa. In the country sample considered here, local governments in Sweden enjoy the highest degree of autonomy with own revenue making up just under 68 percent of total local government revenue. By contrast, only 22 percent of local government revenue in the UK comes from own taxes. With own revenue accounting for around 50 and 36 percent of total local government revenue respectively, French and Italian local governments have more fiscal autonomy than their counterparts in Ger-

many (23 percent), Poland (20 percent) and Hungary (13.5 percent) (Heinelt et al., 2018, p. 67; see also Chapter 2.1 and Figure 11). A similar picture emerges with regard to the share of state allocations. The Swedish and French local governments have the lowest values with only 30 percent of the total local government budget allocated by the state, whereas in the other European countries the share varies between 40 percent (Germany) and almost 70 percent (United Kingdom). This again confirms the above-mentioned country ranking with regard to local autonomy.

A further attempt to construe indicators suitable for measuring local autonomy in European countries is the Local Autonomy Index (LAI), which compares local autonomy profiles in 39 countries over a period of 25 years (1990–2014) (for details see: Baldersheim et al., 2017; Ladner et al., 2015, 2016, 2019; Heinelt et al., 2018, p. 33ff.) The LAI indicators for the functional and political profile of local governments and their intergovernmental relations are based on a coding scheme with eleven variables (Ladner et al., 2019, p. 64ff.):

- ▶ Institutional depth: formal autonomy and independent task selection.
- ▶ Policy scope: the range of tasks performed by local governments.
- ▶ Effective political discretion: the local governments' real decision-making authority with regard to the tasks performed.
- ▶ Fiscal autonomy: relates to the possibility for local governments to levy their own taxes.
- ▶ Financial transfer system: the proportion of unconditional financial transfers to total allocations.
- ▶ Financial self-reliance: the proportion of own revenues (taxes, fees) to the total local government budget.
- ▶ Borrowing autonomy: relates to the possibility for local governments to borrow.
- ▶ Organisational autonomy: the local governments' ability to decide on their own organisation and electoral system.
- ▶ Legal protection: the legal or constitutional guarantee for local self-government.
- ▶ Administrative supervision: the extent of state supervision (expert/legal/financial) over local governments.
- ▶ Central or regional access: the degree of influence that local governments can exert over policymaking at higher levels.³

According to the LAI, there has been a remarkable overall increase in local autonomy over the past 25 years,

the scale of which, however, varies significantly across countries with respect to the different dimensions used to measure local autonomy. For example, Ireland has an LAI score of 35, making it the country with the lowest degree of local autonomy. Local governments in the United Kingdom also have a limited degree of autonomy (LAI score 46), which is consistent with the general situation in the Anglo-Saxon administrative profile. At the other end of the scale are Switzerland (80), followed by Finland, Iceland and Sweden with LAI scores between 75 and 79. Generally speaking, countries with a Nordic administrative profile typically enjoy a comparatively high degree of local autonomy. Countries within the Continental European Napoleonic administrative profile (67–68 in France and Italy) and the Eastern European type (65–74 in Poland and the Czech Republic) are also characterised by a particularly high degree of local autonomy. By contrast, in comparison with other Eastern European countries, Slovenia and Hungary score the lowest (scores of 49 and 51).

The strongest increase in local autonomy during the period under study was observed in Bulgaria, Slovenia and Italy. However, the LAI score has also significantly increased in Lithuania and the Czech Republic over recent years (Ladner et al., 2015, p. 60). Looking at the different dimensions of local autonomy, it becomes clear that the greatest differences between countries are due to divergences in the countries' financial transfer systems and state allocation regulations, fiscal autonomy (share of local government taxes/fees in total revenues) and institutional depth (independent task selection) (Ladner et al., 2016, p. 331). However, some similarities exist in terms of the range of tasks performed by local governments and their de facto decision-making freedom within their areas of responsibility, which – even when taking all the differences into account – point to similar responsibilities at the local level in Europe.

France ranks among the countries found to enjoy a relatively high degree of local autonomy (see above; for the following see Ladner et al., 2019). In particular, the legal protection of local self-government is a strong feature in France, where the general competence clause has applied to municipalities since the nineteenth century. Furthermore, the guarantee of local self-government formulated in the first post-war constitution and the decentralisation of the republic anchored in the 2003 constitutional reform have, in the meantime, become constitutional principles. Thanks in part to the 2010 constitutional reform allowing local governments to appeal to the Constitutional Coun-

³ Variables 1–8 characterise the so-called 'self-rule'; variables 9–11 define the so-called 'interactive rule'.

cil, their position has been strengthened in legal terms. As a result of the various decentralisation reforms, the functional profile of French local governments has also been expanded. Nevertheless, the local governments remain a part of the 'indivisible Republic', which grants the central state unrestricted sovereignty.

The degree of autonomy of Italian local governments (see above) is distributed fairly evenly across the variables examined. A remarkably higher degree of organisational autonomy can be observed among Italian local governments: they are free to choose their organisational structure, hire their own staff and set up local government enterprises (which is also the case in France). Also, by establishing the principle of subsidiarity, the constitutional amendment of 2001 increased the formal autonomy of local governments and opportunity for them to make their own choices as to how they perform their tasks. In this context, there has also been a corresponding weakening of local government supervision.

Sweden is among the countries with a particularly high degree of local autonomy (see above). It only scores slightly below the European average for legal autonomy. This is mainly due to the strict state regulations for local level activities and the lack of a constitutional guarantee. Concerning all other indicators, Sweden ranks above the European average, especially when it comes to fiscal autonomy. Sweden is one of the European countries with a highly decentralised local government system, both functionally and financially.

The United Kingdom has relatively little local autonomy. With regard to functional responsibilities and de facto decision-making powers concerning the functions performed, the British local governments lag well behind the European average. Due to the (now weakened) doctrine of ultra vires, which allows the British parliament to adapt and change the local government task profile at virtually any time, local autonomy is further limited. Although a general power of competence (tantamount to a general competence clause) was formally introduced in 2011, there has been no substantial increase in local autonomy, which may also be explained by the latest cost-cutting measures and the central government's austerity policy targeted at local governments.

Similar to the United Kingdom, Hungary (with an LAI score slightly under 51) belongs to the group of countries with a low degree of local autonomy, which has been declining significantly in recent years, especially since Orbán took office. Hungary's local governments have a low degree of fiscal autonomy, which has also been

further weakened over time, and limited opportunities to influence decisions made by the higher levels of the political-administrative system. Local autonomy in Hungary has been further weakened most recently through increasingly stringent administrative controls by higher levels. By contrast, Poland has an LAI score of over 74 and belongs to the countries with a particularly high degree of local autonomy. Firstly, the functional strength and the volume of tasks carried out by Polish local governments are preponderant factors; secondly, they enjoy a high degree of organisational autonomy and can, for example, decide for themselves on the layout of the constituencies. Polish local governments also have access to decision-making processes at higher levels of government – in sharp contrast to the situation in Hungary.

1.4 Local Government Task Profile and Self-Governance of Public Goods

European countries show significant differences in the tasks and functions assigned to public administration and the individual administrative levels. They thus vary sometimes considerably in the extent and design of local self-governance of public goods, for example in the social and health sectors, local public utilities or the exercise of local planning sovereignty. Functionally strong local government systems can be found primarily in the Continental European Federal and Nordic systems – for example, in Germany and Sweden – but also in pre-Thatcher England. They typically show an orientation towards the principle of territoriality, which guides the distribution of administrative responsibility (the so-called 'multi-purpose model'). By contrast, functionally weak local government systems, in which the monofunctionally-operating, decentralised state administration has administrative priority (classically the Napoleonic systems), are better characterised by an orientation towards the principle of functionality (task organisation model or 'single-purpose model').

In some cases, the actual operating strength of local governments deviates considerably from their formal legal/constitutional status. In many European countries, local self-government now possesses a constitutionally guaranteed – that is, a strong constitutional – status (Germany, France, Italy, Hungary); however, the actual scope of responsibilities is, in part, limited. This holds especially true for France and Italy, where the actual range of tasks differs from the respective constitutional status. Conversely, it was also true for the United Kingdom, where, until the Thatcher era, local government did not have a constitutional status (which is still the case),

	Central/Federal Level				Regional/Länder Level				Local Level				Specific Sectors			
	1985	1994	2005	2014	1985	1994	2005	2014	1985	1994	2005	2014	1985	1994	2005	2014
DE	9,9	11,6	12,0	11,9 ^b	55,6	51,0	53,0	42,9 ^b	34,5	38,1	35,0	38,3 ^b	–	–	–	6,8 ^b
FR	54,9	48,7	51,0	43,7	–	–	–	–	27,1	30,7	30,0	34,9 ^c	18,0	20,6	19,0	21,4
HU	–	35,0	35,5	63,8 ^a	–	–	–	–	–	65,0	65,0	35,9	–	–	–	0,29 ^g
IT	–	63,0	54,7	60,8 ^a	–	–	3,8	–	–	14,0	13,6	17,4 ^{b,*}	17,0	19,0	27,9	20,4 ^{b,f}
SE	–	17,3	17,0	18,7 ^a	–	–	–	–	–	84,7	83,0	81,3	–	–	–	–
UK	21,9	21,4	25,3	29,5 ^c	–	–	–	–	55,0	53,0	48,2	38,1 ^c	17,6	20,8	20,1 ^d /6,3 ^e	25,8 ^d /5,6 ^{c,e}

Notes:

a. 2015; b. 2016; c. 2017; d. National Health Service. e. Public corporations. f. Servizio Sanitario Nazionale.
g. Social Security. * Including regions.

Figure 2:
Public employment by levels
of government in percent

Source: Kuhlmann and
Wollmann, 2019, p. 129
(with further evidence)

but still enjoyed very extensive autonomy and a broad responsibility profile. This has since been largely eroded. In legal terms, the scope of local government responsibilities in Continental European and Scandinavian countries is defined by a general competence principle, according to which the elected local councils are responsible (at least formally) for all matters relating to the local community. This stands in contrast to the British principle of ultra vires by which the local governments only carry out those responsibilities that have been explicitly assigned to them by law under the doctrine of parliamentary sovereignty and which can be revoked at virtually any time (Kuhlmann and Wollmann, 2019, p. 27).

The functional weight of local governments in the political-administrative multilevel system can be measured and compared by using employment figures and financial data as quantitative parameters. Concerning employment, it becomes clear that the proportion of central government employees to total public employment – which allows at least indirect conclusions to be drawn about the functional significance of the local government level – varies considerably from country to country and also over time. Even after accounting for institutional differences among (especially the unitary and federal/regionalised) countries in the analysis, the figures clearly show that the countries within the Anglo-Saxon administrative profile have very limited local government capacity in terms of personnel. In Malta, Cyprus and Ireland, for example, more than 90 percent of public employees work for the central government (OECD, 2017).

In the United Kingdom, there has been a marked decline in the number of employees working at the local government level in recent decades. The proportion of public employees working for local authorities fell from around 55 percent in 1985 to 38 percent by 2014, representing an absolute reduction in personnel of 30 percent

over this period (see Figure 2). Traditionally, subnational tasks in the United Kingdom were carried out by the local governments (counties/districts), which also explains their share of 55 percent of total public employment in the 1980s. Correspondingly, in the United Kingdom, the proportion of employees working for the central government increased from 22 percent in 1985 to 30 percent in 2017 (see Figure 2). This reflects the recentralisation tendencies, radical privatisation and outsourcing programmes, austerity measures and overall erosion of the formerly strong local government task model since the post-war period, and especially since the Thatcher era. After 1945, local authorities lost most of their traditional public utility tasks (water supply, sewage, health services) to new government agencies (e.g. the National Health Service). At the same time, though, their responsibilities in the field of social services were extended into the 1970s and local governments initially continued to operate as monopoly providers of local social services (Percy-Smith and Leach, 2001, p. 55f.). This was also referred to as ‘municipal socialism’ and epitomised the primacy of the public sector in the expansion of the welfare state. But with the beginning of neo-liberal privatisation policy under Thatcher, and later in the wake of ‘austerity localism’, this sector also increasingly saw the functional erosion of multifunctional local governments through compulsory competitive tendering (CCT), outsourcing and transfer of tasks to private providers. As a result, the (formally functionally strong, efficient and capable) British model of local services of general interest and self-governance has been fundamentally overhauled.

In the Continental European Napoleonic countries, the process of decentralisation and transfer of responsibilities for an increasing number of tasks has meant that local governments carry more functional weight as service providers and self-governing bodies than before. The

1. Comparison of the Role of Local Governments in Europe: Autonomy, Self-Government, Local Democracy

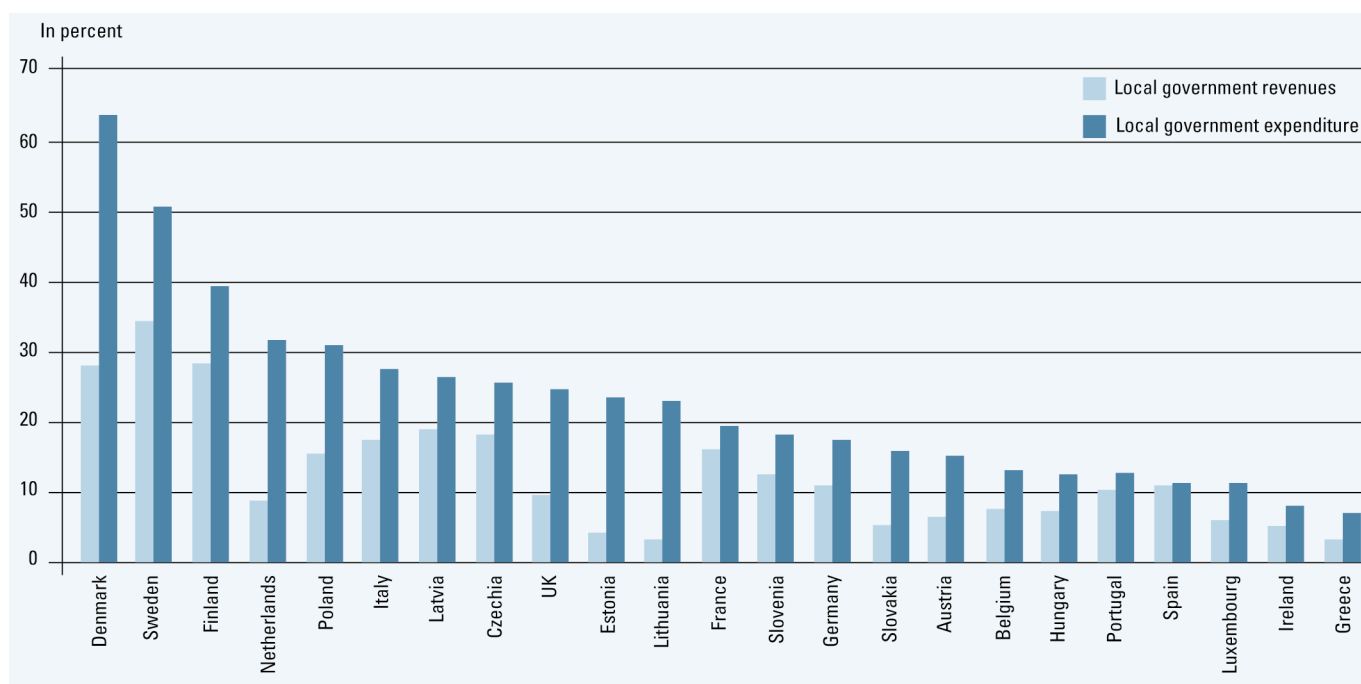


Figure 3: Proportion of local government revenues (left) and expenditures (right) as a percentage of total government revenue/expenditure, 2016

Source: OECD, 2017

effects of these decentralisation reforms on employees in the Napoleonic countries (e.g. France and Italy) differ widely, pointing to variances in the degrees of functional upgrading of local self-government in these countries as a whole. As a result of the waves of decentralisation in France, which began with the landmark reforms of *Acte I* (1982) and *Acte II* (2003), the proportion of staff employed at the central government level has fallen significantly from 55 percent (1985) to 44 percent (2014). By comparison, 61 percent (2015) of public employees in Italy are still employed at central government level (the figure was also 61 percent in 1995). As such, the decentralisation reforms of the 1990s seem to have had only limited effect in terms of personnel and structure.

In general, central government employment as a proportion of total public employment in the Continental European Napoleonic countries remains relatively high (especially compared to the Nordic and the Federal countries). Irrespective of decentralisation, this points to the continuing functional salience of central government authorities in the provision of (local) public services and the fulfilment of tasks, especially since a large number of these authorities are deconcentrated within the territory and thus partly act in institutional duplication of local self-governing bodies (for example, 95 percent of state employees in France work outside Paris in territorialised state authorities – so-called *services déconcentrés de l'Etat*; see Kuhlmann and Wollmann, 2019).

This phenomenon with regard to the French case has also been described as *dualisme* and is in sharp contrast with the Continental European Federal countries, whose central government (federal level) share of total public employment is extremely low. However, this not only has to do with the important role of local self-government as a provider of public services, but also with the functionally strong position of the intermediary level (the federal states), which in Germany has the largest share of total public employees (particularly because of their responsibility for education and the police). The German federal government, for example, accounts for only 12 percent (2016) of all public employees, while the federal states account for 42 percent and the local governments 38 percent.

Even though the local government sector in the Nordic countries also showed an underlying trend towards shrinkage, the reduction in personnel was at a different level and carried out on a much smaller scale. In 2014, Sweden still employed 81 percent of public employees at the local level (compared with 85 percent in 1994). The share of local government expenditure to total government expenditure is also significantly higher in Sweden compared with the other countries in the sample and is still rising over time (see Figure 4⁴). These figures demonstrate the functional salience of Swedish local governments (similar to other Nordic countries), which are among the leaders in Europe and are key actors in

⁴ A detailed overview of the development of the proportion of local to total government revenue and expenditure over time for selected EU Member States is presented in Annex 1.

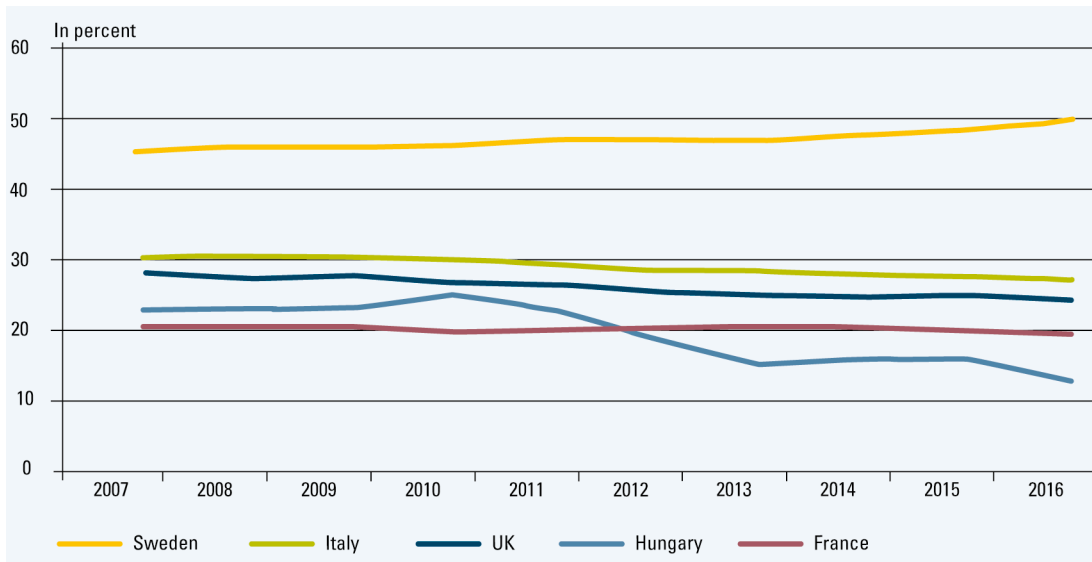


Figure 4:
Proportion of local government expenditures to total government expenditure in percent, over time

Source: OECD, 2017

the provision of public goods, especially social services, within the expansive Scandinavian welfare model.

In the wake of the transformation process and democratisation after the regime change, many Central and Eastern European countries also underwent drastic reforms of decentralisation of their former centralised state and administrative systems. This was accompanied by the (re)introduction and functional/political/democratic upgrading of local self-government, often geared to a return to pre-communist administrative traditions. This can be seen, for example, by the fact that in Hungary at the beginning of the 1990s, around 65 percent of civil servants were employed in local governments. More recently, however – partly as a result of changes in political course and power at the central government level – distinct recentralising tendencies have been observed in some countries. In Hungary, for example, the proportion of local government employees has now fallen to 36 percent (2014), which corresponds to a 45 percent reduction in the absolute number of local government employees in just nine years. This reflects the dramatic decline in the importance of local governments, which has been accompanied by a severe curtailment of their autonomy. At the same time, there have been similar dramatic changes in Hungary's local government expenditure, which has fallen from 25 percent of total public expenditure (in 2010) to just under 13 percent (in 2016), making Hungary (together with Portugal, Spain, Luxembourg, Ireland and Greece)

one of the worst performers in Europe for this indicator (see Figure 3 and Annex 2). In other post-socialist countries, the share of local government expenditure within total government expenditure has also declined, albeit to a much lesser extent (e.g. in Estonia, Latvia, Slovakia, Slovenia, Lithuania and the Czech Republic; see Annex 1), with a general North-South divide in the shares of local government expenditure in the Eastern European group of countries (see Figure 3). Only Poland deviates from the downward trend in functional local government indicators in Eastern Europe; there, the proportion of local government personnel and expenditure has risen slightly. Thus, in terms of local government expenditure, Poland ranks as a frontrunner in Europe, along with the Nordic countries and the Netherlands (see Figure 3).

The next stage of the analysis is to compare the significance of selected fields of activity in the local task portfolio to gain insight into how the self-governance of public goods in the different countries and administrative traditions is functionally structured. It's important to take into account, though, that local task profiles and 'production models' also reflect the country's understanding of the (local) common good and services of general interest. The following three sectors are examined in more detail not only because of their importance for local self-governance, but also because of their high institutional variance across countries:

- a) services of general interest in a narrow sense (public utilities/services of general economic interest);
- b) social and health services;
- c) schools; and
- d) spatial planning.

a) The provision of public goods includes, in the broadest sense, local services of general interest (water supply, sewage and waste disposal, gas and electricity supply, and local public transport). This sector traditionally falls under the remit of local government – justified by the public welfare interest of the local community in the provision of these goods (see European Commission, 2017b). Local governments are politically and legally entitled (particularly in the form of mandatory connection and use, for example to the local water and sewage system, as laid down in local statutes) to create a local monopoly or a protected market, especially when there is only one single system for local infrastructure and competition is difficult to achieve. At the same time, the principle of locality limits the creation of monopolies to the sphere of influence of the respective local government (Wollmann, 2000).

Variances between the European local models are evident in the extent to which the local level acts as provider and executory body of such public services. A distinction can be made between systems where the responsibility for public services lies directly with the local administration and those where it is merely delegated. Thus, the local ‘production systems’ for the provision of public utilities can be classified according to whether they are closer to the ‘local governance’ type or the (classic) ‘local government’ type (Wollmann, 2008, p. 253f.; Kuhlmann, 2009). Local production systems that are predominantly based on self-government with functionally strong (service-oriented) local governments as the main decision-making centres and an institutionally integrated system are more likely to be classified as ‘local government’. By contrast, local production models that are strongly characterised by outsourcing, delegation and multiple supply chain segments, have multiple actor structures, contractual relationships and negotiating arrangements, and generally have functionally weak (guaranteeing) local governments, are more likely to be classified as ‘local governance’.

If we single out Germany and France as examples here, one commonality between the two countries is that the doctrine of the ‘common good’ and ‘public in-

terest’ (*intérêt général/public*) has historically played an indispensable role in the provision of the majority of their services – and is codified in administrative law. This applies par excellence to local services of general interest which, in both countries, are regarded as a public service task in the public interest and are, accordingly, safeguarded in administrative law. However, while there is some common ground, there are considerable differences with regard to the specific design of their respective local production models. In Germany, the ability of local governments to perform their public service functions is visible, for example, in the supply network of energy, water, waste and transport in the form of multi-utility companies (*Stadtwerke*). Traditionally, these companies have been wholly-owned by the local governments, although – prompted by local privatisation and EU liberalisation measures, this (local government) management model has come under pressure to change. By contrast, in large parts of France, the *contract model partenariat public-privé* – also known as functional privatisation – is a long-standing practice of local governments that were/are generally too small or lacked the capacity to carry out these public services on their own. Irrespective of decentralisation, for many French local governments (especially rural, small ones with limited capacities), this form of outsourcing known as ‘delegated management’ (*gestion déléguée*) has proved to be the more economic form of production compared with ‘direct management’ (*gestion directe*). Thus, in terms of typology, one can speak of ‘local governance’.

Under the communist regime in Hungary – as in other socialist countries – services of general interest were provided entirely by state institutions at various levels: electricity was organised centrally; water and sewage services were generally pooled at the regional level; and local councils, as local executive bodies of the state, were responsible for waste disposal, street cleaning and heat supply (Horváth, 2016, p. 186). Subsequent to the regime change, the 1990 Local Government Act – one of the first laws to be passed by a freely elected parliament – assigned new extensive responsibilities to the local governments. In addition to drinking water supply and road maintenance, the local governments also became responsible for waste management, public transport, sewage disposal and heating supply, thereby transferring the former central state ownership of these infrastructure facilities to the local governments (Horváth, 2016, p. 187). Privatisations took place at the regional rather than the local government level (*ibid.*), but the process has not

been uniform, resulting in a fragmented system. The recent recentralisation trend is particularly evident in the water and energy supply sectors. For example, the 400 or so local government service providers and five regionally active state-owned companies that existed in 1991–1992 have now been replaced by five national and 28 regional companies. By contrast, in the case of waste disposal services, only partially dependent regulatory authorities have been created to control (private) provision (Horváth, 2016, p. 188). Since 2010, there has been a general trend in Hungary towards a return of public provision of services of general interest, with privatised companies being brought back into state or local government ownership and shares being bought back (Horváth, 2016, p. 190). As part of this development, multi-utility companies – similar to those in Germany – have also been created in Hungary, in which several local infrastructure services are combined and offered under one roof (Horváth, 2016, p. 191).

Under the general competence principle that also applies in Poland, local governments are also responsible, as in Germany, Sweden and France, for providing services of general interest (e.g. public transport, electricity and gas supply, heating, water supply, sewage and waste disposal). In the areas of water supply, sewage disposal and local public transport, local governments have mainly relied on their own production and very little privatisation has taken place – with the local infrastructure remaining in local government ownership even when privatisation took place (Mikula and Walaszek, 2016, p. 175). At the same time, there has been a trend towards privatisation since the 1990s, especially in the area of waste disposal, as a result of which the local governments have only retreated to a ‘guaranteeing’ function (Mikula and Walaszek, 2016, p. 169). But more recently, we have begun to see reversals of this trend in certain areas, especially in response to the negative effects of privatisation. Waste disposal companies were remunicipalised by central government decision in 2013 (ibid.), thus reaffirming the role of local governments in providing local public services.

Unlike Poland, local governments in the United Kingdom have largely lost their role as providers of public utilities. Water supply and waste disposal were privatised as early as the 1980s, and energy supply and local public transport have also been largely removed from the direct influence of local governments as service providers (McEldowney, 2016, p. 46). In Sweden, there is also a rule that (state) monopolies operating in the area of services of general interest should be avoided (Montin,

2016, p. 89). However, the result has not been the privatisation of local services of general interest, but rather that local government companies dominate areas such as water supply and sewage disposal, energy supply and local public transport (this applies to 60 percent of local governments; see Montin, 2016, p. 90) and, in some cases, compete with private providers (ibid.). Government-owned companies are permitted to make a modest profit to ensure sustainability (‘absorption principle’: *självkostnadsprincipen*) and are normally bound by the ‘localisation principle’ (*lokaliseringsprincipen*), which means that they can only operate within their respective territory (Montin, 2016, p. 90).

b) With regard to welfare provision and social services, in the Nordic countries and the United Kingdom these have traditionally been provided by local authorities and, in some cases, still are (Henriksen et al., 2016, p. 222ff.). For example, when health and social services are aggregated, Sweden (57 percent) and the United Kingdom (34 percent) are the leaders in terms of expenditure at the subnational level (see Figure 6). The fact that Italy achieves high expenditure levels (52 percent) is due to the fact that healthcare is provided by the *Servizio Sanitario Nazionale* at regional level (more on this below). France and Hungary each achieve 19 percent in this category. In this context, the (famously strong) Swedish welfare state is often referred to as the ‘local state’ (*den lokala staten*; cf. Pierre, 1994), since welfare provision is primarily performed by local authorities. However, this provision is embedded in an array of central government regulations, which critics see as a form of recentralisation.

By contrast, the provision of social services in the Continental European Napoleonic countries has traditionally been the preserve of deconcentrated state authorities due to the limited capacity and viability of local governments. However, local authorities have meanwhile started to take over a number of welfare functions, depending on their newly acquired capacity. These are often carried out via a form of *co-gestion* (‘mixed’ administration) with the state administration and include services such as local labour market integration services (cf. Reiter and Kuhlmann, 2016), social welfare and child and youth services. To some extent (particularly in Italy, but also in Germany), these services are undertaken by church organisations. In Germany, this is also bound up with the principle of subsidiarity, which has traditionally meant that most social services are provided by associations and church-affiliated entities. The local public

sector only provides these services if such welfare organisations do not exist, which is still the case in many parts of Eastern Germany.

From a comparative perspective, there is also considerable institutional variance in healthcare provision across the different administrative profiles and the local governments play very different roles in the respective local systems (cf. Klenk and Reiter, 2015). For example, the UK’s public health system (the National Health Service) is essentially a centralised sector, which employs around 30 percent of the public sector workforce and in which local governments play no role. In welfare state provision, the British local governments have statutory duties for the care of the elderly and support for people with disabilities that were conferred on them by the Health and Social Care Act 2012 (McEldowney, 2016, p. 49f.). In the Italian healthcare system, which is primarily the responsibility of the *Servizio Sanitario Nazionale* with 20 percent of total public employment, the regions, rather than the local governments, are the main actors, while central government executes a stewardship role. In France, where 23 percent of all public employees work in healthcare, as part of the decentralisation process local governments were given new functions, especially in the areas of supplementary social and health care (municipalities and municipal associations) and health protection for families and children (*départements*; Hoffmann-Martinet, 2006, p. 337). By contrast, the organisation of the Swedish health system has traditionally been the responsibility of the counties (*landsting kommuner*) in the form of ‘genuine’ local self-government. However, since the 1990s, Sweden has also outsourced more and more of its welfare services. Although non-profit organisations should be preferred over private companies, the latter are now more strongly represented as service providers. For example, in 2010, around 13 percent of social services for the elderly and disabled were provided by for-profit private providers, while competition from the non-profit sector covered only 1.5 percent (Montin, 2016,

p. 93). In recent years, however, there has been a trend towards remunicipalisation, especially in this area, and the services offered by local governments are on the rise again, while licences for private providers are in some cases no longer granted (Montin, 2016, p. 97).

Local authorities in Hungary are responsible for their respective medical institutions. Moreover, up until 2013, county-free cities could appoint the managers of their hospitals. However, since 2013, central government has taken on the responsibility for this task. The right to appoint hospital managers is still vested in local governments in Poland, which are also responsible for issues relating to hospital organisation and maintenance. A strong privatisation tendency has been evident in the Polish health sector since the beginning of the 2000s, which does not stop at hospitals (Mikuła and Walaszek, 2016, p. 180). However, it is worth mentioning that non-profit organisations play a prominent role in welfare service provision in Poland, in particular the Catholic church, which often takes over tasks from the local governments (Mikuła and Walaszek, 2016, p. 181). In Hungary, where until 1986 welfare services had been decentralised (Horváth, 2016, p. 186), the Local Government Act 1990 revived this tradition by transferring healthcare and care for the elderly to the local governments and the running of hospitals to the larger cities (Horváth, 2016, p. 187). Additionally, the role of non-governmental organisations in service provision was significantly strengthened and churches and private charities also took over social welfare. This development led to a sharp rise in the number of charitable organisations in Hungary – by 1994, there were more than 430 organisations per million inhabitants. In the wake of the financial crisis in Hungary in the mid-2000s, some public hospitals had to close down. A trend towards central government taking over these tasks began in the 2010s, mainly due to the underfunding of social services at the local level, which reflects an overall recentralisation of social services in Hungary (see the example of nursing homes in Figure 5).

Figure 5:
Provision of places in
nursing homes in Hungary,
2006-2012

Source: Horváth, 2016, p.
196 (with further evidence)

Operated by year	Total [figure (%)]	Local government	Church	Non-profit	For-profit + others	Central government
2006	87,479 (100%)	59,091 (68%)	9,078 (10%)	17,996	97 + 50	1,167 (1%)
2008	89,771 (100%)	58,802 (66%)	12,167 (14%)	17,573	107	1,122 (1%)
2011	93,079 (100%)	56,566 (61%)	16,916 (18%)	18,223	307	1,067 (1%)
2012	93,436 (100%)	30,720 (33%)	17,358 (19%)	18,278	217	26,863 (29%)

C) In school education – a very personnel-intensive sector – two categories can be distinguished. Whereas teachers in the Continental European Napoleonic countries and Continental European Federal administrative profile are employed at central government level (France, Italy) or state level (Germany), teaching staff in the countries of the Nordic Profile (Sweden) and the United Kingdom are employed by the local government. In parts of Eastern Europe, school administration has been recentralised, as in Hungary, where the central government is responsible for schools (OECD, 2015a, p. 4). In Poland, school administration is the shared responsibility of central and local government. While primary and lower secondary schools are run by local authorities, schools above the

lower secondary level are the responsibility of the districts (*powiat*). Pedagogical supervision is ultimately assumed by the regions, which implement national education policy (OECD, 2015b, p. 4). Thus, the role of local governments in the school sector varies considerably between countries. The Nordic and Anglo-Saxon (partly Eastern European) local organisation and responsibility model contrasts, in particular, with the statist model of the Continental European group of countries. This is also reflected in local government expenditure on education, which is just under 7 percent of total local government expenditure in Italy and around 14 percent in France, while in Hungary it is nearly 17 percent, in Sweden 20 percent and in the United Kingdom 29 percent (see Figure 6).

	Germany			France		Italy		Poland	
	Federal state	Länder	Municipalities	Central state	Sub-national	Central state	Sub-national	Central state	Sub-national
General public administration	26,83	26,1	17,21	25,44	18,67	27	15,79	15,68	9,8
Defence	8,72	0	0	7,71	0	4,51	0,01	6,8	0,01
Public order and safety	1,4	8,54	3,26	5,66	3,04	5,62	1,64	8,09	1,78
Economic affairs	9,33	10,36	13,5	17,94	19,17	13,07	11,44	12,21	13,06
Environmental protection	1,72	1,05	4	0,59	7,48	0,43	6,06	0,46	2,2
Housing and community facilities	0,56	1,1	3,22	1	7,54	0,52	3,58	0,46	3,63
Health	1,62	2,31	1,89	1,52	0,73	12,65	48,21	4,63	1,51
Leisure, sports, culture, religion	0,79	3,87	5,74	1,58	9,26	1,91	2,24	1,41	6,63
Education	2,89	23,9	15,62	16,59	14,67	11,93	6	14,45	26,35
Social security	46,14	22,77	35,56	21,96	19,45	22,36	5,05	35,81	21,44

Figure 6: Public expenditure by task areas and levels of government as percentage of levels total expenditure (2013)

Source: Kuhlmann and Wollmann, 2019, p. 134 (with further evidence)

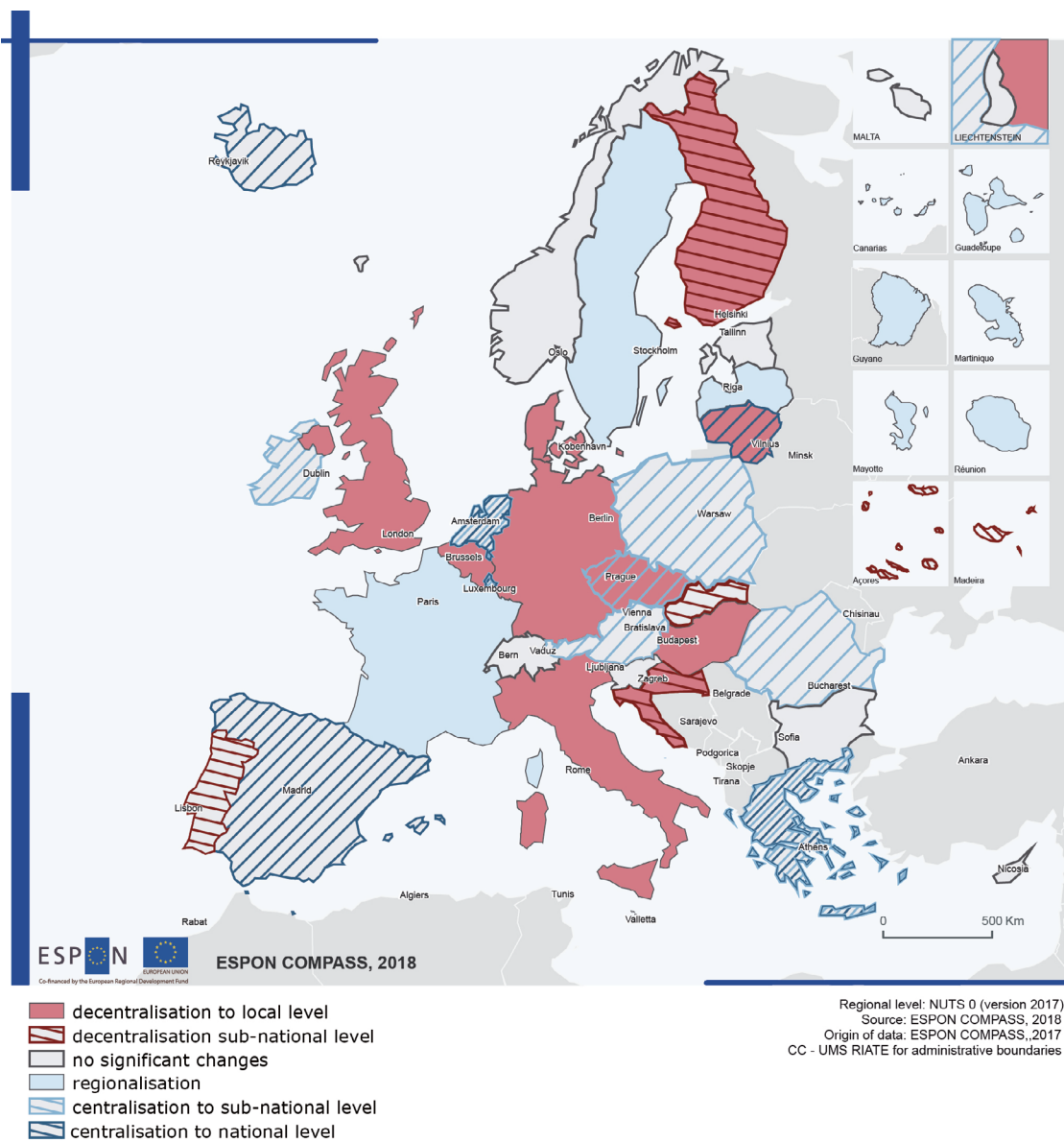
	Sweden		Hungary		UK		OECD – 29	
	Central state	Sub-national	Central state	Sub-national	Central state	Sub-national	Central state	Sub-national
General public administration	30,75	10,91	20,03	25,81	13,07	7,55	27,84	14,51
Defence	4,11	0,03	2,88	0,01	5,19	0,03	5,77	0,05
Public order and safety	3,83	0,82	6,83	0,66	4,18	8,58	4,57	2,82
Economic affairs	9,5	6,38	19,04	18,83	6,7	8,97	11,39	13,01
Environmental protection	0,54	0,63	0,82	3,96	0,92	4,02	0,87	5,78
Housing and community facilities	0,54	2,72	1,93	7,29	3,63	6,3	0,69	4,81
Health	4,1	26,64	12,12	4,11	19,82	2,02	9,87	10,37
Leisure, sports, culture, religion	1,16	3,36	8,84	11,56	1,18	2,16	1,9	7,04
Education	6,21	21,52	13,96	16,25	10,57	24,98	10,61	22,17
Social security	39,26	26,99	12,56	11,52	34,73	35,4	26,49	19,43

1. Comparison of the Role of Local Governments in Europe: Autonomy, Self-Government, Local Democracy

Figure 7:
Transfer of responsibilities
in the field of spatial plan-
ning in the European Union

Source:
ESPON (2018) COMPASS
– Comparative Analysis of
Territorial Governance and
Spatial Planning Systems in
Europe. Final report. Avail-
able at: <https://www.espon.eu/planning-systems>.

The interpretation of ESPON
material does not neces-
sarily reflect the opinion of
the ESPON 2020 Monitoring
Committee.



Before 1989, pre-school and primary school administration in Hungary was in the hands of the local councils and continued to be even after the regime change. It was not until the 2010s that responsibilities in the education system were significantly centralised and the local governments practically disempowered (Horváth, 2016, p. 193). Conversely, the Polish education system (schools) is one of the most decentralised in Europe, as schools are mainly run by local governments – although more and more schools are being outsourced to non-profit organisations, such as parents’ associations, private foundations or church-affiliated organisations (Mikula and Walaszek, 2016, p. 177f.).

d) With regard to responsibilities in the field of spatial planning, extensive regionalisation and decentralisation tendencies can be observed across Europe (see Figure 7). There are some striking developments, however, some of which are countertrends to the aforementioned tendencies. For example, in Hungary and the United Kingdom, responsibilities have been transferred to the local level, while in the rest of Eastern Europe there is a tendency towards centralisation. A shift of spatial planning tasks and responsibilities to the local level is otherwise only found in Germany, Italy and Belgium (see Figure 7). It should be noted, however, that in a European context, ‘spatial planning’ is a term that has no general agreed-upon defi-

dition. Furthermore, the extremely complex division of responsibilities between the different administrative levels presents a further difficulty. In some countries, there are two administrative levels (e.g. Denmark, Latvia, Lithuania, Malta, Scotland and Wales) but in the majority, there are three (e.g. France, Sweden, England, Poland, Hungary) or four (Germany, Italy and Ireland). Only in Portugal are there five levels.

In France, the *Acte I* reforms of 1982 gave local governments responsibility for urban planning. Of particular importance are the supra-municipal development and land-use plans. However, the intermunicipal character of these plans and the voluntary nature of the intermunicipal cooperation led to major implementation problems. It was not until the *Loi Chevènement* of 1999, under which *communautés d'agglomération* (urban intermunicipal agglomerations) and *communautés urbaines* (municipal associations) became responsible for the approval of supra-municipal plans, that the low shares could be improved (until 2007, supra-municipal development and land-use plans existed for areas with a total of only 8.5 million inhabitants). Although local governments are not restricted in this context by the planning regulations of other administrative levels (e.g. regional plans), they must be compatible with a large number of state regulations. As in Sweden, responsibility for local construction planning lies with the local council, although, unlike in the Swedish case, French local governments are not compelled to draw up a local construction plan. Due to the fragmentation of the French local government structure, separate planning units can only be maintained in medium and larger-sized towns and cities. In all other cases, units of state administration at *département* level can influence local spatial planning, depending on the expertise of personnel at that level (Wollmann, 2008, p. 187ff.). In Italy, since 2014, the provinces' responsibilities in spatial planning and development have been considerably reduced in favour of the ten metropolitan areas. Accordingly, the local government level in Italy has both strategic and operational responsibilities and instruments of spatial planning (Nadin et al., 2018, Annex: Comparative Tables, pp. 23, 31).

In Sweden, local governments have spatial planning sovereignty, which is subject to only a few minor governmental requirements. Moreover, the bodies responsible at the local level (i.e. the local government, the building and planning committee of the local council and the building authorities) are almost entirely independent of other (central) government levels. For example, land-use plans are

mandatory and must be reviewed at least once per legislative period. However, the local council can disregard objections by the provincial state authorities. This is due to the fact that approval requirements are unknown in the Swedish system. The central level can only intervene in municipal spatial planning if the public interest is not taken into account or if neighbouring municipalities are not sufficiently involved. However, state authorities can intervene to a considerable extent in subsequent development planning (Wollmann, 2008, p. 181ff.).

As already indicated above, the responsibilities for strategic planning in the United Kingdom were shifted to the local level from the former regional development agencies, which were subsequently abolished. At the local level, development and coordination functions have been taken over by so-called 'local enterprise partnerships'. These are loose partnerships between several local governments and businesses. They draw up both the local plans for their respective catchment areas and so-called 'neighbourhood plans'. These partnerships were introduced in 2011 and serve to regulate decentralised spatial planning that takes place below the territorially strongly consolidated local level (Nadin et al., 2018, Annex: Comparative Tables, pp. 26, 32). A similar trend can be observed in Hungary, where spatial planning responsibilities were transferred from the regions to county level or the city of Budapest in 2012. Since then, Hungarian local governments have held a wide range of functional responsibilities in spatial planning, which include integrated urban development strategies and local building regulations (Nadin et al., 2018, Annex: Comparative Tables, pp. 22, 31). In Poland, like in the United Kingdom, the option to set up intermunicipal city associations on a voluntary basis in spatial planning has existed since 2015. The Polish local governments and intermunicipal associations are responsible for developing local-level strategies, local spatial development plans and various intermunicipal planning instruments (Nadin et al., 2018, Annex: Comparative Tables, pp. 24, 32).

1.5 The Position of Local Governments in the Multi-level System and the Relationship between State and Local Government

In the relationship between the state and local governments, a differentiation in European local government systems can be made as to whether state authorities and local self-governments carry out their tasks separately and quite independent of each another, or whether the levels interact strongly and state and local responsibili-

ties are intermingled (Bennett, 1989). The former administrative type is known as a 'separational system' and is traditionally characteristic of the British and Swedish administrative tradition (see Bulpitt, 1983). In the United Kingdom, the separation of state and local government levels is also referred to as 'dual polity' (ibid.). A characteristic feature of the dual polity tradition is that the central government does not install any territorial units similar to the French prefectures or German administrative district authorities. Instead, ministries only establish some special sectoral authorities, each of which has a different geographical and administrative structure. By contrast, the Continental European countries are characterised by 'fused systems'. Here, state and local self-government responsibilities are not carried out separately but are integrated administratively. They are based on a dual conception of tasks (see above), according to which (delegated) state tasks are distinguished from (own or delegated) local self-government tasks (the so-called Janus-faced character of local government).

The vertical relationships between the local government and state levels have also been characterised in comparative public administration on the basis of the two ideal-typical basic models, the 'multi-purpose model' and the 'single-purpose model' (see Wagener, 1976; Wagener and Blümel, 1997; Wollmann, 2004). The multi-purpose model is determined by a horizontal, territory-related administrative organisation in which the local government, as a territorial unit, 'bundles' and undertakes all tasks arising at this level as its own political responsibility. The single-purpose model, on the other hand, aims at a vertical, function-related administrative organisation, in which a divisionally-oriented authority apparatus exists for well-defined specialist tasks from the central (state) level to the local level, and in which political responsibility lies outside the respective authority. Based on these basic models of administrative organisation, local systems can either be classified as a monofunctional or rather a multifunctional local government type. Traditionally (i.e. neglecting recent reforms), the local government systems of the Continental European Napoleonic and the (South) Eastern European country groups are closer to the single-purpose model. By contrast, the Continental European federal countries and the Nordic country group are more in line with the multi-purpose model.

Furthermore, a strong local government position in relation to the state results from the access of local actors to higher levels of the political-administrative multilevel system. This access (Page and Goldsmith, 1987) can re-

sult from the accumulation of mandates across several levels (*cumul des mandats*), patronage-based relationships as well as from the logic of political careers characteristic of Continental European Napoleonic local systems (France, Italy, Greece and Spain), and of Hungary, for example. However, such access may also lead to an excessive interweaving and blending of levels, or even to a 'colonisation' of the state by local actors (especially typical for France). In France, however, the interweaving of local and central government has been limited since 2017, when the practice of *cumul* was restricted under President Hollande.

The capacity of local governments to act in their (vertical) relationship to the state level can be measured by means of two dimensions, which partly overlap with the LAI (see above) (for details see Heinelt et al., 2018, p. 42ff.):

- ▶ Local government expenditures (share of local government expenditures to total public expenditure); and
- ▶ Local autonomy (see LAI).

Based on these criteria, the position of state–local relations can be classified as 'weak', 'medium' or 'strong'. A local system with low levels for both local expenditure and local autonomy is characterised by a rather weak local government position in relation to the state level and a high dependence on the state, with little room for manoeuvre. By contrast, a high degree of both aspects indicates that local governments hold a strong position within the intergovernmental setting. In between, there are various hybrid forms and combinations that are related to specific characteristics of the respective country profiles.

The position of local governments in the vertical relationship to the state level is assessed as 'medium' in France – as in Belgium, the Netherlands and Austria. The task profile and capacity of French municipalities to act remained very limited until the 1980s and were subject to strict a priori state supervision (*tutelle*), exercised by the prefects. They largely refrained from setting up their own administrations and left administrative implementation to the prefect and state authorities at the local level. However, during the decentralisation reforms of the 1980s, there were clear signs of a significant upgrading of state–local relations, both from a functional perspective (transfer of state tasks) and with regard to matters relating to local autonomy (e.g. the abolition of the *tutelle*). However, the central government remains present at the local level in terms of institutions and personnel. Moreover, especially in more recent years (e.g. the abolition of the *taxe d'hab-*

itation), there have been some vertical losses of power by French local governments. In Italy, the state–local relations can be assessed as somewhat stronger than in France. While local autonomy is relatively strong, similar to France (see 1.3), local government expenditure in Italy is slightly higher (about 27 percent of total expenditure compared to about 19 percent in France, see Figure 3). The position of Swedish local governments in relation to the state from a cross-country comparative perspective is particularly strong, which is evident both in terms of local autonomy (see 1.3) and expenditure. Swedish local governments are also considered to be particularly strong in the area of intergovernmental relations, which tends to be the case in other countries in the Nordic administrative profile (e.g. Denmark and Finland).

The vertical balance of power between the British local governments and the state (central government) can be classified as extremely weak in the area of local autonomy, not least because of the doctrine of *ultra vires* (see 1.3). Whereas in terms of expenditure, the British position is medium and is comparable with Italy. Overall, the position of British local governments in the multilevel system can be described as relatively weak, which also has to do with the strict separation of levels ('dual polity' tradition; see above). Although this has now been slightly softened, it limits local governments' access to centralised decision-making. Against this background and given the special features of the Westminster model, which is based on conflict and 'majority will', rather than consensus and negotiation, the relationship between the state and local governments in the United Kingdom (England) is highly conflict-oriented and confrontational and shows highly interventionist features of the central government vis-à-vis local governments. By way of contrast, countries in which there is more of a state–local interweaving of levels (e.g. through the accumulation of mandates, administrative interdependence or other mechanisms of 'access'), as is the case with France and Germany, or in which a consensus-oriented political style generally dominates (e.g. Sweden), have more cooperative and negotiation-oriented interaction and relationships within the multilevel system.

In Hungary, too, local governments occupy a weak position in relation to the state administration in the area of local autonomy. The share of local government expenditure (13 percent, see Figure 3) is also very low, indicating the overall weak position of the local governments vis-à-vis the central government. The opposite holds true for Poland, where local governments have a high degree of

local autonomy (see 1.3) and a relatively high share of local expenditure to total public expenditure (almost 31 percent, see Figure 3). Thus, in terms of state–local relations, Poland now has one of the rather stronger local government systems in Europe.

1.6 Territorial Profile

Closely connected to the functional profile and the capacity of local governments to provide local services of general interest and public welfare is the criterion of territorial structure of the municipal level. The latter can be seen as constituting an important institutional condition for the viability and operational capacity of local government. In line with Norton (1994), Baldersheim et al. (1996), Wollmann (2008) and Wayenberg and Kuhlmann, (2018), two basic models can be identified, the Southern European local government type and the Northern European local government type. The Southern European local government type is characterised by small-scale local government structure, a multitude of municipalities with a small number of inhabitants, and the absence of legally 'forced' territorial reforms. By contrast, the countries of the Northern European local government type have a small number of large-scale unitary municipalities which are characterised by high population figures resulting from extensive (legally enforced) territorial reforms. Examples of the Southern European type can be found in France and several other countries in the Continental European Napoleonic country cluster countries (Italy, Spain). Moreover, some countries within the Continental European federal administrative profile can also be largely assigned to the Southern European territorial model (Austria, Switzerland). Other examples for this type can be found in Eastern Europe (Hungary, Slovakia, Czech Republic) and even in Northern Europe (Iceland). Thus, the notion and concept of the 'Southern European' local government type refer to a specific type and pattern of institutional development rather than a geographical region.

In terms of the Northern European local government type, the United Kingdom still takes the lead in Europe. However, as a result of devolution (Jeffery, 2009; Copus, 2018; Fenwick and Elcock, 2018) there are strong asymmetries between the kingdom's regions. Notably, Northern Ireland, Scotland and Wales each have a single-tier system (unitary authorities), while England has partly a two-tier system, in particular in rural areas and Greater London, and partly a single-tier system, especially in urban centres and medium-sized cities. In the

1. Comparison of the Role of Local Governments in Europe: Autonomy, Self-Government, Local Democracy

Figure 8:
Territorial structures of municipalities in Europe⁵

Source:
Following Bouckaert and Kuhlmann, 2016, p. 11f. (with further references)

Country	Average number of inhabitants in municipalities
Continental European Federal type	
Austria	3,510
Germany	6,690
Switzerland	2,950
Continental European Napoleonic type	
Belgium	17,910
France	1,720
Greece	33,600
Italy	7,270
Portugal	34,380
Spain	5,430
Turkey	52,200
Nordic type	
Denmark	55,480
Finland	12,660
Iceland	4,150
Netherlands	36,890
Norway	11,020
Sweden	31,310
Anglo-Saxon type	
Ireland	37,310
UK	139,480
Eastern European type	
Czech Republic	1,640
Estonia	5,930
Hungary	3,170
Latvia	16,760
Lithuania	56,570
Poland	15,390
Slovakia	1,870
Southern European subgroup	
Southern European subgroup	29,090
Kroatien	8,014
Rumänien	6,800
Slowenien	9,560

two-tier system the 27 counties, each with an average of 817,000 inhabitants, constitute the upper level of local self-government. The lower local self-government level is made up of the 201 districts with an average population of 110,000 (Kuhlmann and Wollmann, 2019, p. 109). The countries of the Northern administrative profile (including Sweden and Denmark) also largely belong to the Northern European territorial type. As a result of several radical territorial reforms, Sweden now has only 290 municipalities out of an original 2,200 with an average of 31,300 inhabitants, making it one of the largest in Europe (Kuhlmann and Wollmann, 2019, p. 102f.). Additionally, another group of countries (e.g. Albania, Greece, Lithuania, Portugal) have also embarked upon the 'Northern European' reform profile.

A good example of the Southern European local government type is France with its roughly 36,000 municipalities (Kerrouche, 2010, p. 162ff.). Ninety percent of French municipalities still have fewer than 2,000 inhabitants and only one percent has more than 20,000 inhabitants. Even though some 8,100 municipalities in Italy are larger than the French municipalities with an average population of 7,400, the Italian municipal level is also characterised by the small-scale fragmentation of its local territorial structure. Hungary is also an example of this territorial pattern. The 3,175 local governments with an average of 3,170 inhabitants are only slightly larger than the French local governments. The local government level in Hungary is further divided into 2,863 villages, 265 towns and 23 cities with county status (comparable to Germany's county-free cities) (Hoorens, 2008, p. 365). The capital Budapest has a county-free special status and is divided into 23 city districts, which also have the status of fully-fledged local government territorial units (ibid.). The upper local government level – like other countries – is made up of 19 counties. As mentioned above, many countries of the Eastern European administrative profile still have comparatively small-scale municipal structures according to the Southern European profile. However, due to the subordinate role of the local level in the centralised administrative model – partly as a result of post-socialist territorial reforms and decentralisation policies – they are now more akin to the Northern European territorial type. This also includes Poland, with an average of 15,000 inhabitants in the municipalities and – to a greater degree – Lithuania (57,000), Bulgaria (29,000) and Latvia (17,000; see Figure 8).

⁵ In comparison over time, it should be noted that: (1) in Greece, the average number of inhabitants increased significantly after the 2010 Kallikratis reform (from 10,750 in 2010 to 33,600 in 2015); and (2) in Latvia, the average number of inhabitants substantially increased after the country's 2010 reforms (from 4,340 in 2010 to 16,760 in 2015).

Country	Level	Term for territorial unit	Number	Average number of inhabitants	
Germany	Federal	Länder	16	5.1m	
	Local	Counties and county-free cities	294	188,767	
		Member municipalities of a county	11,024	5,063	
	Intermunicipal	Administrative associations, intermunicipal special-purpose associations, etc.	1,254	n.s.	
France	Local	Régions	18	5.1m	
		Départements	101	663,267	
		Communes	35,885	1,855	
	Intermunicipal	Syndicats	8,443	n.s.	
		EPCI (including 14 métropoles)	1,267	n.s.	
Italy	Quasi-federal	Regioni	20	3,029m	
	Local	Province + Città metropolitana	92 + 14	551,000	
		Comuni	7,978	7,545	
	Intermunicipal	Comunità montane	207	n.s.	
		Unioni di comune	494	n.s.	
Consorti/Convegni	n.s.	n.s.			
Poland	Local	Województwo	16	n.s.	
		Powiat	380	n.s.	
		Gminy	2,477	n.s.	
Sweden	Local	Landsting kommuner	21	461,700	
		Kommuner	290	33,890	
Hungary	Local	Magyek	19	519,300	
		Municipalities, including:	3,155	3,130	
		Községek	2,809	n.s.	
		Varos	322	n.s.	
		Megyei jogú város	23	n.s.	
United Kingdom	Quasi-federal	Regions (Schottland, Wales, Nordirland)	3	5.4m (Schottland) 3.1m (Wales) 1.8m (Nordirland)	
		Local (only England)	Metropolitan districts (single-tier-system)	36	307,500
			Unitary authorities (single-tier-system)	55	228,400
	Non-metropolitan counties (two-tier-system)		77	444,900	
	Non-metropolitan districts (two-tier-system)		201	109,700	
	London boroughs (two-tier-system)	32	274,600		

Figure 9:
Subnational administrative levels in selected countries

Note: n.s. = not specified

Source: Following Kuhlmann and Wollmann, 2019, p. 132

The effects of the different local government territorial structures and territorial reforms (territorial amalgamations) have been the subject of controversial debate in the relevant literature (for more detailed overviews see e.g. Ebinger et al., 2019; Kuhlmann et al., 2018a, 2018b). Under the label of the so-called 'Lovely Lilliput' scenario, the first line of argumentation suggests that an increase in local government size negatively affects the quality of local democracy, participation and acceptance as well as the effectiveness of local policies. The second line of argumentation suggests that large local governments are more efficient, have more professional administrators and are more likely to achieve cost savings due to economies of scale. So far, however, empirical evidence is rather mixed concerning the impact of territorial sizes and reforms (Denters et al., 2006, p. 15ff., 299ff.; Hlepas et al., 2018; Kuhlmann et al., 2018a, 2018b; Ebinger et al.,

2019). It cannot be disputed that to perform an overall local government steering function within the framework of the multifunctional competence profile, local governments must be able to achieve adequate territorial viability (Kuhlmann et al., 2018a). The creation of more robust organisational structures, the improvement of administrative processes, the increase in the administrative and organisational power of local governments and the professionalisation of administrative work are among the central advantages of territorially viable municipal units. However, in some countries (e.g. France), legislation providing for the amalgamation of municipalities met with sustained resistance, which in some cases led to reform efforts completely failing. There are a number of variants of intergovernmental cooperation that offer a pragmatic alternative for improving local government efficiency by pooling the individual local government

operational capacities and dispensing with amalgamation altogether. To date, however, there are no comparative empirical findings on the extent to which and under what conditions intergovernmental forms of cooperation prove to be as effective as unitary local governments. If we compare the transaction and coordination costs of intergovernmental forms of cooperation, as well as the deficiencies in terms of democratic control, political accountability, transparency and overall municipal steering capability, this pragmatic variant of territorial consolidation is likely to be less efficient than the merger variant. Nevertheless, territorial reforms do not conflict with opportunities for intergovernmental cooperation, which can also help to improve local government performance.

1.7 Political Profile

To capture the political profile of local self-government, first the democratic decision-making rights of citizens at a local level should be examined. Second, the internal institutional arrangement of local government decision-making and its political-administrative leadership and, in particular, the relationship between the local executive and the local council ('horizontal dimension') should be highlighted (Heinelt et al., 2018, p. 21). Regarding the first criterion, local government systems with a predominance of representative democracy-based institutions (traditionally France, the United Kingdom and, until 1974, Sweden) can be distinguished from local government systems that possess direct democracy instruments such as citizens' initiatives (Switzerland, Italy, Sweden until 1974, Poland, Hungary, Finland, Austria, Czech Republic). Various forms of direct democracy have been developed on a remarkable scale in Europe in recent years (e.g. the direct election of mayors). This is particularly true for referendums at the local level (for a comparison among 28 European countries see Vetter et al., 2016, p. 277ff.). Leaving aside these developments, the role of the council and its elected members has remained unchanged (Lidström et al., 2016, p. 288).

Concerning the second criterion, it is necessary to distinguish between 'monistic' and 'dualistic' systems (Wollmann 2004, p. 151f.). In monistic systems, all decision-making authority, which includes responsibility for overseeing local administration, rests with the elected local council. Within the local council, sectoral committees are responsible for decision-making and have an

executive function, in that they direct and control local administration, which is why the terms 'government by committee' and 'committee systems' are used (Sweden, the United Kingdom, Denmark). In general, the council (i.e. the committees) dominates vis-à-vis the executive. In these systems, 'strong' mayors are generally unknown and they have come to be criticised for weak leadership and the sectoral fragmentation of administration. In dualistic systems, responsibilities are divided between the executive, its 'executive leader' and the council, with the local executive branch being equipped with decision-making powers (France, Italy, Hungary, Greece, Poland, Portugal, Spain; see Heinelt and Hlepas, 2006, p. 33). This 'strong mayor' form of local democracy (Mouritzen and Svava, 2002) is made even stronger in some countries through the direct election of the mayor (e.g. Italy, see Wollmann, 2009). In recent years, reforms in many countries have been pushed by a demand to strengthen political accountability and democratic control at the local level, particularly by introducing direct democratic decision-making rights for citizens and strengthening local leadership on the part of the local executive (see Wollmann, 2009; Lidström et al., 2016; Vetter et al., 2016).

In France, the political system at the local level strictly adheres to the principle of representative democracy, characteristic of which is the prominent position of the mayor. Within the model of dual allocation of rights and responsibilities, the mayor has a broad spectrum of responsibilities. The mayor not only combines the three functions of (monocratic) administrative management, council presidency and external local government representation, but is also a representative of the state at the local level (*agent d'Etat*). Albeit formally an indirect election, the French mayoral electoral system comes in effect very close to a direct election. This is because the first position of potential candidates on the party list is always assigned to the office of mayor (Mabileau, 1996, p. 65). Hence, a de facto local presidential system has developed (Mabileau and Sorbets, 1989). Accordingly, the mayor in France is the leader of an elected majority (as in Greece, Portugal and Spain). The role of the parties, at least outside election campaigns, is rather limited at the local level and despite newly introduced direct-democratic participation rights and forms of user democracy, the mayor's executive power is seldom thwarted by institutional veto players. Similarly, the local government

Countries	Index	Countries	Index	Countries	Index	Countries	Index
Sweden	3	Denmark	6	Netherlands	7	Austria ^{dir. el.}	9
Czech Republic	5	Austria ^{coll.}	7	Romania	7	Greece	10
England ^{indir. el.}	5	Belgium/Wall.	7	Cyprus	7	Italy	10
England ^{lead.-cab.}	5	Croatia	7	England ^{dir. el.}	8	Slovenia	10
Ireland	5	Germany ^{coll.}	7	Hungary	8	Slovakia	11
Portugal	5	Latvia	7	Poland	8	Spain	11
Belgium/Fland.	6	Lithuania	7	Germany ^{dir. el.}	9	France	12

Figure 10:
Index of mayoral strength in
European countries⁶

Source:
Following Heinelt et al.,
2018, p. 36

system in Italy is now characterised by a strong mayor (*sindaco*). As a result of the introduction of the direct election system for the mayorship, their executive leadership appears notably strengthened.

The office of mayor in Sweden is only held in larger cities. As such, the council has a prominent position in Swedish local government via its committees (*kommunstyrelse*). This points to the country's generally consensual and rarely ideological orientation within policymaking, which is also reflected at the local level (Wollmann, 2014; Copus and Steyvers, 2017). Moreover, Sweden's local government system is characterised by a representative democratic structure without legally binding direct democratic rights of participation, but with a pronounced user democracy and citizen participation.

A major political/democratic strength of the local government system in the United Kingdom is that the understanding of local self-government not only includes the execution of administrative tasks. In British local parliament, elected local councils not only take all relevant decisions but are also directly responsible for the management and control of local administration. They do this primarily through the committees they set up, which take all decisions in their assigned areas and manage the sectoral parts of the administration ('government by committees'). Only recently have there been signs of a breakdown with regard to the historically unknown figure of the executive mayor, both in terms of the introduction of direct-democratic instruments of participation and the profiling of executive leadership (local leadership) in the local arena. Nevertheless, the mayor in the United Kingdom remains rather weak and direct elections, which are now formally possible, have spread slowly.

In the Hungarian local government system, the (quasi-presidential) directly elected mayor played a signifi-

cant role in local government leadership. However, with the new Local Government Act adopted under the Orbán government in 2011, the direct election of the mayor was abolished. Instead, the mayor is now elected by the local council from among its members in a (quasi-parliamentary) manner. The administrative leadership of local government rests with a full-time head of administration ('notary'), who is appointed by the municipal council through a tendering procedure. They carry out the function of the administrative executive, while the mayor exercises political leadership (see Temesi, 2000, p. 358ff.). In Poland, mayors of municipalities have been directly elected since 2002, which has led to the strengthening of this role and tended to weaken that of the council. Poland is also one of the countries where instruments of local direct democracy have been introduced (see above).

To measure and compare the institutional strength of the local executive/mayor, especially vis-à-vis the council, the comparative local government field has developed the so-called Mayoral Strength Index (MSI) (see Heinelt and Hlepas, 2006, p. 37f.; Heinelt et al., 2018). This index focuses on a range of key elements such as direct versus indirect election, the direct removal of the mayor, and identical versus separate terms of office of the mayor and the council. Other elements include the mayor's role as head of the majority faction of the council, as council chairperson, in setting the council's agenda and in appointing senior administrative officials. According to this index, mayors in France, Spain, Slovakia, Greece and Slovenia are the strongest (with MSI scores between 11 and 13); the weakest mayors can be found in Sweden, Ireland, Norway, Latvia, Belgium (Flanders), the Netherlands, England (regarding the indirectly elected mayors) and Austria (with MSI scores between 3 and 5) (see Figure 10; see also Kuhlmann, 2019, p. 251ff.; Heinelt et al., 2018).

⁶ In some countries, there are regional differences in the position and the mode of election of the mayor, so that these countries appear several times in the table. In England, for example, some mayors are elected directly (dir. el.), some indirectly (indir. el.) and some are the political leader of a municipality but without the formal title of mayor (lead.-cab.). In Germany and Austria, on the other hand, mayors are sometimes directly elected and have a great deal of power (dir. el.), however sometimes they also act as primus inter pares in a collective organ, although their role is no more than that of a chairman (coll.), as in Hesse.

1.8 Conclusion

From a comparative perspective, a very heterogeneous picture emerges concerning the role of local governments in the administrative structure, which also reveals shifts and changes over time. While the role of local governments in the multilevel system has been upgraded and strengthened in, inter alia, France, Italy, and Sweden in recent decades, the English local governments have been weakened considerably since the 1980s. In Hungary, after an initial strengthening in the wake of the extensive transformation and decentralisation process, the local governments have now been increasingly curtailed in their autonomy. This is, however, not the case in other Eastern European countries, as in the case of Poland, which still has comparatively strong and increasingly autonomous local governments. Although the trend towards the upgrading and affirmation of local self-government still dominates the European country comparison – as demonstrated by decentralisation reforms, the transfer of functions and the increase in the degree of local autonomy over the past 25 years – there are also countertrends in some countries (England, Hungary, partly Southern Europe) that have led to a weakening of the role of local governments. However, they are exceptions to the overall local government-friendly trend in Europe.

There is also a wide European range in the area of fiscal autonomy (as reflected in local government own tax revenues and the share of state allocations in total local government revenues). The local governments in the Nordic administrative profile (Sweden) are the leaders, which indicates an accordingly pronounced autonomy and broad scope for action in shaping local affairs. By contrast, the local governments in the Anglo-Saxon group of countries have a low degree of fiscal autonomy and respectively limited scope for shaping local affairs, compared with the rest of Europe. Measured in terms of their own tax revenues, the Eastern European local governments also have rather limited financial leeway, which has been significantly reduced even further, particularly in Hungary over the past ten years. The local governments in the Continental European Napoleonic group of

countries (with the exception of Greece) enjoy a comparatively high degree of local fiscal autonomy, which, in financial terms, implies broad decision-making autonomy. It should be noted that the latter local governments have a traditionally rather limited – albeit now growing – task profile and that the locally operating state apparatus still occupies a significant position.

European countries also show differences in the tasks and functions assigned to the public administration and the individual levels of administration. They thus vary sometimes considerably in the extent and form of local self-governance of public goods, for example in the social and health sectors, local public utilities or the exercise of local planning sovereignty. Functionally strong local government systems, which assume essential tasks of local services of general interest and welfare state provision, can be found primarily in the Continental European Federal and Nordic systems (e.g. in Germany and Sweden), but also in pre-Thatcher England. By contrast, in the Continental European Napoleon systems, large parts of these areas of responsibility had been reserved for state administration, and it is only in recent decades that local governments have become more important. This is particularly true for welfare state and planning tasks, whereas the area of public utilities (such as energy, water, waste) is still partly in state hands and partly handled by private companies in these countries (France, Italy). Intergovernmental cooperation, however, is becoming an increasingly important organisational form. Through this cooperation, local governments in territorially fragmented systems (Southern European and partly Eastern European group of countries) manage to perform local services of general interest more efficiently.

The functional profiles and capacities of local governments to provide local services of general interest for their citizens and to take on new tasks are closely connected to their territorial viability, which also varies considerably among European countries. The Southern and Eastern European countries are characterised by rather small-scale municipal structures and many municipalities with a small population. This is due to the decision not to

carry out legally 'forced' territorial reforms (Southern European territorial type). In contrast, the countries of the Nordic administrative model (except Iceland), the United Kingdom and some North-Eastern European countries, are characterised by a small number of large-scale unitary municipalities with high population figures, as a result of far-reaching (legally enforced) territorial reforms. The functional capacity and thus performance of local governments is (also) largely determined by their territorial viability. It turns out that large municipalities are more efficient, have more professional administrations and are more likely to realise cost savings due to economies of scale. However, there are also indications that oversized and overly large local governments can cause problems for the quality of local democracy, participation, acceptance and local identity. It is recognised that the exercise of an overall local government steering function within the framework of the multifunctional competence profile presupposes an adequate local government territorial viability (Kuhlmann et al., 2018a). The creation of more robust organisational structures, the improvement of administrative processes, the increase in the administrative and organisational power of local governments, and the professionalisation of administrative work are among the central advantages of territorial reforms.

Overall, a European comparison shows that the position of local governments in most European countries has been upgraded in recent decades (since the 1980s approximately). However, there are also a few cases where central government reforms have led to local governments being considerably weakened, or even functionally and financially hollowed out, which has been accompanied by drastic recentralisation tendencies, such as in England and Hungary. These countries represent rather exceptional cases compared to the overall local government-friendly trend in Europe, which is also reflected in an increased level of local autonomy (save for a few exceptions) and represents a fundamentally favourable starting point for the further strengthening of local self-government and self-administration in Europe.

2. Local Government Finances

Local governments' financial profiles are determined by their fiscal autonomy, as reflected in their revenue structure, and the volume and profile of their expenditure. In the comparative study of local government, a common way to compare and assess fiscal autonomy is based on the following three main indicators (see Wollmann, 2008, p. 237):

- ▶ the extent to which local governments have their own sources of taxation. However, it is necessary to distinguish between tax revenues that local governments can determine themselves by setting their own tax rates (fiscal autonomy) and those that are outside local government control but make up a high proportion of the total local government budget and are usually set by the central government (e.g. the Netherlands);
- ▶ the extent to which local governments rely on (general-purpose and earmarked) state allocations to finance their activities;
- ▶ the share of local government expenditure in GDP.

While the first two indicators allow conclusions to be drawn about the extent of local government (fiscal) autonomy (see also Chapter 1.3), the third indicator measures the breadth of the local government functional profile (see also Chapter 1.4). A local government's capacity to act and manage local affairs should (at least) be interpreted in terms of the interplay of both dimensions/indicators. It is particularly high when, in addition to (fiscal) autonomy, the functional profile is also strong (the local government performs a wide range of functions). Thus, high revenue shares based on own taxes and, in the case of state allocations, high shares of general allocations in relation to earmarked allocations, supplemented by high local government expenditure shares in GDP, indicate a particularly high capacity to act and manage local affairs. By contrast, low levels in the three areas indicate a limited capacity to act and manage local affairs. In addition to these fiscal structures within the individual countries, any assessment of local government financial systems also needs to take into account any external sources of finance available to them, in particular through European Structural Funds, to determine the extent to which local governments in Europe are dependent on them and make use of them.

2.1 European Models of Local Government Finance: Funding Sources and Volume of Expenditures

The composition of local government revenues from (external) state allocations and (own) local government taxes provides information on the degree of discretion and, thus, local autonomy over local finances. The underlying assumption is that the higher the share of own tax revenues and the lower the share of state allocations in total local government revenues, the greater the local government's fiscal autonomy (see also Chapter 1.3). A closer look at the financial transfer system reveals that a distinction can be made between earmarked and general-purpose allocations (see Ladner et al., 2019, p. 131). In the case of earmarked allocations, their intended use is regulated by the state and local governments have no discretion over them. This means that local governments are responsible ultimately for implementing policies defined by higher political levels, which has been pointedly referred to as the 'golden rein'. If the allocations are not earmarked, local governments can freely use the revenue allocated to them. Thus, fiscal autonomy is further reduced by a high percentage of earmarked allocations, whereas a higher share of general-purpose allocations, providing greater freedom of use, means greater financial autonomy.

As shown in Figure 11, the share of own local government tax revenues (excluding shared revenues⁷) in the total local government budget varies considerably across Europe. While in some Nordic countries they are extremely high (Sweden 68 percent; Iceland 72 percent; Denmark 42 percent), which indicates an accordingly high level of autonomy and broad scope for managing local affairs, the local governments in the Anglo-Saxon group of countries have a low degree of fiscal autonomy and respectively limited scope for managing local affairs compared with the rest of Europe (United Kingdom: 22 percent own source local tax revenue). Measured in terms of their own tax revenues, the Eastern European local governments also have rather limited financial leeway (shares in the total local government budget of 13 percent in Hungary, 20 percent in Poland, 12 percent in Slovakia and one percent in Romania). By contrast, the local governments in the Continental European Napoleonic group of countries (with the exception of Greece) enjoy a comparatively high degree of local fiscal autonomy

⁷ Only local government tax revenue is included here and no shared revenues (e.g. in income tax in Germany). Fees and social contributions are also excluded. If these financing components (shared revenues, fees, contributions) were included, this would result in higher values for some countries. However, the stricter indicator provides a more valid basis for measuring local government financial autonomy.

(France 50; Italy 36; Portugal 36 percent; Spain 43 percent of total local government revenues in 2017), which contrasts with their traditionally rather limited – albeit now growing – task profile and the still important position of the locally operating state apparatus.

As shown above, Sweden is the European leader in terms of its share of own tax revenues and thus has the highest level of local fiscal autonomy compared to the other countries studied here. The Swedish local governments' right to levy their own taxes to fund their public service

	Local fiscal autonomy (in %)*	Financial independence**	Significance of financial transfers***
Albania	8,0	2	1
Belgium	31,4	3	1,22
Germany	22,8	1,85	1,98
France	50,0	3	3
Greece	6,8	2	2
Ireland	0,0	3	0
Iceland	72,1	3	2
Israel	0,0	3	1
Italy	35,7	3	3
Croatia	12,0	2,29	1,71
Latvia	0,0	0	2
Lithuania	12,0	1	1
Netherlands	7,4	1	0
Norway	40,0	3	3
Austria	35,0	1,94	2
Poland	20,0	2	2
Portugal	36,0	2	3
Romania	1,0	1	1
Sweden	67,6	3	3
Switzerland	58,5	3	0,96
Serbia	3,6	2	3
Slovakia	12,3	2	0
Slovenia	5,9	0	0
Spain	42,5	3	2
Czech Republic	3,7	1	2
Turkey	10,5	2	3
Hungary	13,5	1	0
UK	22,2	1	1,89
Cyprus	23,1	2,65	1,31

Figure 11: Fiscal autonomy of local governments in Europe

Source: Following Heinelt et al., 2018, p. 67 (with further references)

* Share of revenues from own tax sources in total local government revenue, i.e. taxes whose rates the local governments can decide upon independently and which the local governments themselves collect. Shared revenues are not included here.

** Share of local government own revenues (taxes, fees, social contributions) in total local government revenue:

0 = own sources less than 10 percent;

1 = own sources 10–25 percent;

2 = own sources 25–50 percent;

3 = own sources more than 50 percent.

*** The share of general-purpose state allocations (not earmarked) in total local government revenues:

0 = predominantly earmarked allocations; general-purpose allocations only 0–40 percent;

1 = earmarked and general-purpose allocations between 40–60 percent;

2 = predominantly general-purpose allocations; 60–80 percent;

3 = almost exclusively general-purpose allocations (80–100 percent).

functions dates back to 1862, when the Swedish model of local self-government in its modern form was established (see Wollmann, 2008, p. 239ff.). The fact that nearly 70 percent of local government budget revenues are based on the income tax levied at the local level, while state allocations are at a relatively low level (just over 30 percent), underscores the importance of the Swedish local governments' own right to levy taxes as a financial anchor of their independence and autonomy from the state. The income tax levied by Swedish local governments is set and collected independently by the cities and counties. The amount and assessment rates vary considerably throughout the country – currently between 29 and 35 percent (SCB, 2018). This tax is a major source of self-financing and has so far remained untouched by fundamental state reforms.

In order to limit regional disparities, especially between northern and southern Sweden, an intergovernmental financial equalisation system was introduced in 1996, which obliged socio-economically stronger local governments to make equalisation payments from their tax revenues. Concerning state allocations, further decentralisation measures in Sweden (see Chapter 3) have led to a trend towards reducing earmarked allocations in favour of general-purpose allocations (current share over 80 percent), further strengthening financial independence. In Finland, too, local governments have considerably more own tax revenues than state allocations, whereas the other countries in the Nordic administrative profile (Denmark, Netherlands) occupy the middle positions compared with the rest of Europe and, accordingly, have relatively higher shares of earmarked allocations in the overall local government budget.

Thus, in Sweden, the financial autonomy of local governments has been strengthened over time. In contrast, for the United Kingdom (England), a representative of the Anglo-Saxon administrative profile, the opposite is true. In the 1920s, the share of state allocations in the local government budget was only about 20 percent (cf. Sharpe, 1993, p. 250), in recognition of the principle that local authorities financed their public services and expenditures largely through their own taxes levied on land (Wilson and Game, 2011, p. 207). However, this share increased in the post-war period with the expansion of the modern welfare state and later again in the course of the Thatcher reforms, rising to almost 80 percent today. Conversely, the share of local taxes (rates) steadily

decreased as grants to local government were cut. The so-called 'rate capping' – introduced by Thatcher but later relaxed again after 1997 under New Labour – aimed to reduce the decision-making power of local governments to set rates and thus bring the budget decisions of the (predominantly Labour-ruled) local governments under state control (Wollmann, 2008, p. 238). As a result, the share of local government taxes in budget revenues fell to around 40 per cent in the 1970s and has shrunk to about 20 percent today. Hence, the share of state allocations is almost three times higher than that of local taxes, placing England at the bottom of the scale as far as local fiscal autonomy is concerned (compared to the other countries studied here).

By contrast, the local governments in the Continental European Napoleonic country group have a very sound basis for tax-based funding. In the case of France, the right of local governments to set the rates for the four local taxes (so-called *fiscalité directe*) is said to be 'one of the most extensive in Europe' (Hertzog, 2002, p. 623). It must be noted, however, that territorial bodies (municipalities, *départements*, regions) also make extensive use of this autonomy (Wollmann, 2008, p. 245). They can make simultaneous and competitive use of each of the four tax sources by setting the assessment rates largely autonomously, which means that the individual taxpayer sometimes has to pay a certain local tax several times, each time to different local levels. As a funding source, the four most important local tax sources (*fiscalité directe*) and additional local taxes (*fiscalité indirecte*) represent over 50 percent of local government revenue. Since the *Loi Chevènement* came into force in 1999, the intergovernmental formations (*établissements de coopération intercommunale*, EPCI) have also enjoyed their own tax sovereignty (*fiscalité propre*), with the result that a fourth local level can now access the taxes. The overlaps, inconsistencies and distortions in the French local government tax system arising from the fact that all three levels of self-government (and the EPCI) can access the four sources of *fiscalité directe* taxes in parallel and competitively (cf. Direction Générale des Finances Publiques, 2017), have on several occasions prompted the central government to intervene in a compensatory manner through state allocations and subsidies. This has led to an extraordinarily complicated subnational financing system, which has long been under pressure to reform. More recently, under Macron, particularly with

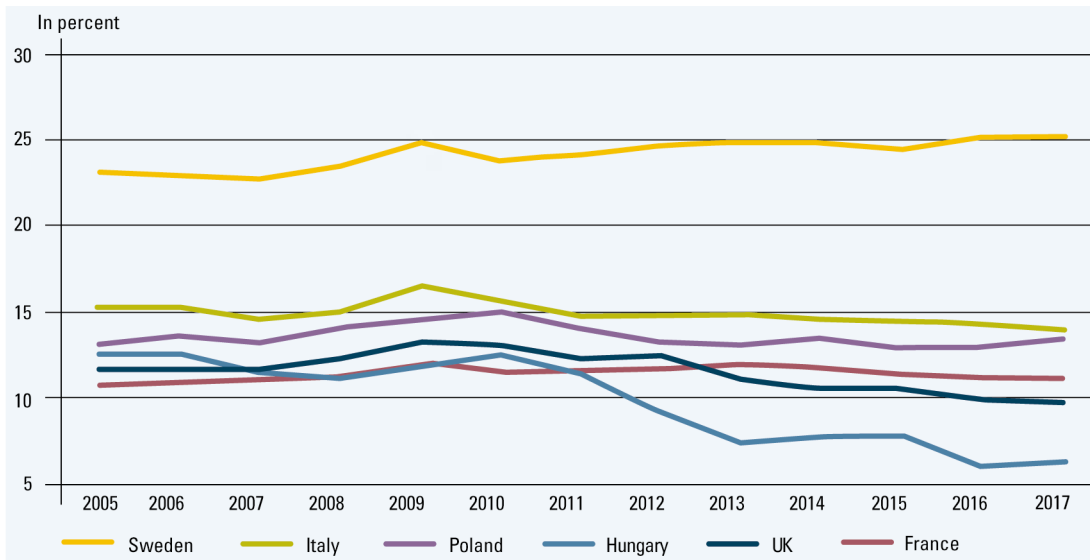


Figure 12:
Share of local government
expenditure in GDP in per-
cent

Source:
International Monetary
Fund (IMF), 2017

the abolition of the housing tax levied on the rental value of dwellings (*taxe d'habitation*), there have also been clear tendencies towards recentralisation and reduced fiscal autonomy for French local governments. This is underlined by the fact that the housing tax is being replaced by state allocations from the central government, thus increasing the dependency of local government on state allocations (Kuhlmann and Wollmann, 2019, p. 27).

The local governments of the Eastern European countries tend to be among the weaker ones in terms of their own tax revenues. While one group of countries has at least an appreciable tax base of its own (Poland, Hungary, Slovakia, Lithuania, Croatia), the local governments of another group (Latvia, Romania, Serbia, Slovenia) have little or no tax revenue of their own. They are heavily dependent on state allocations and/or cover their revenues through additional community taxes, contributions and fees. In Hungary, the fiscal disempowerment of local governments under the Orbán government can be seen in the fact that local government borrowing capacity was restricted in 2012. Whereas from the 1990s until 2012, Hungarian local governments were able to borrow without restriction, they now have to seek central government approval (Magyar Nemzeti Bank, 2016).

The financial transfer system, particularly the shares of general-purpose versus earmarked allocations, can be compared on an aggregate basis using the Local Autonomy Index (LAI) (Ladner et al., 2019; see also Chapter 1.3). The analysis reveals that Sweden and France rank as forerunners in terms of the degree of autonomy they have within the allocation system at local government level (share of general-purpose allocations in all state allocations⁸) (index score 3). Other Nordic countries, especially Denmark and Finland, show similar characteristics. Poland also shows a relatively high degree of freedom in the allocation system (Index score 2), which is otherwise rather atypical for the countries of the East-

ern European administrative profile. Consistent with the above comments on the hollowing out of local autonomy in England, earmarked state allocations account for up to 40 percent of total allocations (index score 1). In the period from 2009 to 2014, there were signs of liberalisation of the state allocation system in Italy. The index score rose from one to two and numerically corresponds to other countries in the Southern European subgroup (Greece, Spain). In Hungary, a sharp decline in general-purpose allocations has been observed since Orbán took office. The index score fell by two points from two to zero between 2009 and 2014 (Ladner et al., 2019, p. 145f.).

While the structure of local government revenues (allocations, taxes) allows conclusions to be made about the fiscal autonomy of municipalities, conclusions about the functional profile of local governments can be drawn from the share of local government expenditure as a percentage of GDP (but also from the share of local government expenditure in total public expenditure) (see also Section 1.4). Here, too, Swedish local governments once again occupy an undisputed top position with a share of local government expenditure in GDP of just under 24 percent (in 2017), which has also risen over time (see IMF, 2017). The shares of local government expenditure in France, Italy and Poland, which are still above 10 percent, also indicate a comparatively developed functional profile. By contrast, the share in the United Kingdom has now fallen to below 10 percent in the wake of the centralisation tendencies and functional erosion of local governments. In Hungary, too, the recentralisation since Orbán took office in 2010 has been reflected in a significant decline in the share of local government expenditure as a percentage of GDP, with the result that Hungary has fallen from a middle position and now ranks the lowest, relative to the others. This highlights the massive curtailment of Hungarian local government capacity to act due to the political changes associated with Orbán's assumption of office.

⁸ The following classification was made. Share of general-purpose (i.e. not earmarked) allocations in all state allocations: 0 = from 0–40 percent; 1 = up to 60 percent; 2 = up to 80 percent; 3 = 80–100 percent (cf. Ladner et al., 2019, p. 131).

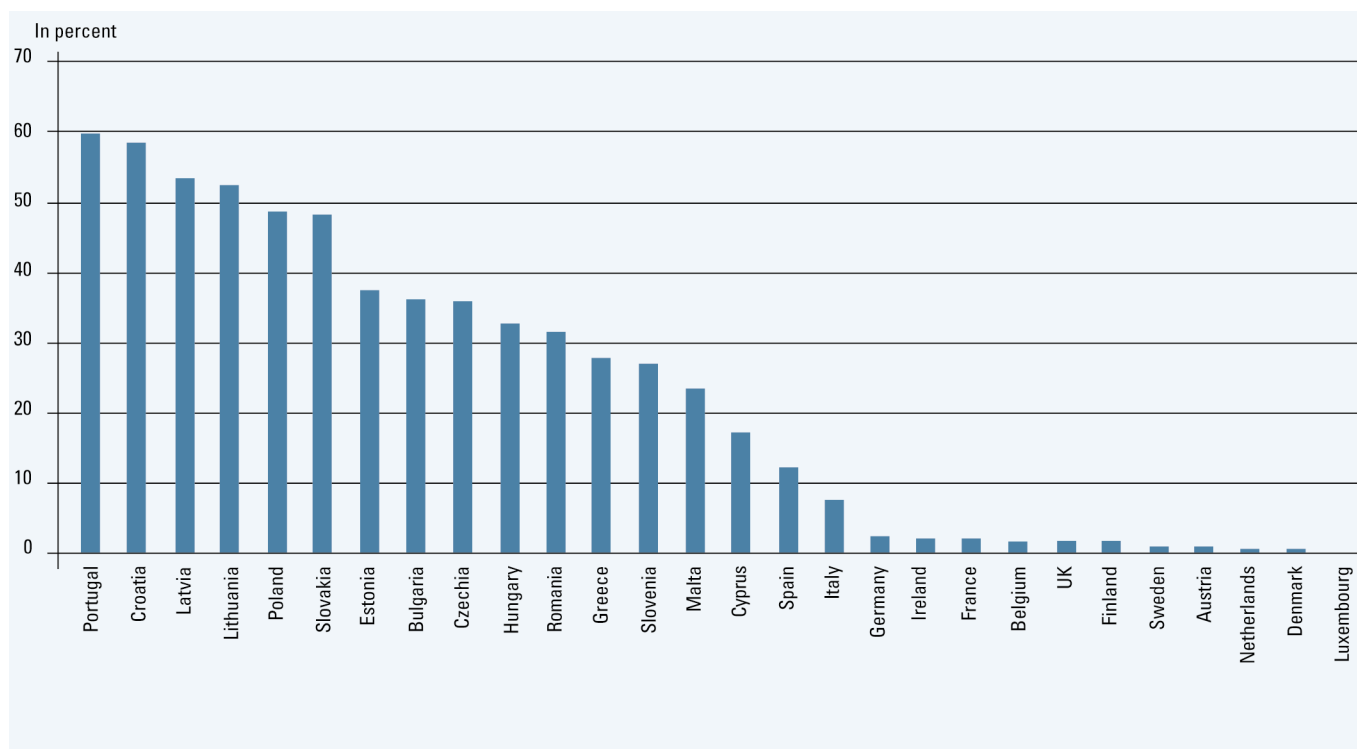


Figure 13: Share of ERDF and CF funding of total public investment

Source: European Union, 2019a, 2019b

2.2 Role of European Structural Funds

The EU supports its Member States and their local governments with various structural funds, which are part of the Cohesion Policy. The main European Structural and Investment Funds (ESIF) are:

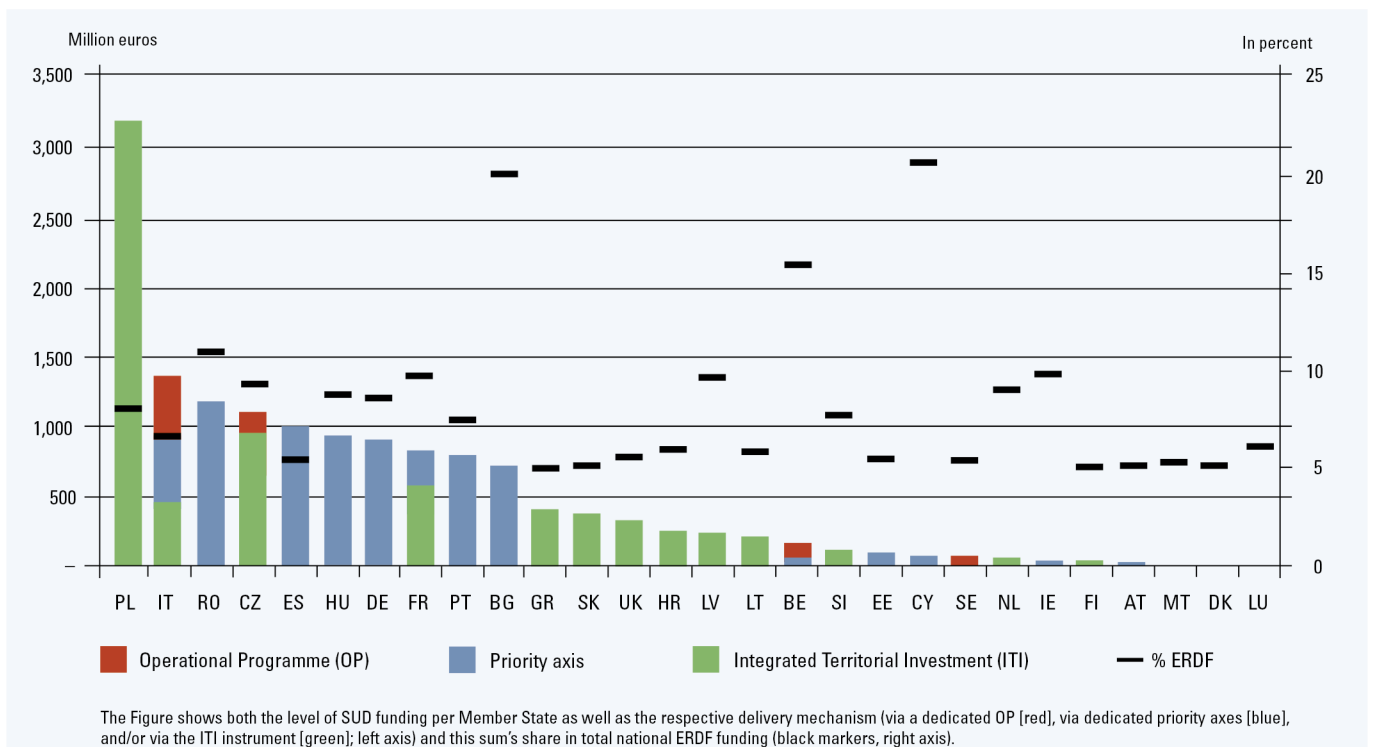
- ▶ Cohesion Fund (CF): Within the current funding period (2014–2020), almost €75 billion has been allocated to the 15 EU countries (European Commission, 2019a) whose GDP is below 90 percent of the average EU GDP (this includes Poland and Hungary).
- ▶ European Regional Development Fund (ERDF): Within the current funding period (2014–2020), almost €279 billion has been allocated to research and innovation, the digital economy, competitiveness of small and medium-sized enterprises and the low-carbon economy. The ERDF action is designed to reduce economic, environmental and social problems in urban areas, with a special focus on sustainable urban development. At least five percent of ERDF funding is to be used through integrated actions in favour of cities (European Commission, 2019b; European Commission, 2019c).
- ▶ European Social Fund (ESF): In the current funding period (2014–2020), approximately €120 billion is dedicated to investments in human capital and especially in job creation measures and start-up support, sup-

port for disadvantaged groups and improvements in education and public administration (European Commission, 2019d).

Figure 13 below shows the share of ERDF and CF funding within total public investment. However, it should be noted that data on the share of ESIF in local government investment are not available. Nevertheless, the following figure is useful for providing an overview of the importance of ESIF for the respective Member States.

The chart shows that countries of the Eastern European administration type (e.g. Poland, Hungary, Slovakia, Czech Republic and others) benefit most from ESIF funding. The countries of the Southern European subgroup (especially Greece and Portugal, but also Italy and Spain) also greatly benefit, whereas countries of the other administrative profiles make little or no use of ESIF to finance public investment. This is largely due to the fact that regions in Eastern European countries are among the less developed regions within the EU, while the Southern European countries also face economic challenges, not least because of the financial and economic crisis.

A study on the implementation of the urban dimension in the ESIF will be used to further approach the question of the importance of ESIF funding for local governments



in the EU Member States (European Commission, 2017a). At the local level, ESIF support a wide range of activities in areas ranging from investment in deprived areas and economic growth to cultural heritage (European Commission, 2017a, p. 7). The ERDF is of particular importance for local governments in this context as it generates the largest share of ESIF transferred to the local level. The basis for ERDF funding for local governments is a sustainable urban development strategy (hereinafter ‘SUD strategy’). By contrast, Cohesion Fund resources play a subordinate role for the local government level, largely because projects supported by the Cohesion Fund are rarely suitable for delegation to the local level (European Commission, 2017a, p. 72).

Overall, eleven percent of the ERDF (equivalent to approximately €29 billion) is spent on sustainable urban development projects at the local level. Seventy percent of the SUD strategies supported are implemented in so-called less developed regions; transition regions receive a further eleven percent of these funds, and the remaining amount is used in more developed regions (European Commission, 2017a, p. 7f.). An analysis of the allocation of ERDF resources shows that, in particular, the countries of the Eastern European (notably Poland, but also Hungary, Romania and the Czech Republic) and the Continental European Napoleonic administra-

tive profile (including the Southern European subgroup: France, Italy, Portugal, Spain) spend a larger share of ERDF on SUD support. This share is significantly lower in the countries of the Northern European administrative profile (Sweden, Denmark, Finland, Netherlands). These figures represent the share of those ERDF funds that are used for SUD subsidies and thus the local level. However, this only allows statements to be made about the prioritisation of the local level within ERDF funding allocated to the respective Member States. Statements about the share of corresponding subsidies in the total local government budget or local government investments – and, therefore, statements about the significance of such subsidies in relation to total local government finances – are only indirectly possible using this data.

In this context, the relative importance of ESIF funding for cities and urban centres is also analysed. Although there seems to be a correlation between a high level of ESIF funding and the number of SUD strategies, the following differences should be noted. The first group identified consists of Member States with low levels of Cohesion Policy funding in absolute terms that have also implemented relatively few SUD strategies. This group consists mainly of the countries of the Nordic administrative type (Sweden, Denmark, Finland, Netherlands), but also Belgium. The low number of implemented SUD strategies

Figure 14: Financial allocation to SUD as a percentage of national ERDF resources

Source: European Commission, 2017a, p. 9

is due to the fact that the relatively low level of Cohesion Policy funding is matched by a relatively large number of urban centres potentially eligible for funding, necessitating appropriate prioritisation. The United Kingdom, as a representative of the Anglo-Saxon administrative profile, is a special case as it has few SUD strategies but extensive ESIF funding. This situation can also be observed in some countries of the Eastern European administrative type (Czech Republic, Slovakia). The Member States in the final group are generally characterised by both high levels of Cohesion Policy funding and a large number of SUD strategies. This group includes France and Italy, as countries of the Continental European Napoleonic administrative profile (further examples are Portugal and Spain), as well as – albeit with a somewhat smaller number of SUD strategies – Poland and Hungary, as representatives of the Eastern European administrative profile (European Commission, 2017a, p. 87ff.).

2.3 Conclusion

There is a wide European range in the area of local financial autonomy (as reflected in local government own tax revenues and the share of state allocations in total local government revenues). The local governments in the Nordic administrative profile (Sweden) are the leaders, which indicates an accordingly pronounced autonomy and broad scope for action in shaping local affairs. By contrast, the local governments in the Anglo-Saxon group of countries have a low degree of financial autonomy and respectively limited scope for shaping local affairs compared with the rest of Europe. Measured in terms of their own tax revenues, the Eastern European

local governments also have rather limited financial leeway, which has been significantly reduced even further, particularly in Hungary over the past ten years. The local governments in the Continental European Napoleonic group of countries (with the exception of Greece) enjoy a comparatively high degree of local fiscal autonomy, which, in financial terms, implies broad decision-making autonomy. It should be noted that these local governments have a traditionally rather limited task profile (although this is now growing), and that the locally operating state apparatus still occupies a significant position.

The different responsibilities of the local governments, which – in conjunction with their autonomy and institutional framework – determine their capacity to act and perform efficiently, are also reflected in the share of local government expenditure in GDP. Out of all the countries sampled here, this share is highest in the Swedish local governments (24 percent), and also reaches comparatively high levels in France, Italy and Poland (over 10 percent). By contrast, the share in the United Kingdom has now fallen to below 10 percent in the wake of centralisation tendencies and the functional erosion of local governments. In Hungary, too, the recentralisation since Orbán took office in 2010 has been reflected in a significant decline in the share of local government expenditure as a percentage of GDP. Local governments in traditionally rather weak local government systems, especially in Southern and Eastern Europe, benefit from EU structural funding to a greater extent than those in countries where the local government system is historically strong and efficient (Nordic administrative profile, federal states).

3. Reform Trends

The following chapter discusses the main reform trends in European local governments in recent decades. Due to their importance in the European and international context, four reform approaches are examined in greater depth (cf. Bouckaert and Kuhlmann, 2016, p. 3):

- ▶ Recentralisation/decentralisation
- ▶ Territorial reform
- ▶ New Public Management and privatisation of public tasks
- ▶ Post-New Public Management and remunicipalisation.

Finally, two central questions are examined: To what extent have similar reform discourses and the influence of certain reform movements across country borders led to converging developments in local governments? Have the historically inherited institutional features and legacies of the various countries continued (persistence) or do they tend to become even more diverse (divergence) over time?

3.1 Reform Discourses in Recent Decades

In recent decades, the modernisation of administration in European countries has been shaped by various discourse cycles (see Jann, 2002), with New Public Management (NPM) dominating the reform policy agenda in the 1980s and 1990s (see below). However, there were also local government reform approaches that had little or no reference to NPM concepts (decentralisation, regionalisation, territorial reform), or which were explicitly aimed at correcting the inadequacies of earlier NPM developments (post-NPM, Neo-Weberian state) (Kuhlmann and Bogumil, 2019). Moreover, a look at reform developments in different European administrative cultures shows that, in recent decades, there have been no concurrent, NPM-driven institutional change processes, but rather a multifaceted bundle of different, often contradictory, partly contradictory, or even incompatible approaches to reform. Depending on the context, individual components of the NPM reform differ and the implementation and effects of NPM in the various countries show very different profiles.

Local administrative reform in Europe often involves either the transfer of administrative functions and responsibilities to different government bodies within the multilevel system, or processes of recentralisation/decentralisation, regionalisation, devolution and even quasi-federalisation. In recent decades, processes of decentralisation have been set in motion in a growing number of European countries that were previously unitary in structure – whether as federalisation or quasi-federali-

sation (Italy, the United Kingdom, Belgium, Spain) or as ‘simple’ regionalisation (France, Spain). Moreover, in many countries there has been a (further) shift of administrative functions from the (central) state level to local territorial bodies via either ‘genuine’ municipalisation (or political decentralisation) or ‘pseudo’ municipalisation (administrative decentralisation). France, Sweden and, to some extent, Italy can be cited as prototypical examples of the former since the administrative delegation of tasks also granted the elected local representatives/councils political decision-making powers and supervisory control over the conduct of the delegated tasks. This contrasts with a type of administrative decentralisation in Germany that has been termed ‘pseudo’ municipalisation, where local governments (mostly the counties) were assigned new tasks but no political decision-making rights. So far, comparative research has not been able to draw definitive conclusions about the extent to which the task delegation type has an impact on the performance of administrative action (see Kuhlmann, 2010, p. 154).

A further strand of administrative reform in European countries involves the territorial restructuring of administrative units or territorial consolidation in subnational settings. Europe’s approach to territorial reform shifts between two extremes: the rather soft variant of administrative cooperation (e.g. France, Italy, Spain, Southern Germany), and the other more radical form of territorial amalgamation (United Kingdom, Scandinavia, Northern Germany and some parts of Eastern Germany).

Finally, the modernisation movement inspired by the reform doctrine of New Public Management (NPM), which includes both external and internal reform elements, (Kuhlmann, 2009; Pollitt and Bouckaert, 2017) should be mentioned. In a departure from the concept of the expansive welfare state and the ‘classic bureaucratic’ administration, NPM first aimed at redefining (restricting) the action radius of the state, strengthening market mechanisms, promoting competition and boosting the position of the citizen as customer. Second, it aimed at restructuring internal structures and organisational procedures by introducing business management practices, breaking up hierarchies, and ensuring a clearer separation of the functional spheres of politics and administration. More recently, in light of renewed administrative and regulatory reorientation since the beginning of the new millennium and especially in the wake of the global financial and economic crisis, there has also been talk of the ‘post-NPM’ model or the so-called ‘Neo-Weberian State’ (Kuhlmann and Bogumil, 2019). This refers to recent re-

municipalisation and insourcing approaches observed in many European countries (albeit with varying scope and intensity), which are often implemented alongside ongoing privatisation and liberalisation measures that follow the NPM model.

3.2 Recentralisation and Decentralisation

The redistribution of administrative responsibilities within the multilevel system has been a key thrust of public administration reform in Europe. Indeed, many reforms have stimulated processes of recentralisation/decentralisation, regionalisation, devolution and even quasi-federalisation (Kuhlmann and Wollmann, 2019, p. 144ff.; Kuhlmann, 2019). In recent decades, processes of decentralisation have been set in motion in a growing number of European countries that were previously unitary in structure – whether as federalisation or quasi-federalisation (Italy, the United Kingdom, Belgium, Spain) or as ‘simple’ regionalisation (France, Spain). When this happens, functions are generally redistributed either in a top-down (i.e. from the state to the regions) or in a bottom-up manner (i.e. from the local government level to the regions). The latter usually involves the establishment of completely new regional territorial units, usually in the form of local government. In the group of ‘simple’ regionalisers, transition countries (post-communist transition to democracy) represent a special case; their regional formation was often guided by funding-policy considerations and was more likely to be based on the (statistical) classification of NUTS regions, often without properly filling them with life.

Decentralisation and municipalisation are general Europe-wide trends in administrative reform. There are, however, counter-movements in some countries. In England, for example, various reform measures have aimed at significantly disempowering and hollowing out local governments. In Hungary and in some (crisis-ridden) Southern European countries (Italy, Greece, Portugal, Spain) there have also recently been signs of recentralisation tendencies in the relationship between state and local government. Thus, it would appear that decentralisation as a global trend is now being questioned. In the case of Hungary, the backlash against decentralisation is visible in the increasingly authoritarian central government’s access to decentralised levels and resources. This development, seen across different countries, manifests, for example, as a clear functional downgrading of local governments, loss of autonomy, increasing rights of central government intervention at the local level and a

halving of the local government budget. This is discussed in more detail below.

Nevertheless, there is still a general trend in Europe towards local territorial bodies taking on new responsibilities and the state handing down functions. As a result, the strong multi-purpose model is becoming more widespread (see Chapter 1). Comparative local government research (Wollmann, 2008; Reiter et al., 2011; Grohs et al. 2012; Kuhlmann and Wollmann, 2019) has shown that the mode and effects of decentralisation differ significantly depending on the type of decentralisation strategy pursued. The distinction between political or merely administrative decentralisation and administrative deconcentration is an important factor here. In the case of political decentralisation, which has also been termed ‘genuine’ municipalisation (Wollmann, 2010; Reiter et al., 2011), public tasks are completely transferred from state authorities to local self-government levels and an elected local representative body is given full responsibility for the planning, financing and management of such delegated tasks (monistic/uniform task model) (cf. Wollmann 2008, p. 259ff.). In the case of administrative decentralisation, the elected representative bodies are not granted autonomous decision-making powers or control over the conduct of such tasks. Legal and technical supervision remains with the state (dual/dualistic task model) (ibid.). Finally, administrative deconcentration involves the transfer of state tasks to public authorities or public entities that are located at a subnational administrative level but remain part of the state administration. The effects of decentralisation reforms differ depending on the mode of task transfer (political versus administrative) and are also strongly dependent on the specific nature of the task, local actor constellations and the local resources available (Reiter et al. 2011; Grohs et al. 2012). Comparative studies tend to show an improvement in the effectiveness of task completion in political decentralisation and the horizontal, cross-sectoral steering and harmonisation of interdependent specialist tasks. This is not the case with administrative decentralisation and deconcentration. The institutional integration of a task into a multifunctional organisational environment (multi-purpose model) (cf. Wollmann, 2006) helps to increase horizontal territorial coordination capacity (Grohs et al., 2012, p. 143ff.). However, political decentralisation reforms are also more likely to entail additional costs for the local governments in the short and medium term, which can especially overburden weaker territorial bodies.

The mode and effects of decentralisation/municipalisation vary considerably across European countries. In France, decentralisation is a permanent fixture on the administrative reform policy agenda (Kuhlmann and Wollmann, 2019, p. 166). One indicator of the former high degree of centralisation is that tasks such as the provision of social services and urban planning, which have long been typical 'genuine' local self-government tasks in traditionally (politically) decentralised countries (Sweden and Germany), were until 1982 decisively in the hands of the state administration at *département* level (under the leadership of the prefect). The decentralisation movement in France (cf. Kuhlmann 2009, p. 82ff.) can be divided into two phases, the first of which was triggered by the legislation of the 1980s (the so-called *Acte I*). The second decentralisation phase (*Acte II*) began with the constitutional amendment of 28 March 2003, followed by further decentralisation legislation during the 2000s. Initially, under *Acte I*, the constitutional system of the *départements* was fundamentally revamped by transferring the prefect's executive function to the (indirectly) elected president of the general council, who now became head of the newly established *département* administration. A clear loss of power on the part of the prefect was also accompanied by the abolition of the strict and comprehensive a priori state supervision (*tutelle*) previously exercised by him, which was reduced to a diluted form of (a posteriori) legal supervision. The central state transferred many functions to local territorial bodies through 'genuine' municipalisation and 'departmentalisation', including the right of co-decision with the council (*pouvoir réglementaire*). On the one hand, tasks which until 1982 had been carried out by the state were transferred to the local governments (*communes*) as 'genuine' local government tasks (political decentralisation). On the other hand, in certain areas, the mayor continues to carry out delegated state tasks, virtually as an 'organ' or 'agent' of the state (*agent d'Etat*). Under the constitutional amendment of 2003 (*Acte II*), decentralisation in France was given constitutional status for the first time in Article 1, where it is stated that the 'organisation of the French Republic is decentralised'. The introduction of a form of subsidiarity principle is an unusual step for the 'indivisible Republic' to have taken at a constitutional level. Looking at the *département* level, the most important functional aspect is undoubtedly the 'social action' (*action sociale*), for which the general councils have now been given full responsibility, including financial responsibility (Reiter 2010; Reiter and Kuhlmann, 2016). The legislation of 13 August 2004 also en-

trusted the *départements* with tasks relating to education (transfer of technical staff from the *collèges*), infrastructure (20,000 km of national roads; personnel transfer from state infrastructure authorities), social housing, culture and sport. However, decentralisation in France has not led to a clear separation of levels (separation model), but instead to an increase in administrative interlocking and institutional competition in the subnational space. This is because separate 'groups of responsibilities' were not transferred, and the different levels and state authorities have access to each individual policy area. This raises concerns about accountability and democratic control of policy outcomes (*déresponsabilisation*).

Since Macron took office, recentralisation tendencies have attracted increasing criticism in France. Macron's modernisation drive goes along with elements that critics have identified as resuming Jacobin centralisation (*centralisation jacobine*) (see Riché, 2017). This holds true in particular for the decision to abolish the housing tax (*taxe d'habitation*), which has traditionally been assigned to and levied by the local governments and which, with a share of up to 79 percent, has accounted for the bulk of local tax revenues. The Macron government has justified the replacement of these tax revenues with state allocations as an important move towards aligning living conditions in economically strong and rather weaker local governments. The local governments, however, have criticised it for severely curtailing their fiscal autonomy and for increasing their fiscal dependency on the state by granting the latter more extensive means of control at the local level (Kuhlmann and Wollmann, 2019, p. 168f.).

In Italy, too, a decisive step towards political decentralisation by strengthening the local level was taken by adopting the Bassanini Laws and the constitutional reform of 2001 (Behnke, 2010). This reform drive aimed at according broad responsibilities to the local government levels (*comuni, province*) in the direction of 'genuine' local government functions, which is a variant of political decentralisation. The constitutional amendment of 2000 went as far as stipulating that the *comuni* have all-encompassing responsibility for the administrative functions, except when they are explicitly conferred to other levels of government.⁹ However, Italy's state and administrative practice have so far fallen short of this draft constitution since the state offices at the subnational levels, not least the prefects (*prefetto*) at the *province* level, still play a significant role in the conduct of administrative functions (Scheffold, 2007, p. 66). In the dualism of the preponderant state offices and sidelined

⁹ GL. Art. 118 I Constitution, Art. 13 I Consolidated Law on Local Government Law, "Tuel", v. 18.8.2000

local government administrative units, a continuation of the (Napoleonic) centralist state model is evident. Thus, political decentralisation, although codified in the Constitution, has remained largely unimplemented to date (Kuhlmann and Wollmann, 2019, p. 169ff.).

Sweden can be considered a frontrunner in political decentralisation in Europe, relative to the other countries (Kuhlmann and Wollmann, 2019, p. 164f.). The monistic task model is still in place in its purest form as the elected local councils are responsible without exception for all tasks assigned to local governments (cf. Wollmann, 2008, p. 204ff.). To guide the strengthening of the responsibilities and autonomy of the municipalities newly rescaled by the territorial reform (see below), the government initiated the so-called 'free local government experiment' (frikomuner), which between 1984 and 1991 initially exempted 40 municipalities from a large number of statutory obligations (see Strömberg and Engen, 1996, p. 284ff.; Baldersheim, 1994). Inter alia, responsibilities for primary and secondary schools were allocated to the local governments, state financial allocations were reformed (especially by increasing the transition from earmarked to global allocations) and counties and municipalities were given more autonomy over decisions relating to their political and administrative structures (cf. Montin and Amnå, 2000). Based on an evaluation carried out for this purpose, a new local government act was passed in 1991, which greatly increased the powers of the local governments, particularly in matters of internal organisation (cf. Häggroth et al., 1993). Also, tasks in the above sectors have been politically and extensively decentralised across the board, for example in education and labour market policy (Premfors, 1998), where the local governments have taken over the functions of the now-dissolved central authorities (Pierre, 1994; Montin, 2016).

The situation in the United Kingdom (England) paints a very different picture. Since the 1980s, the local councils' scope for decision-making has been hollowed out by an unusually dense network of directives (guidance notes) and central government intervention. With its dominant strategy of administrative deconcentration (agencification) (cf. also 'quangoisation' later in the text) and the accompanying recentralisation of the administrative system, the United Kingdom is an exceptional case. This policy has led to the weakening and erosion of the traditionally strong functional profile of politically responsible local authorities, representing a unique case in the European context (Stoker, 1999). After important local self-government tasks (National Health Service, gas, electricity, so-

cial welfare) had already been nationalised in the post-war period and later partly privatised, state intervention at the local level increased in the wake of the Thatcherite revolution. This weakened the traditionally strong local government model in the United Kingdom and resulted in the significant recentralisation of the administrative system within England. Moreover, the formation of state agencies within the context of the NPM reforms since the 1980s has had a considerable recentralising effect. This reform policy was not only implemented with the intention of transferring tasks traditionally performed by local authorities to state agencies or so-called 'quangos' (quasi non-governmental organisations¹⁰). Behind this strategy lay a deep mistrust of local largely Labour-led self-government by the Conservative government of the time (Kuhlmann and Wollmann, 2019, p. 176). Previously, the central government, which within the dual polity tradition was limited to Whitehall, gave local governments a broad scope of action and freedom in the subnational execution of tasks and had scarcely established any territorial authorities of its own. As a result of NPM reforms, it is now institutionally anchored in the local space by a large number of agencies and quangos and has thus increasingly displaced and disempowered multifunctional local government. Although political decentralisation was aimed for under the Local Government Act of 2000 and the Localism Act of 2011, these approaches were thwarted quasi-simultaneously by massive constraints on local financial autonomy and drastic austerity measures (Lowndes and Pratchett, 2012; Eckersley, 2017). Despite the de jure additional local government responsibilities, a de facto situation prevailed in which the central government was even able to strengthen its influence over the local level (Kuhlmann and Wollmann, 2019, p. 175ff.).

Hungary's decentralisation should be seen against the background of its political and institutional transformation after 1990, which – compared with the Western European countries discussed here – represents a special starting condition (cf. Wollmann, 1995, p. 566ff.; Temesi, 2000, p. 345ff.; Wollmann and Lankina, 2003, p. 93ff.). The dualistic task model was (re)introduced after 1990, following the pre-communist local government tradition, which dated back to the nineteenth century and the Austro-Hungarian self-administration law of 1870 (see Wollmann, 1995, p. 566). However, the Local Government Act of 1990 and its decentralisation and municipalisation impetus was "extremely liberal by any international standard" (Davies, 1995, p. 74). The radical decentralisation initiated and sustained in Hungary is evinced by

¹⁰ According to the most commonly used definition (cf. Skelcher and Davis, 1998, p. 13), quangos are usually referred to as so-called 'NDPBs' (non-departmental public bodies), which do not directly belong to a ministry but are publicly funded and have clearly defined tasks. Quangos operate largely at arm's length of the local authorities/councils and remain dependent on the central government for financial support, etc. (cf. Skelcher and Davis, 1998; Skelcher, 2000). They are managed by appointed boards (hence the common term 'appointed bodies') in which central government and other actors are represented.

the fact that until the mid–2000s around 65 percent of all civil servants were still employed by municipalities and counties, putting Hungary in the top group of European countries in terms of the degree of decentralisation. However, since Orbán took office in 2010, this trend has been drastically reversed in many areas. In 2011, a constitutional amendment that fundamentally changed Hungary’s post–1990 institutional structure was adopted by a large majority in the Hungarian parliament. This legislation not only triggered radical recentralisation but also considerably tightened up state control over subnational administrative units (Kovács et al., 2016, p. 799f.). Counties in Hungary have now lost much of their self-government, while a prefect appointed by central government is the administrative authority of first instance and acts as legal supervisor. Moreover, the local governments have had to accept restrictions on their functional profile. Education and health services, for example, have been recentralised (Kovács, 2012), a knock-on effect of which has been the drastic decline in the share of local public employment within total public employment from 65 percent (2005) to 34 percent (2014) (OECD, 2017).

3.3 Territorial Reform

Europe’s approach to territorial reform (Hulst and Montfort, 2007; Baldersheim and Rose, 2010; Ebinger et al., 2019) shifts between two extremes: one, administrative cooperation (‘trans-scaling’, exemplified by France, Italy, Spain), and the other, a more radical form of territorial amalgamation (‘upscaling’, exemplified by the United Kingdom, Scandinavia). The territorial reform model of

upscaling (for terminology, see Baldersheim and Rose, 2010, p. 20) is aimed at increasing the administrative capacity of local governments by increasing their scale (see John, 2010, p. 106ff. for the United Kingdom). Upscaling was originally pursued in Sweden, England/UK and also in some German *Länder* (e.g. Hesse and North Rhine-Westphalia). Thus, international comparative literature often refers to the Northern European reform model (Norton, 1994, p. 40). By contrast, the Southern European reform model (especially France and Italy) is characterised by a lack of changes to small-scale territorial structures. The local governments’ operational capacity to act is supported by multi-purpose intermunicipal bodies (*intercommunalité*), which are seen as an institutional policy substitute for the lack of formal territorial reforms through municipal amalgamation (trans-scaling). The variant of a more fragmented system of local governments (downscaling) tends to be the exception in the European context and can only be observed in a few countries (e.g. Poland and Slovenia) (Swianiewicz, 2010). This reform approach runs counter to the otherwise prevailing trend of increasing territorial scale.

Northern European Reform Model

The United Kingdom (England) epitomises the Northern European territorial reform group. The instrumental grip of the central government level on the local level has been determined by two factors. Firstly, it was derived traditionally from the principle of ‘parliamentary sovereignty’, in that parliament had the right to decide on any institutional changes at local government level by means of

Northern European Reform Model: <i>Upscaling</i>	Southern European Reform Model: <i>Trans-scaling</i>
<ul style="list-style-type: none"> ▶ The United Kingdom, Sweden, Denmark, some German <i>Länder</i> (NRW, HE). ▶ Increase in scale; amalgamation. ▶ For example, the UK; average population: <ul style="list-style-type: none"> – metrop. districts: 310,000; – non-metrop. districts: 100,000; – counties: 760,000. ▶ Efficiency; administrative-economic improvement. ▶ Background: functionally strong local government systems; often social democratic stronghold; ‘rationalist’ zeitgeist/planning ‘euphoria’. ▶ Implementation by way of binding legislation. ▶ Subordination of local self-government to parliamentary decision-making powers. 	<ul style="list-style-type: none"> ▶ France, Italy, many Central Eastern European countries; some German <i>Länder</i> (RhP, SH). ▶ Small-scale municipal structure maintained; further fragmentation. ▶ For example, France with 37,000 <i>communes</i>; average population 1,700. ▶ Background: local government task execution by state administration (Napoleonic countries). ▶ The ‘voluntary’ principle (<i>volontariat</i>): amalgamations only with local government consent. ▶ Massive local resistance to territorial reform. ▶ Intergovernmental formations as a substitute (<i>intercommunalités</i>; municipal associations; administrative bodies).

Figure 15: Territorial reform patterns in Europe

Source: Following Kuhlmann, 2015, p. 119

legislation. Secondly, in dealing with local governments, central government has long since been guided by the “almost obsessive predominance... [of] production efficiency” (Sharpe, 1993, p. 252). Since the 1970s, the English local government system has experienced several waves of radical territorial and organisation changes, in which the decision-making power of parliament and the instrumental grip of the central level on the local level became manifest. In the far-reaching reform drive of 1974, the district/borough councils were territorially merged through a drastic reduction of their number from 1,250 to 333 with an average of 170,000 inhabitants – a size unprecedented in Europe (cf. Norton, 1994, p. 41; Wilson and Game, 2011, p. 58ff.) and criticised as ‘sizeism’ (Stewart, 2000). Secondly, the county councils, whose borders go back to the medieval shires, were rescaled by reducing their number from 58 to 47 and increasing their average population size to 720,000 inhabitants. In the early 1990s, the Conservative government under John Major initiated a further radical territorial and organisational change, resulting in the creation of unitary authorities in the urban areas of England through territorial, organisational and functional amalgamations of counties and districts/boroughs. Step by step, 47 unitary authorities were created with an average of well over 200,000 inhabitants (Wilson and Game, 2011, p. 68f.). This means that almost all the urbanised areas of England are now characterised either by the 36 metropolitan district councils or by the almost 50 unitary authorities, many of which have more than 200,000 inhabitants. The development of local government structures in the United Kingdom has been criticised for being “breathless [in its] pace of change over the past 30 years” (Percy-Smith and Leach, 2001, p. 236). The result of this is the “diversity, fragmentation and perhaps sheer messiness of British local government” (Percy-Smith and Leach, 2001, p. 13).

The two waves of territorial reforms pursued by the Swedish government in 1952 and 1974 aimed at enabling the local governments to act as the main local providers of the Swedish welfare state (*den lokala staten*) by expanding their territorial base. Sweden’s constitutional and political system gives parliament the power to enforce territorial reforms at the local level through binding legislation, without the consent of or even against the wishes of the local population. Thus, Sweden has succeeded in drastically reducing the number of local governments from 2,282 with an average of 2,800 inhabitants to a mere 290 with an average of 34,466 inhabitants. At the higher local government level, there are only

20 counties (*landsting kommuner*), with an average of 420,000 inhabitants nationwide. The territorial structure of the counties, whose boundaries date back to 1634, remained largely unaffected by this reform drive. The three largest cities in the country (Stockholm, Gothenburg and Malmö) were subsequently given a status comparable to that of the German country-free cities, which combines county and local government responsibilities. In the late 1990s, a reform debate on regionalisation took place that challenged the existing county boundaries (cf. Olsson and Åström, 2003). Since then, Stockholm, Gothenburg and Malmö, together with their respective surrounding territorial units, have been merged into regional counties (Lidström, 2010).

Southern European Reform Model

With its extremely fragmented local government territorial structure (see Chapter 1.3, 1.6), France corresponds almost perfectly to the Southern European territorial model (see Chapter 1.6). Until recently, territorial reform attempts were almost impossible. However, recent legislation has brought about several changes – some of them radical – that had previously been considered unfeasible.

First of all, the attempt, in the beginning of the 1970s, to consolidate the territory at the local level on a voluntary basis (*Loi Marcellin*) failed. This was because the reform legislation made the implementation of territorial reform dependent on the consent of the municipality concerned and its population (voluntary principle, *volontariat*), and such ‘voluntary’ consent was hardly achieved in any municipality. Nevertheless, to cope with the increasing volume of tasks (as a result of decentralisation), a complex system of different forms of intermunicipal cooperation (*intercommunalités*) was established in France. These now have their own sources of taxation (see Chapter 2) and are represented politically by directly elected representatives. In this context, the adoption of a law in 1999 (*Loi Chevènement*), which has been hailed by some as a true “intermunicipal revolution” (LeGalès and Borraz, 2005) (see also Kuhlmann, 2010), marked a significant step in institutional policy. As a result of this process, which was driven by financial incentives and gentle pressure from the prefects, further incremental reform steps (e.g. raising the minimum population figures) were made. These resulted in a halving of the number of *établissements publics de coopération intercommunale* (EPCI) and the establishment of 13 metropolitan regions (*métropoles*), 218 urban intermunicipal agglomerations (*communautés d’agglomération*, CA) and 1,019 municipal

associations (*communautés de communes*, CC). Almost all local governments are now organised under these different associations (EPCI).

More recently, further steps were taken towards achieving territorial reform at the local level. First, the 2010 *Loi de Réforme des Collectivités Territoriales* provided the basis for substantial changes in France's sub-national institutional system, introducing the metropolitan model. This was based institutionally on the eight (CU), which have existed since 1966, and on four other CA with more than 500,000 inhabitants. As a result, a total of ten new metropolitan areas were created. These are assigned important responsibilities and functions from the remaining member municipalities and the respective *départements* and regions. In future, all metropolitan areas in France are to be organised in the form of the metropolitan model, which represents a major territorial change in the way local government is organised in urban areas. With the reform package of the so-called *Acte III*, in particular the law of 27 January 2014, which came into effect on 1 January 2015, the ten metropolitan areas defined under the Reform Act of 2010 were established. The territorial structure in the three metropolitan areas of Paris, Lyon and Marseille, which have enjoyed a special institutional status since the 1980s (*métropoles de règles particulières*), was further developed by the 2014 legislation. Inter alia, the metropolitan structure in Grand Paris (Paris and surrounding municipalities of the so-called *petite couronne*) was consolidated and modernised, so that all municipalities in the Paris metropolitan region, Ile-de-France, joined forces to form an EPCI with a minimum population of 200,000 inhabitants. The metropolitan model is intended to create (inter)municipal structures that are viable in the long term and that could in future absorb the small municipalities in the metropolitan area. At the same time, they 'threaten' the institutional position of the *départements* as they partly take over their functions.¹¹

Another major step towards territorial modernisation in France was taken in 2015 by the adoption of the NOTRe (*Nouvelle Organisation Territoriale de la République*) legislation, which provides for minimum populations of between 5,000 and 15,000 inhabitants for CC. The prefects were endowed with a power of their own to create new borders and territorial groupings of EPCI to reduce their number. As a result of this process, the number of EPCI was reduced from 2,599 to 1,267 over the period from 2012 to 2015. Furthermore, the *Loi Pélissard* of 2015 provided for the creation of 'new municipalities' (*communes nou-*

velles) (see Némery, 2017). Even though the voluntary principle was implemented, 517 such new municipalities were formed by 2017. This reflected the growing willingness of the mayors of micro-municipalities to maintain or improve the viability of their municipality in the face of dwindling tax revenues and declining state allocations by way of territorial amalgamations, which has also been described as a silent territorial revolution ("une révolution territoriale silencieuse") (Pasquier, 2017). Moreover, given that, in the meantime, the number of French regions has reduced from 23 to 12 (excluding overseas regions), there can be no doubt that the subnational institutional structure in France has changed on a historically unprecedented scale and to an extent previously considered unfeasible.

In Italy, too, the first attempt to bring about territorial consolidation at the local level was made on a voluntary basis. However, since the number of local governments in Italy did not decrease but even increased from 8,088 to 8,104 by 2010, this approach is deemed to have failed. In light of this, territorial reforms in Italy have become a peripheral issue on the political agenda. Instead, since the constitutional amendment of 2001 (see Chapter 1.3) a number of reform initiatives have tended instead to focus on the search for suitable forms of intergovernmental cooperation (Kuhlmann and Wollmann, 2019, p. 196f.). First, there was the founding of the *unioni di comuni*, comparable to the institutional form of the French *intercommunalité*. Their number increased from 50 to 550 between 2000 and 2019 and comprises 3,292 municipalities (around 40 percent), with a total of 12.2 million inhabitants (Comuniverso, 2019).

In Hungary, local government legislation adopted in 1990 granted extensive autonomy to the lower local level by establishing local government units (settlements). Local populations immediately activated their right to reverse the territorial amalgamation of the local level that had been enforced under the socialist regime (see Temesi, 2000, p. 347; Soós, 2003, p. 245; Wollmann and Lankina, 2003, p. 95). As a result, the number of municipalities in the wake of the regime change jumped in a short space of time from 1,584 to 3,092 with an average population of 3,170. While the local government system was considerably strengthened both functionally and politically by subsequent reforms, the territorial structure of the two local levels remained unchanged. In response to the existence and continuation of the large number of small and very small municipalities, different forms of intergovernmental cooperation were legislatively encouraged and put into

¹¹ French President Emmanuel Macron announced that during his term of office he would dissolve at least a quarter of the current *départements* by merging them into new metropolitan areas (Kuhlmann and Wollmann, 2019, p. 155).

place. This holds true for a law passed in 1997, aimed at stimulating monofunctional intergovernmental cooperation. To date, about 2,590 such forms of cooperation have come into existence (Hoorens, 2008, p. 369). Moreover, a law passed in 2003 targeted the institutionalisation of multifunctional cooperation between municipalities (see Pfeil, 2010, p. 255). By 2010, the government had initiated the establishment of 162 such multifunctional intergovernmental formations, into which 97.5 percent of all municipalities are grouped (cf. Pfeil, 2010, p. 256). However, following Orbán's assumption of office in 2010 and subsequent recentralisation moves (see above), these forms of intergovernmental cooperation have become largely defunct and of little practical importance.

3.4 New Public Management and Privatisation

The modernisation movement inspired by the New Public Management paradigm has been the most influential public administration reform doctrine in Europe since the 1980s (cf. Pollitt and Bouckaert, 2017; Kuhlmann and Wollmann, 2019, p. 211ff.). In a departure from the concept of the expansive welfare state and the classic bureaucratic administration, the NPM reform movement, whose pioneers and international role models are primarily the Anglo-Saxon countries (United Kingdom, New Zealand), was directed towards two main goals. The first was to redefine (restrict) the state's scope of action, strengthen market mechanisms, promote competition and boost the position of the citizen as customer. Second, the internal structures, organisational principles and personnel profiles of public administration were to be restructured according to the microeconomics-inspired model of a managerial state. This was to take place primarily by installing economic incentive mechanisms, implementing business management know-how, breaking up hierarchical structures, and carrying out a clear separation of functions and roles regarding politics and administration (Kuhlmann and Wollmann, 2019, p. 211ff.). Only the first dimension is discussed below.

The privatisation of the state and local government sectors has been a priority modernisation goal in all OECD countries since the 1980s (see Wollmann and Marcou, 2010; Wollmann, 2016; Pollitt and Bouckaert, 2017). This change in strategy was particularly pronounced where – as in the United Kingdom – the operation of a large segment of the state economy coincided with a party-politically accentuated (neo)liberal government programme. In addition to the formal and, in some cases, asset privatisation of state-owned enterprises, many European local

governments also saw a surge in the number of spin-offs of their own companies and private companies at the local level (corporatisation) (Grossi and Reichard, 2008b). Furthermore, the purchaser-provider split and the integration of private service providers via service contracts (functional privatisation) represent overarching local reform trends. As a result, local government organisation models in Europe have become more differentiated and fragmented across sectors. This is because numerous external, monofunctionally operating vicarious agents have been integrated into the provision of public services and local governments have often withdrawn as direct producers of public goods. In the meantime, however, as a result of negative NPM effects, some counter-developments that improve local government steering capacity can be observed (Wollmann, 2016).

The United Kingdom is the European country where ownership has changed most rapidly and where privatisation has been most radical. The UK has thus become a pioneer and role model in the EU and has had a lasting impact on European liberalisation policy. As a result of its market-oriented privatisation programme, around three-quarters of companies in the United Kingdom have been privatised. At the local level, the sale of large parts of the social housing stock to the respective tenants (1.5 million homes in 1995) and privatisation in the public transport sector should be mentioned, in particular. After the 1985 Transport Act, for example, an extensive market liberalisation took place, in the course of which many local bus companies were formally and materially privatised (Christmann, 2004, p. 233). The fourteen electricity distributors operating at regional level were also transferred to the private sector through asset privatisation, so that almost the entire British electricity sector is now under private ownership (Schalauske and Streb, 2008, p. 50). The traditional British model of local government based on the primacy of public service provision was fundamentally altered. Under the Conservative government led by Margaret Thatcher, local governments were legally forced to put many of their services (waste collection, canteens, street cleaning, maintenance, etc.) out to competitive tender (compulsory competitive tendering, CCT). Thus, local authorities began to avail themselves of external service providers through outsourcing relevant services; they also started to appropriate the concept of a purchaser-provider split. Residential care, for example, is provided to an increasing extent by so-called 'independents' – private and non-profit providers. The CCT system was abolished under New Labour and,

as a consequence, within one year alone (2000–01) the number of tenders dropped by 23 percent (Wegener, 2004). However, even under the new system, local governments were obliged to compare their services with private providers and outsource them (Reimer, 1999, p. 157ff.). As a result of this competitive tendering, since the early 1990s, some 300,000 local government employees have been made redundant, with manual workers (canteen services, refuse collection, leisure and sports facilities, industrial cleaning, road construction and maintenance) being the hardest hit. Market competition also led to the degradation of employment relations in local government services, in particular, through the slashing of wages and social benefits (holiday and sick pay), more temporary and short-term contracts, enhanced job insecurity and multiple job holdings, and increased workload (Reimer, 1999, p. 157ff.).

While the Anglo-Saxon tradition of state and public administration (see Chapter 1) provides a good sounding board for comprehensive privatisation policy, corresponding reform steps in the Continental European and Scandinavian context have progressed at a more moderate pace and with some delay, albeit with quite significant results. This has to do with the starting conditions of the reforms. In the case of Sweden and France, for example, radical privatisation approaches run counter to the traditional notions of an expanded welfare state (*folkshemmet*) or an interventionist state (*dirigisme*) and a strong public sector (*service public*) that promotes social integration. Thus, following the economic slump in the 1980s, Sweden also underwent a (neo)liberal reorientation, which some observers saw as the beginning of a system change (Premfors, 1998, p. 151). The bourgeois government under Bildt (1991–1994), in particular, joined the privatisation discourse with explicit reference to the radical models in the United Kingdom and New Zealand. However, there were no British-type market-oriented approaches to privatisation, but rather a competition-oriented modernisation that took into account the specific features of the Swedish model, flanked by socially acceptable regulations (Schalauske and Streb, 2008, p. 215). In this context, the local government sector of public utilities (energy, water supply, waste disposal, etc.), which has traditionally been at the core of the multifunctional task profile of Swedish local government, also came under mounting pressure. In particular, local governments with civil majorities began selling their local enterprises to national and international companies, thus withdrawing significantly from the relevant local areas of activity

(Montin and Amnå, 2000, p. 8; Strömberg and Engen, 1996, p. 267). Under the budgetary crisis pressure in Swedish local governments in the 1980s, functional privatisation via purchaser-provider split, diversification of service providers and external outsourcing of services in market competition was also taken up as a reform concept. Various competitive elements such as operator models, unbundling, service vouchers and user fees were introduced to ensure the transition from a state providing services to a guaranteeing state (cf. Naschold and Riegler, 1997, p. 17). Thus, in a growing number of local authorities, social services (e.g. care for the elderly and the disabled, etc.), which had previously been provided almost exclusively by local government personnel, were now awarded through competition to private commercial and non-profit organisations. Overall, however, the Swedish reform strategy is characterised by a more moderate use of market forces and by planned and regulated competition that allows greater choice for beneficiaries (e.g. through school and kindergarten vouchers, etc.). In the meantime, private commercial and non-profit providers have been able to acquire increasing shares in these new markets. However, they continue to play, at best, a supplementary role alongside the local government and regional institutions (Schröter, 2001, p. 435). Notwithstanding, the Swedish welfare state and local government model has largely been retained.

France deviates from the sample of countries under consideration insofar as the provision of public services (public utilities) has long since been delegated to private service providers by concession contracts. The functional privatisation model (*gestion déléguée*) has been established in the French local government system for a long time and has been termed ‘French-style privatization’ by foreign observers (Citroni, 2010). In drinking water supply alone, the private provider share rose from 31 percent in the mid-1950s to almost 62 percent in 1982 (Guérin-Schneider and Lorrain, 2003, p. 46). Currently, the share of (partially) privatised companies in the drinking water supply sector is around 75 percent, although in only 33 percent of cases in the form of a pure *gestion déléguée*. In all other cases, public services are delivered by a ‘mix’ of private and public companies (Atlas IGD, 2019b). In the area of waste disposal, 53 percent of enterprises are run by local governments, although this proportion has declined slightly since 2000 – previously 58 percent (Beuve et al., 2013; Douard et al., 2014). However, the share of ‘mixed’ forms increased from 24 to 30 percent over the same period. This increase was due to

EPCI amalgamations (see Chapter 3.3) where the operating modes in the cooperating local government units were different (Atlas IGD, 2019a). The opening up of the market in the provision of public services (water, waste, public transport) has occurred primarily through an expansion of concession contracts to private providers. In this process, however, local governments retain the guaranteeing responsibility and, in principle, also remain owners of the companies and facilities. The mixed companies (*sociétés d'économie mixte locales*, SEML) have become increasingly important in France. In the meantime, however, since the wave of new start-up companies in the 1980s, a consolidation and slight decline has set in due to organisational concentration (Grossi et al., 2010). In France, a series of legal disciplinary measures related to SEML have ensured privileged access by local governments. In contrast to Germany, public agencies are generally required to be majority shareholders in SEML and also to hold the majority of votes/seats on the supervisory boards¹², which clearly shows the preponderance of local government in the French variant of institutional public-private partnerships (PPP).

In Italy, the beginning of a targeted national privatisation policy that coincided with the decentralisation movement (see above) is connected with the country's economic and political crisis as well as with the EU-induced privatisation pressure. Until the early 1990s, the local public utilities (water, sewage, waste, public transport, energy) were delivered in Italy – as in Germany, Scandinavia and the United Kingdom – mainly by public institutions. Traditionally, Italy has had a well-developed local economy sector, mostly in the form of the so-called *municipalizzate*, comparable to the German *Stadtwerke*. This dates back to the 1903 legislation (Grossi et al., 2010; Citroni, 2010). The *municipalizzate*, under which the various services sectors typically are institutionally bundled, have been traditionally, for the most part, in public ownership. At the beginning of the 1990s, national legislation that was again part of Italy's decentralisation policy, ushered in further organisational diversification and the outsourcing of companies (corporatisation). Consequently, around 50 percent of local government employees now work in outsourced companies (Grossi and Reichard, 2008b, p. 604). On the one hand, extensive formal privatisations have taken place with a clear preference for the public limited company (*società per azioni*, SpA). On the other hand, asset privatisations have gained in importance (Lippi, 2003, p. 163; Bobbio, 2005, p. 43) through

partial or complete sales, such as in the local energy sector. In the energy sector, there are only a few cities (e.g. Turin, Venice, Brescia) whose *municipalizzate* are entirely in local government ownership. In the majority of local governments, national or multinational energy corporations are also co-shareholders (Wollmann et al., 2010). Overall, however, the Italian *municipalizzate* have been able to defend and, in some cases, even expand their position on the energy market. In Italy, social services were traditionally provided by independent organisations such as Catholic charities or by families themselves. Thus, even before the NPM debate in the 1980s, a mixed provider model, with a mix of local government service providers and predominantly church-affiliated non-profit organisations, was dominant (Bobbio, 2005, p. 43). Since then, there has been a massive functional shift to private providers in this sector, a shift that some have viewed as the 'triumph of privatism' (Bobbio, 2005, p. 43). Concerning internal services (facility management, IT, canteens, etc.), there has also been a growing trend towards functional privatisation and outsourcing (Dipartimento della Funzione Pubblica, 2006; Grossi and Reichard, 2008b, p. 603). However, it is doubtful whether the local executives are in a position to manage this new 'networked local government', which is characterised by partnerships, contracts and a wide variety of contractual arrangements, and which threatens to increasingly become institutionally 'frayed' (Meneguzzo, 1997; Magnier 2003, p. 193).

The transformation processes in the ownership and provider structures of Hungary's public services (water, sewerage, waste disposal, schools, leisure facilities, public transport, social housing, etc.) took place in two phases. In the first phase, under the 1990 Local Government Act and accompanying measures, the tasks and ownership of the respective facilities, which under the socialist regime were formally under the responsibility of the local councils, were transferred to the cities, municipalities and the counties. As a result of the municipalisation of ownership and functions in this broad range of tasks, the municipalities and the cities were confronted with enormous operating and financial problems. Against this background, many began to create 'mixed' public-private partnerships (institutional PPP) by involving private investors (Hoorens, 2008, p. 369). In some cases, however, the local government companies and institutions were sold off in their entirety to private investors, for example in the water sector (cf. Temesi, 2000, p. 367; Soós, 2003,

¹² Article L. 1522-1 of the CGCT.

p. 248ff.; Horváth, 2008, p. 233). Guided by NPM-inspired outsourcing and marketisation concepts, public services were also increasingly outsourced to private providers by way of concessions and contracts. Due to the simultaneous lack of local government administrative capacities after reunification, this led to a situation where private providers were much more active in (economically) promising areas than in other Central and Eastern European countries. During the initial phases, the development pattern in Hungarian public services can thus be described as the transition from a socialist centralised structure to an initially decentralised local system that increasingly opened up to the market. In the second phase, the government under Orbán has been working towards significantly increasing state control and regulation and, in particular, centralising profits from energy, water and waste disposal (Horváth 2016, p. 190ff.; Kovács et al., 2016; Wollmann, 2016). Furthermore, the role of private providers in the provision of public services has been massively reduced. The central government has now taken over the ownership of many private and local government companies. The central government level is, therefore, playing an increasingly active role in the institutional design of public service facilities, which goes hand in hand with centralised forms of organisation, a higher degree of intervention and regulation and the de-municipalisation of functions.

To summarise, a radical NPM reform of the public sector along the lines of the UK model has not taken place in the majority of European local government systems. In contrast to the Anglo-Saxon administrative model (United Kingdom, New Zealand, Australia, USA), where comprehensive NPM approaches fit seamlessly into the prevailing pragmatic-instrumental handling of the rule of law within the framework of the public interest culture, corresponding reforms in Continental European countries (Germany, France, Italy, Spain, Portugal) and in Scandinavia have been carried out more cautiously and, in some cases, with some delay.

3.5 Post-New Public Management: Remunicipalisation

Many European local governments are now implementing new reforms in response to failed NPM reforms, unintended negative effects of such reforms or poorly functioning mixtures of Weberian and NPM elements, which are often referred to with the buzzwords 'post-NPM', 'New Public Governance' or the 'Neo-Weberian model'

(see Pollitt and Bouckaert, 2017; Kuhlmann and Bogumil, 2019). These include the reintegration of administrative units or facilities into core administrations, the remunicipalisation of service provision and the insourcing of outsourced services by local governments, for example by terminating concession contracts. Common to all these measures is the move away from narrow management and marketisation logic and the endeavour to regain overarching political steering capability in the local government space. This moving away from the marketisation logic of the NPM has also been described as the 'rehabilitation of the state' and the public good, in which a kind of pendulum swing is indicated (Wollmann, 2016). There is no doubt that the (neo)liberal approach 'private is better than public' has lost its persuasive power. However, the extent and intensity of this pendulum swing varies considerably between countries, administrative levels and sectors. While it has been predicted for the national level that the "decline of the entrepreneurial state (...) is likely to be permanent" (Mayer-Kramer, 2006, p. 279), the question is at least raised for the local government level: is the "[p]endulum swinging back?" (Wollmann, 2016).

The energy sector offers a good example of current trends of remunicipalisation. For example, despite pressure to privatise, local government energy companies in Italy have been able to maintain their position in the Italian energy market as a whole and, in some cases, to expand it. Some large cities are now even buying into the (privatised) energy giant ENEL and expanding their production and distribution networks (Wollmann and Marcou, 2010). In France, too, despite the ongoing privatisation movement, counter-strategies are now being pursued, mainly by the local government sector. Based on their position, which has been strengthened by decentralisation (see above), French local governments have been able to gradually expand their role in local energy policy and in the energy sector (Wollmann et al., 2010). On the one hand, since the 1980s, a local energy policy has become more and more established. Some local governments have started to build up their own energy generation systems that are better adapted to local conditions, for example by using smaller waterfalls for power generation and also by relying on cogeneration and wind energy (ibid.). On the other hand, local governments are increasingly using their supply grids as a source of income. This is because in their capacity as *autorités organisatrices*, under concession contracts they are able to influence the level of charges, pricing and performance parameters. More-

over, in the water sector in France, local governments and local administration have switched from delegation to management in recent years. One of the reasons given for this is public actors' desire to become independent of the *grands groupes* and to gain greater political influence over the water sector in the region. In addition to Paris, the capital, which took steps in this direction in 2009 – leading the way for many local governments – the city of Grenoble can be cited as another spectacular example. There, the water utilities, which were run as a state-owned enterprise until 1989, privatised in 1990 and converted into an institutional PPP (SEML) in 1997, were recently remunicipalised.

3.6 Conclusion: Diffusion and Convergence of Reform Models

The comparative analysis of administrative systems and reforms in Europe has shown that the question of convergence, divergence and persistence has to be addressed differently depending on the reform area (decentralisation/federalisation, territorial reform, privatisation, internal modernisation). Two hypotheses are controversially discussed in the literature. The 'convergence hypothesis' is supported by the assumption that the forces of globalisation and internationalisation (the alignment of legal regulations within the European Union) will lead to a situation in which hitherto divergent national structures and their historical defining factors will increasingly lose their effectiveness and thus alignment will take place at different levels. The 'divergence hypothesis', by contrast, ascribes a continuing determining effect to institutional, cultural and normative factors anchored in the political, state and administrative traditions of individual countries or country groups.

Concerning territorial reforms, it has become clear that the territorial sizes and population figures of the municipalities still show large and, in some cases, striking differences in a cross-country comparison (between 1,640 inhabitants in the Czech Republic and 139,000 in the UK; see Kuhlmann and Wollmann, 2019, p. 205) – an indication of persistence. However, some convergent patterns can also be identified. For example, in some countries in the Northern European reform profile (e.g. East German *Länder*, Scandinavia, UK) there has been further territorial upscaling in some cases. The radical enlargement of the local territorial structure (as in the United Kingdom and Sweden) was initially in line with the 'rationalist' zeitgeist and the institutional policy intention to strengthen the operative capacity of the local levels

in the service of the national social and interventionist state to be built up and expanded by achieving economies of scale. Since the 1990s, the reform discourse has fallen increasingly under the spell of Europeanisation. On the one hand, this has been propelled by the aim of improving the capacity of subnational administrative units (regions, municipalities) to act in the European and international competition for locations and EU funding. On the other hand, the discourse revolves around administrative policy approaches to solving blatant demographic, socio-economic, fiscal and coordination problems in the local space, which force new territorial structures and/or forms of cooperation. The wave of reforms that has been underway since the 2000s in the Southern European countries (Greece, Portugal) and in the Central European EU accession countries (Bulgaria, Lithuania) must also be seen in this context. These countries have moved closer to the Northern European reform profile, which has been further pushed by the financial and euro crisis and pressure from the EU. It remains to be seen, however, to what extent the crisis and EU-induced pressure to act will prompt the southern countries to move even more strongly in the direction of upscaling. Signs of this can already be seen in the legislation of some countries (see Kuhlmann and Wollmann, 2019).

Convergent reform patterns, which are partly driven by national administrative and public sector cultures, but also by overarching diffusion processes, are also evident in decentralisation. Apart from a few deviant cases (Hungary, UK), these reform patterns represent a common trend in Europe. For example, in France since the 1980s, and in Italy since the 1990s, political decentralisation has taken place, which is characterised by the transfer of state public tasks to local self-governing bodies and by the strengthening of local autonomy. The fact that even in the already decentralised countries of Sweden and Germany, further decentralisation through ('genuine' and 'pseudo') municipalisation of state tasks has been a guiding theme in recent administrative policy discourse, indicates the long-term and sustainable pattern of this traditional reform discourse. In the United Kingdom, which deviates from the general trend in this respect, administrative deconcentration has taken place – guided by neoliberal policy concepts – with the result that state agencies outside and under deliberate suppression of traditional (multifunctional) local self-government have gained in importance.

The NPM reform movement was initially interpreted as an all-encompassing convergence process of admin-

istrative systems due to the striking dominance of the discourse in the international context. It was seen as a sequence of phases spanning from the welfare state, via the neoliberal and managerial state, to the guaranteeing and enabling state (Holmes and Shand, 1995). However, this was not a universal view and empirical research, with more differentiated findings, has challenged these rather normative convergence hypotheses. There is now widespread consensus in public administration research that the reform discourse of New Public Management, which has dominated the administrative policy agenda in many countries since the 1980s, has not, as predicted and expected by some, led to the all-encompassing convergence of administrative systems towards a managerial or guaranteeing state (Pollitt and Bouckaert, 2017; Byrkjeflot et al., 2018). Moreover, the retreat of the state, its limitation to a guaranteeing and regulatory function, and the withdrawal of public providers from the direct provision of services now represent significant elements of the political discourse everywhere. However, the NPM doctrine was pursued in different countries with distinctly different contexts (Kuhlmann and Wollmann, 2019). Thus, each of the variants practised (asset/formal/functional) and the scope of privatisation measures vary greatly. The United Kingdom, for example, was dominated by a reform discourse driven by the slogan 'private is better than public'. Due to the simultaneous disempowerment of local governments as monopoly providers of many services, the UK's market-oriented privatisation model had a highly centralising character. Overall, the Anglo-Saxon countries have been the most strongly guided by liberalisation ideas and NPM concepts in the modernisation of the public sector. By contrast, such extreme privatisation discourses have hardly gained a foothold in countries such as Sweden and France, which are characterised by a public sector tradition deeply rooted in politics and society, and the notion of a strong state is anchored in their political culture. In Sweden, the modernisation of the welfare state was primarily achieved by opening up competition and pluralising providers, flanked by social regulation and elements of user democracy. The privatisation of state-owned enterprises in Sweden has by no means reached the scale of other European countries and asset privatisation remains the exception. In France, too, special legal provisions have been made in the local space for privileged access of public actors to partially privatised companies (SEML), and a large part of local public services is now (again) in local government hands (e.g. in the water and waste sector).

The current post-NPM discourse also appears to be characterised by a cross-national discourse development and certain diffusion processes, of which the companies and institutions of local public services provide a good example. Public utilities in Germany, which had initially lost ground to the private 'big four' energy companies such as E.ON, RWE or Vattenfall in the course of privatisation and outsourcing, have gained considerable operating strength in recent years. There has been an increase in network buybacks, the termination of concession contracts and re-insourcing, which is also reflected in the rising market shares of German local energy providers (Bönker et al., 2016; Wollmann, 2016). From an international perspective, a similar trend towards remunicipalisation can be observed in the water sector and, to some extent, in waste disposal (Kuhlmann and Wollmann, 2019, p. 247). However, there is now also broad consensus that this development is not an all-encompassing convergence across countries and sectors. Instead, when it comes to remunicipalisation, there are clear differences between countries (depending, among other things, on the extent of previous privatisations) and areas of activity (e.g. more remunicipalisation in the energy and water sectors, but continuing privatisation in the hospital sector) (see Klenk and Reiter, 2015). Furthermore, depending on the context, there are also many variations between traditional and new elements of administrative management (the so-called Neo-Weberian model; cf. Kuhlmann and Bogumil, 2019).

4. Conclusions

This study shows that the position of local governments in most European countries has been upgraded in recent decades, since around the 1980s. This upgrading is reflected in functional and financial indicators as well as in an overall increase in the capacity of subnational territorial bodies to efficiently perform and manage their own affairs. Examples of this European trend can be found in France, Italy and Sweden. At the same time, a different pattern can be observed in some countries where the role, function and fiscal autonomy of local governments is being weakened or hollowed out by central government reforms and drastic recentralisation tendencies, in some cases significantly. England and Hungary are prime examples of this. However, these countries represent exceptional cases set against the background of an overall local government-friendly trend in Europe, which is reflected in a generally increased degree of local autonomy (with a few exceptions). This represents a fundamentally favourable starting point for a further affirmation of local self-government and administration in Europe.

From a comparative perspective, in terms of functional, financial, territorial and political-democratic features of the local government system, it is clear that the local governments of the Northern European profile are the most efficient and effective, with the most prominent example being Sweden. A particularly high degree of financial autonomy is coupled with a broad multifunctional task profile, which, in combination with territorial viability, makes Swedish local governments the most important players in the provision of public and welfare services. They also have a cultivated, deep-rooted tradition of civic self-determination and local participation, which means they comply with the relevant criteria applicable for a strong local government system in political and democratic terms.

The local governments of the Continental European Napoleonic profile also have a comparatively strong position in relation to higher levels of government, which (as is the case in France) has to do with the political influence of local actors on higher levels of government and the overall powerful position of local executives. Moreover, the degree of their autonomy and capacity to act is also comparatively high. This can be seen, for example, in the share of own taxes in the local government total budget, which in France, for example, is significantly higher than in Germany. However, in these countries, welfare provision and many subnational functions are still performed to a great extent by state authorities or are delegated to private companies (e.g. in infrastruc-

ture) and local government performance and action is, therefore, generally judged to be lower than in the Nordic countries or Germany.

The English local government system, once one of the strongest in Europe, now ranks at the bottom of the list compared with the other countries considered here, both in terms of efficiency and scope of action, as well as its functional and political profile. Reforms, financial cutbacks, austerity policy and privatisation measures implemented since the 1980s largely explain this weakening, which is reflected in the respective indicators (autonomy index, expenditure and tax shares, etc.).

The countries of the Eastern European profile show highly divergent development trajectories and characteristics. Based on a shift towards democratisation and decentralisation after the collapse of the communist system, remarkably strong local government systems have emerged in some countries (including Poland and Hungary), which is reflected, first and foremost, in increasing functional responsibilities and the institutional consolidation and professionalisation in administration. Other countries still have more (path-dependent) centralised systems (Bulgaria, Romania) where the position of local governments within the multilevel system is much smaller. Moreover, as mentioned earlier, recentralisation processes can be observed where post-socialist decentralisation reforms have been partly reversed (Hungary). According to available financial data (such as local tax revenues), the autonomy and capacity of Eastern European local governments (e.g. Hungary) to manage their own affairs is lower than in Northern, Western and Southern Europe. This may also explain why the subnational territorial bodies of the Eastern European profile (but also of the Southern European countries) benefit from (and also depend on) European Structural Funds to a greater extent than the local governments in the other groups of countries considered here.

Building on the comparative analyses presented here, some conclusions can be drawn that are of interest with regard to the New Leipzig Charter's objective to strengthen cities. The aim is to identify selected institutional adjustments that can be made by political decision-makers to make local governments more efficient and effective in exercising their public service functions and promoting the common good. This would also call for steering principles by means of which strong local governments have the capacity to fulfil their tasks in the sense of promoting the common good. The following ten key elements need to be taken into account:

1. Local autonomy
2. Financial leeway
3. Local government financial equalisation
4. Multifunctional task profile
5. Horizontal coordination and territorial organisation principle
6. Territorial viability
7. Political legitimacy and articulation capacity
8. Local public welfare function and steering capability
9. Corporate governance
10. Local government-oriented administrative policy.

(1) Local autonomy: A minimum degree of local autonomy is required, including, in particular, fiscal aspects (inter alia, own tax revenues, self-determined use of revenues and expenditure management) in order to ensure that local governments are able to act and perform efficiently. In countries where local governments have pronounced autonomy and a broad range of responsibilities, the local government capacity to act is particularly high. By increasing local autonomy through addressing a number of factors, including aspects of fiscal autonomy as a necessary condition (tax autonomy, functional self-determination, supervisory relationships with higher levels, etc.), political decision-makers can help make local self-government in their respective country more effective as a whole.

(2) Financial leeway: The execution of local government tasks functions particularly well when combined with strong fiscal autonomy and financial leeway. This is the case when the share of own tax revenues in the local government total budget is as high as possible in relation to state allocations, and when these allocations are general rather than earmarked. This is the case par excellence in Sweden (Wollmann, 2008). Swedish local governments levy a self-administered local income tax, the level of which they set themselves and which covers about 70 percent of their total revenues, while the share of earmarked state allocations accounts for less than one-third of the total local government budget. The financial situation of local governments is a key factor determining their performance. Hence, improved efficiency after decentralisation reforms is more likely when the local governments' fiscal situation is favourable and there is financial leeway (Kuhlmann et al., 2011; 2014; Grohs et al., 2013). Conversely, harsh austerity measures and budgetary constraints can render local autonomy meaningless

because local governments have de jure freedom to act but do not de facto have the capacity and resources to fulfil their tasks in the sense of promoting the common good. This applies par excellence to the British local governments, whose autonomy was formally strengthened in the course of new localism. At the same time, however, they were deprived of financial resources, which has also been termed 'austerity localism' (Dagdeviren et al., 2019) and points to a blatant weakening of the local level.

(3) Local government fiscal equalisation: While local autonomy is a basic prerequisite for local government action and performance, decentralising tasks and making territorial bodies more autonomous tends to increase performance differences and regional disparities, depending on the respective socio-economic starting condition of the local units. These differences can become entrenched or more accentuated, which is regarded as problematic for countries with a strong claim to equality (e.g. France), a strong culture of unitarisation and equal treatment (e.g. Germany), and an expansive and redistributive welfare state (e.g. Sweden) (counterexample: Switzerland). This is when fiscal equalisation systems (local financial equalisation) are appropriate to eliminate differences in levels of socio-economic inequalities in the local (tax) financing base.

(4) Multifunctional task profile: Strong, efficient and effective local governments must not only have autonomy and freedom to manage their own affairs – they must also be given a sufficiently broad multifunctional task portfolio to enable them to perform their tasks independently. If possible, this also includes political decision-making rights of the elected representatives over the tasks performed ('genuine' municipalisation/political decentralisation) and which are based on the principle of general competence (in contrast to the British-style principle of *ultra vires*). This multifunctional task profile (multi-purpose model) ensures that local governments can adequately fulfil their territorial steering and coordination function and reconcile potentially conflicting sectoral policies in the territorial area (e.g. economic development versus environmental protection). This horizontal, cross-sectoral territorial steering and coordination function cannot be performed by deconcentrated mono-sectoral state authorities (single-purpose model), which means a strong multifunctional local level is essential from the perspective of holistic territorial steering. Many of the past decentralisation reforms, especially in the Continental European

Napoleonic countries, were directed at strengthening this local government territorial steering function. This has been achieved in many cases, at least where decentralisation has been consistently pursued.

(5) Horizontal coordination and territorial organisation principle: On the one hand, the decentralisation of public welfare tasks helps to strengthen the functional and (partly) political position of local governments. On the other hand, both the basic territorial and capacity requirements relating to these transfers and the specific nature of the task assigned must also be taken into account. Not every task is suitable for transfer to the local government level. Indeed, the less efficient, territorially-viable and politically-controlled the local government is, the more important it is to be critical about which tasks are transferred. Functional, organisational, territorial and political aspects of decentralisation are closely related and unintended negative reform effects are more likely to be avoided if the interaction between territorial, functional and (internal) administrative reform and political-democratic reform elements is considered. Empirical studies in the areas of social services (e.g. social integration measures) and urban planning, for example, have shown that the transfer of public welfare tasks to local governments offers real opportunities to improve performance compared with the state's handling of these tasks (Kuhlmann et al., 2011, 2014; Grohs et al., 2013). According to the principle of territorial organisation (or the 'place-based approach'), however, these must be tasks for which horizontal coordination, direct contact with citizens and local communities, proximity to problems and knowledge of local contextual conditions across policy fields are particularly important. Conversely, achieving economies of scale and a high degree of technical and professional specialisation should be of lesser importance. At the same time, there is empirical evidence that some tasks, especially those with supra-local problem references, external effects, a high degree of specialisation and little direct citizen involvement, are only partly suitable for transfer to local governments (Bogumil and Ebinger, 2020), especially if the necessary economic, territorial and institutional robustness of the local level cannot be ensured (e.g. resource scarcity, territorial fragmentation, personnel/organisational problems). Furthermore, when tasks are transferred from the state to the local government level, these should be accompanied by a transfer of sufficient resources for carrying out

these tasks (principle of connexity). This helps to avoid overburdening and overloading local governments and prevents any consequent deterioration in performance, once the decentralisation reforms are underway.

(6) Territorial viability: To perform an overall local government steering function within the framework of the multifunctional competence profile, local governments must also be able to achieve adequate territorial viability. Particularly in the Nordic countries, the United Kingdom and parts of Germany, territorial reforms have helped to reinforce the operative viability and efficiency of local government (Kuhlmann et al., 2018a). The creation of more robust organisational structures, the improvement of administrative processes, the increase in the administrative and organisational power of local governments and the professionalisation of administrative work are among the central advantages of territorial reforms. However, democratic participation has deteriorated, at least partly, and the savings potentials and efficiency gains resulting from the reforms could not entirely be identified as effects of territorial reforms (ibid.). Moreover, in some countries (e.g. France), legislation providing for the amalgamation of municipalities met with sustained resistance, which in some cases led to reform efforts completely failing. There are a number of variants of intergovernmental cooperation that offer a pragmatic alternative for improving local government efficiency by pooling the individual local government operational capacities and dispensing with amalgamation altogether. To date, however, there are no comparative empirical findings on the extent to which and under what conditions intergovernmental forms of cooperation prove to be as effective as unitary local governments. If we compare the transaction and coordination costs of intergovernmental forms of cooperation, as well as the deficiencies in terms of democratic control, political accountability, transparency and overall municipal steering capability, this pragmatic variant of territorial consolidation is likely to be less efficient than the merger variant. Nevertheless, territorial reforms do not conflict with opportunities for intergovernmental cooperation, which can also help to improve local government performance. In this respect, a flexible mix of different, complementary reform approaches is certainly possible and practical. The corresponding variants will have to be designed differently depending on the task area and taking existing structures into account. Moreover, territorial changes are only accepted by the relevant local

stakeholders if they are accompanied by a corresponding functional upgrading of the local government level. Territorial and functional reforms should, therefore, be accompanied by a strengthening of the local self-government function (keyword: 'genuine' municipalisation). This would offer a real incentive for reform acceptance and effective reform implementation and could also have a positive impact on citizen satisfaction and perceived service quality.

(7) Political legitimisation and articulation capacity: In addition to functional responsibilities, autonomy and territorial viability, strong and effective local governments are also characterised by a high degree of political-democratic legitimisation and political articulation in a multilevel system, such as in the form of participation rights in legislation or access rights to decision-making processes at higher levels of government up to the EU. The transfer of tasks by way of 'genuine' municipalisation (political decentralisation) may also be seen as a step towards a political upgrading of the local governments since the elected local representatives are granted decision-making rights with regards to the tasks transferred. This ensures a high degree of political-democratic accountability and transparency in the execution of local government tasks, which, from a legitimacy perspective, strengthens the local government position and the local political steering capacity. The problem with 'pseudo' communalisation (administrative decentralisation) of state tasks is that it has an inherent tendency to nationalise (and thus politically weaken) local governments. In this case, the local governments are assigned tasks but are deprived of the associated political decision-making and supervision rights, which brings with it problems of legitimacy, transparency and political accountability and must, therefore, be critically assessed in the interests of an efficient and effective local level. There are several other measures that could be taken to strengthen the local government political function, which are applied very differently in the European countries depending on the context and the country's political culture (direct election/deselection of local executives, referendums, consultations, hearings). In principle, these different approaches to democratic and civic participation require that the results of participation be appropriately incorporated into local political decision-making processes and outcomes, otherwise the impression of bogus participation is created, which can further increase citizens' disenchantment with politics.

(8) Local public services function and steering capability: To adequately perform the local public services function, local governments must have effective political and administrative steering capacity. The local actors must, therefore, be in a position to exert influence on the fields of activity and services for which they are responsible, that is, to steer and shape the process and outcome of service production themselves. It has already been shown (above) that this is only partially the case with regards to delegated state tasks ('pseudo' municipalisation). In the case of outsourcing, privatisation and subcontracting (parts) of local services of general interest, which has taken place in many European local governments as part of the NPM reforms, steering and coordination, problems also arise, often combined with losses of political-democratic control and responsibility. The privatisation of local government companies and the subcontracting of services has often given rise to blatant control deficiencies, which has been one of the drivers for the recent remunicipalisation trend and growing phenomenon of 'insourcing' (bringing back in-house the delivery of services such as energy supply, waste disposal, public transport, and, in part, water supply) increasingly observed in some countries. Moreover, empirical research finds that the improvements in efficiency that were hoped for – in addition to cost savings – from the NPM-inspired privatisation movement did not occur in many areas and even led to higher prices and a deterioration in services and working conditions (as is the case in United Kingdom). With regard to the overall local government territorial steering function and public service obligations, the NPM-inspired privatisation reforms, which have been taken up in a particularly radical manner in the Anglo-Saxon countries, but more cautiously in the Continental European and the Nordic countries, should therefore be critically assessed.

The decisions to produce services in-house or outsource them may well differ depending on the tasks that need to be completed and the local context. For example, many French micro-municipalities, which are unable to operate their own public utilities due to lack of capacity, still rely on delegation to private companies or on the state for the delivery of these public services. That is, unless there is an efficient intergovernmental formation for this purpose, which is increasingly becoming the case. Furthermore, there are tasks of lesser strategic importance, which may be only indirectly related to public service provision (e.g. canteen services, cleaning services,

etc.), for which outsourcing is also advantageous from a cost perspective. However, there is a risk that excessive outsourcing and privatisation could result in the organisational and functional fragmentation of local government as a territorial steering body, and erode political accountability and transparency, because the numerous functional satellites (satellisation) and 'vicarious agents' can no longer be effectively controlled. Moreover, the multifunctional steering of public tasks that promote the common good is then increasingly replaced by a mono-functional steering logic that is committed to a wide range of individual sectoral interests. This makes overall territorial coordination completely impossible or, at the very least, very difficult. In this context, responsibilities become less transparent and the political accountability of performance results more difficult to discern, which may ultimately cast doubt on the legitimacy of public task performance from the citizens' point of view since they – as the ultimate principals – have less and less influence on local government activities.

(9) Corporate governance: The various corporate governance and investment management models (Grossi and Reichard, 2008a; Papenfuß and Schaefer, 2017) could help to mitigate overall local government management deficiencies, at least in those areas where the organisational units and companies concerned are 'only' formally privatised, operate independently and are majority/wholly-owned by local government (so-called corporatisation). However, these steering concepts reach their limits when local governments rely to a greater extent on asset privatisation, minority shareholdings and functional outsourcing. In these cases, loss of local steering is generally to be expected up to the point where local governments can no longer carry out their local services of general interest adequately. This is one of the main lessons learned from the NPM movement. It has now triggered a post-NPM trend in a number of local govern-

ments, which in some sectors is leading to a 'return of the public sphere' (Kuhlmann and Bogumil, 2019) and a revival of local government service provision (Wollmann, 2016; Friedländer et al., 2020).

(10) Local government-oriented administrative policy: In the face of new social challenges and increasingly complex problems ('wicked problems'), a strong local level in Europe is essential and appropriate administrative policy decisions are needed. The experience of recent crises (such as the migration and refugee crisis) has proven that the local government level is the most stable and effective in crisis management (cf. Bogumil et al., 2018; Thränhardt, 2020). This is especially the case in countries that have traditionally functionally strong and efficient local governments with tried-and-tested problem-solving and crisis management capabilities (e.g. Germany, Sweden). Strong economies and prosperous countries also tend to have strong and autonomous local governments (Nordic countries, Switzerland, Germany). Whether climate and energy policy, migration or digitisation, associated (global) problems must ultimately be tackled locally, which means efficiency at the local level is paramount if policies are to work. This applies to developing urban transport and mobility policies that are less harmful to human health and the environment, as well as energy policies, such as decentralised power supply and 'smart city' concepts that underscore the strategic importance of cities in shaping the digital transformation. Given that the aim of the New Leipzig Charter is to prepare cities for a sustainable future, (further) increasing the capacity of cities to act and shape their own future is, therefore, a central institutional and administrative policy issue. To meet the key challenges facing the local level in Europe, the highest priority should thus be given to ensuring the functionality, efficiency and future viability of local self-government.

Annex

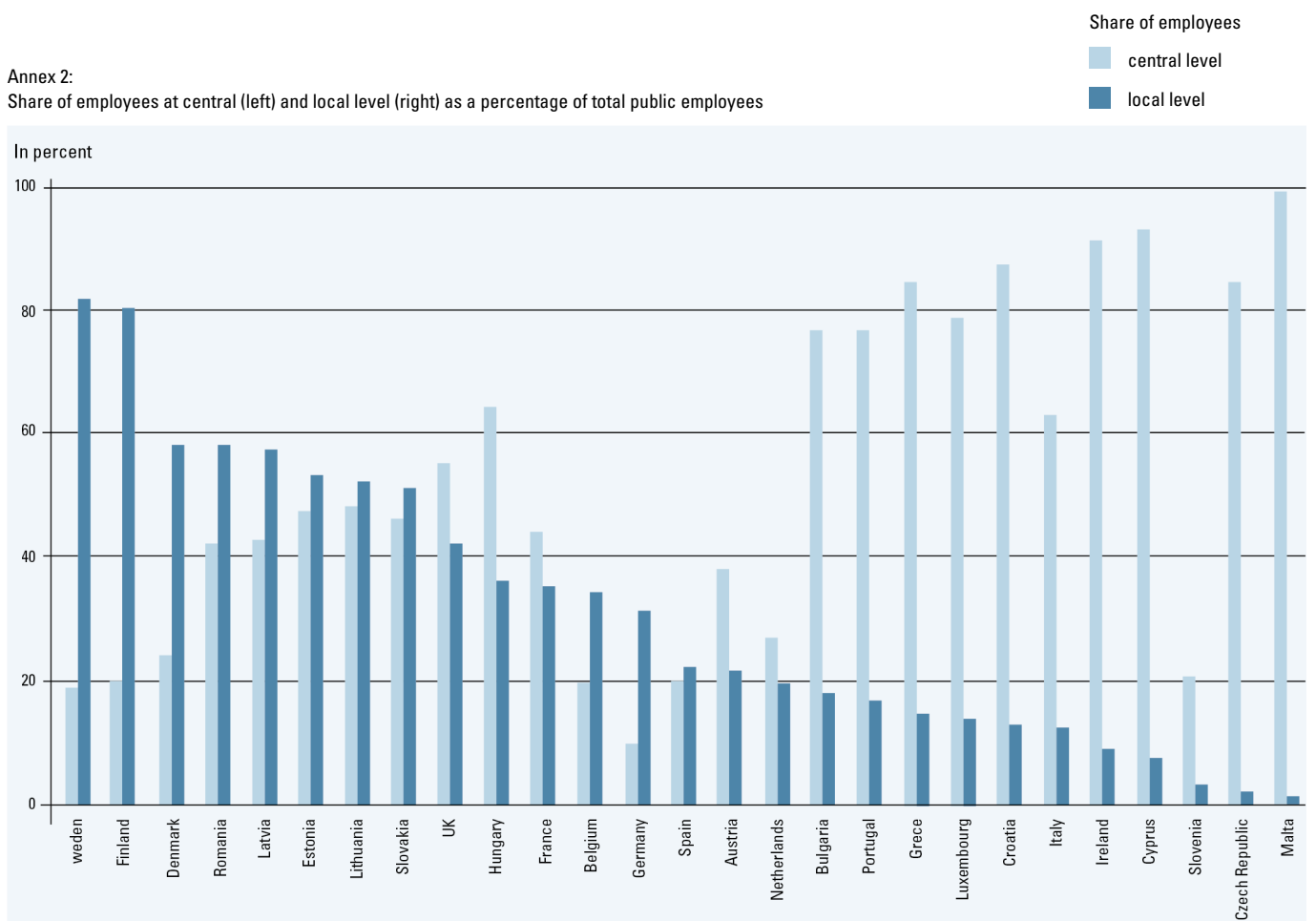
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Annex 1:
Local governments' shares of general government revenue and expenditure in percent

	2007		2008		2009		2010		2011		2012		2013		2014		2015		2016	
	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.	Rev.	Exp.
Belgium	7,7	13,8	7,3	13,5	8,2	13,5	7,8	13,4	7,7	13,4	7,4	13,5	7,2	13,4	7,3	13,3	7,4	13,2	7,5	13,1
Denmark	25,4	62,2	26,1	62,8	27,1	62,4	27,6	61,8	27,3	61,3	27,3	60,2	27,4	61,9	25,8	62,2	27,3	62,2	28,2	63,6
Germany	11,6	15,9	11,6	16,0	11,2	16,0	11,4	15,9	11,4	16,4	11,3	16,3	11,2	16,6	11,0	16,9	11,1	16,9	11,0	17,4
Estonia	3,7	27,5	4,3	26,9	4,8	24,3	5,3	24,1	5,5	24,7	5,4	24,5	5,5	25,6	4,7	24,0	4,5	23,2	4,0	23,2
Finland	25,8	39,5	26,5	40,7	29,1	39,9	29,8	40,1	28,8	40,8	28,7	40,9	29,4	40,6	29,5	40,3	28,9	39,4	28,3	39,3
France	15,4	20,4	15,6	20,5	16,6	20,3	13,5	19,8	15,9	20,0	15,9	20,2	15,6	20,6	15,6	20,2	15,9	19,8	16,0	19,4
Greece	2,6	7,0	2,7	7,0	3,0	7,5	3,0	7,2	2,5	5,6	3,0	6,0	3,0	5,7	3,0	6,6	2,9	6,3	2,9	7,0
Ireland	8,6	18,2	8,9	16,5	7,6	13,0	6,6	8,2	6,4	10,1	6,3	10,0	5,9	9,0	5,3	7,6	5,0	7,7	5,0	8,0
Italy	19,2	30,6	19,0	30,8	17,9	30,6	18,1	30,4	18,5	29,5	19,0	28,7	18,9	28,6	19,1	28,0	19,0	27,8	17,4	27,4
Latvia	19,3	30,0	20,1	31,2	18,5	28,5	19,1	26,3	18,4	27,2	17,7	26,3	18,1	27,3	18,2	26,5	18,3	24,9	18,7	26,3
Lithuania	2,5	23,1	2,8	24,2	3,2	23,8	3,8	26,3	3,3	23,5	3,1	25,8	2,9	23,3	3,0	22,7	3,2	22,4	3,2	22,9
Luxembourg	6,7	11,7	6,6	11,8	6,5	11,6	6,4	11,0	6,4	11,1	6,0	10,5	5,5	10,7	5,4	10,8	5,4	10,2	5,9	10,9
Netherlands	10,4	33,9	9,9	33,7	10,6	33,6	10,2	33,1	10,0	32,6	9,9	31,8	9,4	30,3	9,3	29,7	9,3	31,2	8,9	31,5
Austria	6,2	14,4	6,0	14,7	6,5	14,6	6,3	14,7	6,1	14,6	6,0	14,6	5,9	14,9	6,1	14,7	6,0	15,2	6,5	15,1
Poland	17,6	30,4	18,2	31,3	17,6	31,6	17,6	32,2	17,2	31,5	17,2	30,6	17,0	30,5	17,6	31,1	16,8	30,5	15,4	30,9
Portugal	10,7	15,0	11,0	15,6	11,2	14,8	10,9	14,2	10,8	13,5	11,0	12,7	10,6	13,1	10,4	11,4	10,8	12,1	10,4	12,5
Sweden	33,2	46,3	34,6	47,1	35,0	47,1	33,8	47,0	33,9	48,0	35,2	48,1	35,4	47,9	34,9	48,7	34,1	49,4	34,2	50,6
Slovakia	4,9	16,7	6,0	16,5	4,7	16,4	4,9	17,3	5,3	16,5	5,6	15,8	5,7	15,4	5,5	15,8	5,4	16,4	5,1	15,8
Slovenia	11,8	19,4	11,8	20,5	12,7	20,0	13,4	19,8	13,3	18,6	13,4	19,5	13,2	16,1	12,7	19,6	11,6	18,6	12,6	18,1
Spain	9,7	13,8	10,1	13,3	10,4	13,6	10,5	13,3	10,6	12,1	10,9	10,2	11,0	10,7	11,3	11,2	11,1	11,3	11,0	11,2
Czech Republic	18,0	25,8	18,1	26,0	19,0	26,4	18,4	26,2	18,3	28,4	18,3	25,3	19,0	26,6	19,6	27,3	19,3	26,9	18,0	25,6
UK	9,4	28,4	9,4	27,4	10,3	27,8	9,8	27,1	9,3	26,6	9,4	25,5	9,0	25,2	9,2	24,8	9,1	24,9	9,2	24,5
Hungary	13,8	23,0	9,4	23,1	10,3	23,5	10,7	25,2	11,3	22,8	9,9	18,5	9,9	15,0	9,6	15,7	9,7	15,6	7,4	12,6

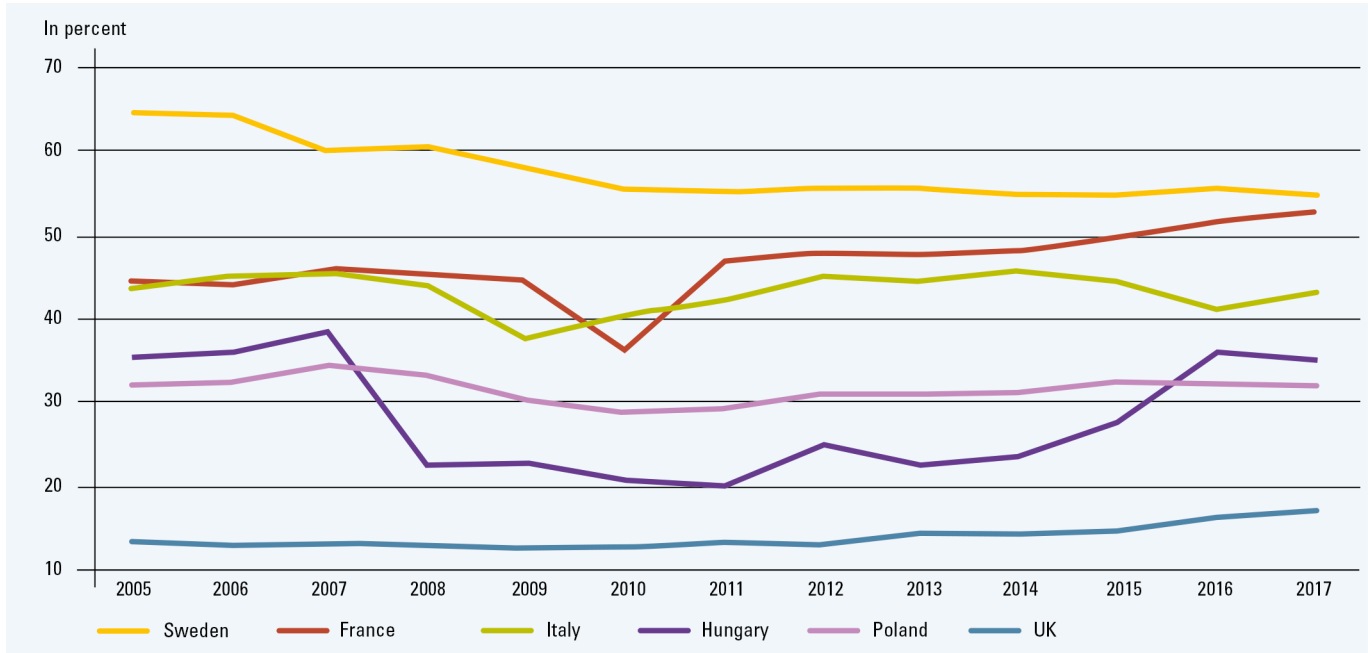
Source: OECD, 2017

Annex 2:
Share of employees at central (left) and local level (right) as a percentage of total public employees



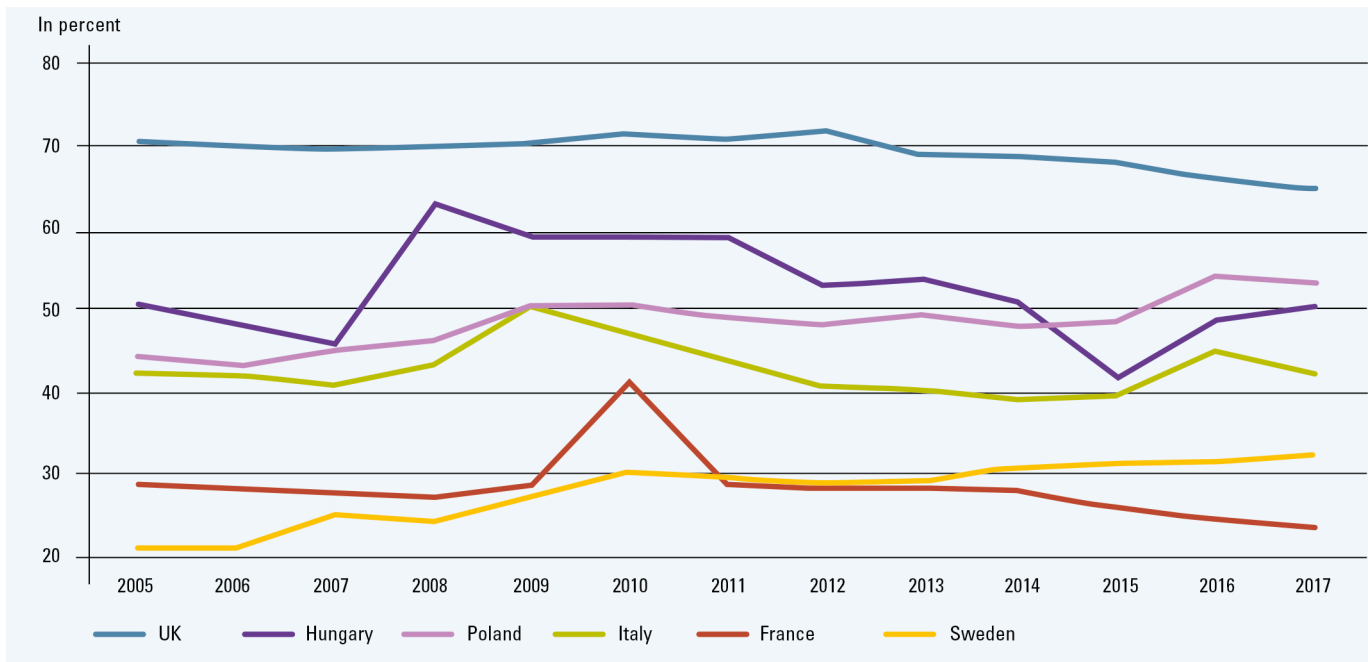
Source:
Figures from 2013 to 2015; following Kuhlmann and Wollmann, 2019 and European Commission, 2018

Annex 3:
Share of tax revenues in total municipal revenues



Source:
International Monetary Fund (IMF), 2017

Annex 4:
Share of central/regional government allocations in total local government revenue



Source:
International Monetary Fund (IMF), 2017

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