



Local government in the EU at a glance: survey analysis

> Working paper

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Table of Contents

1.	Introduction	3
2.	Methodology	5
3.	Survey results	7
>	3.1. <i>Response</i>	7
>	3.2. <i>Challenges</i>	8
>	3.3. <i>Management ideas and -instruments</i>	16
>	3.4. <i>Larger reforms packages</i>	19
>	3.5. <i>Success and problems</i>	21
>	3.6. <i>Main drivers for reforms</i>	22
>	3.7. <i>Reaction of local governments to the global financial-economic crisis</i>	23
>	3.8. <i>Additional financial support for local governments</i>	24
>	3.9. <i>Help from the private sector</i>	24
>	3.10. <i>2.9. Innovative initiatives that could be inspiring for local governments in other countries</i>	24
>	3.11. <i>Conclusions</i>	26
	References	29

List of Tables

Table 1: Response	7
Table 2: Specific national challenges	11
Table 3: Specific regional challenges	15
Table 4: Larger reform packages	20
Table 5: Reaction of local governments to the global financial-economic crisis	23
Table 6: Innovative initiatives.....	25

1. Introduction

In the frame of the Belgian EU-presidency a High Level Meeting on Local Governance (HLM-LG) is organised from September 29th to October 1st. The main theme of the HLM-LG is 'efficiency and good governance'. The 'Policy Research Centre on Governmental Organization in Flanders' (SBOV) was asked to give an input for this meeting. In order to deliver this input SBOV has set up a survey on local government within the 27 EU member states and a number of privileged partners¹. This survey presents a structured and systematic data gathering on public management reforms at the local level and is conceived as a possible starting point for long-term comparative research in the framework of the HLM-LG. On the short term the survey provides a 'state of affairs' on local government reforms in the EU-countries by collecting some key features. On the longer term, the more ambitious aim is to collect building blocks for local government management reforms. Associated with that, the survey can also provide benchmarking opportunities between local governments in the EU and a first step towards a systematic learning process on local government reforms on a strategic level. A final purpose is to deliver input for EU-policies regarding local government. To achieve these ambitions our suggestion is to organise a systematic monitoring in future EU-presidencies based on the survey-results discussed on the 2010 HLM-LG.

The set-up of the survey on local government is inspired by similar comparative research at the national level, particularly the OECD research project 'government at a glance'. The 2005 government at a glance study was launched in 2005 and has proven to be the first step towards a biennial publication providing indicators describing government institutions, structures, inputs and prevailing public management practices in OECD member countries (OECD, 2009). Our survey, however, was organised with very limited resources and under a very strict time schedule. The survey does not aim to produce quantitative analysis, but has a rather broad and qualitative focus.

¹ These partners are: Switzerland, Norway, Iceland, Croatia, the Former Yugoslav Republic of Macedonia and Turkey.

² Seperate surveys were sent out to the 3 regions

³ Dexia (2008), *Sub-national governments in the European Union: organisation, responsibility*

This paper sums up some preliminary findings based on the survey results. The presented analysis is no strict reproduction of the responses, but rather reflects the researchers' interpretation of the survey data. Therefore some elements in the answers may not be fully elaborated yet. In this light it is important to stress that the analysis presented here is only meant as a starting point for a broader debate on local government.

2. Methodology

Step 1: Design of the survey by SBOV

Step 2: Review and additions by Belgian research partners

Step 3: Survey sent to local government contact points in participatory countries

Step 4: processing of the results by SBOV

Step 5: Validation of the results by feedback of participants and discussion panel on HLM-LG

3. Survey results

> 3.1. Response

23 states out of the 33 that were asked to fill in the survey have replied to the survey. The overview of the response at this point is presented in Table 1.

Table 1: Response

Austria	Latvia
Belgium (Flanders, Wallonia and Brussels) ²	Lithuania
Bulgaria	Luxembourg
Croatia	Poland
Denmark	Portugal
Estonia	Slovenia
Former Yugoslav Republic of Macedonia	Spain
France	Sweden
Germany	Switzerland
Greece	UK
Hungary	The Netherlands
Ireland	

² Seperate surveys were sent out to the 3 regions

> 3.2. Challenges

What are the main challenges for local government (in terms of policy and management issues) in the different countries?

General challenges? (e.g. financial-economic crisis)

- A main challenge that seems to be present in all states that are involved in the survey is the impact of the financial-economic crisis on the budget of the local authorities. Statements about a drop in incomes due to the decline in own tax revenues, lower transfers from the central budget and diminishing other grants like EU-funds are recurrent in all countries concerned. Lower income levels seem to lay a heavy burden on the local government budgets, leading to various aims to limit or even freeze local expenditures over a certain period of time. In some cases, local expenditures also come under strain due to national level anti-crisis measures such as an increase in the rate of the value added tax which negatively impacts on ongoing investments in local authorities (e.g. Hungary). On the other hand, it is often difficult to calculate the net effect of such measures because the transferred grants are in most cases also linked to central government taxes. In addition to savings, some states aim to 'optimize' the budget by raising efficiency in local government management. These types of crisis management seem to share the same scope for in one way or another they limit the expenditures to bring them at the same level as the incomes. Only rarely an additional goal is to widen the revenue base of local governments by introducing new charges. An example here is Ireland where new domestic water charges will be introduced. Of course the impact of the crisis varies between countries leading to different degrees of budgetary pressure on the local governments involved (e.g. Poland points at the fact that the impact of the crisis for Polish local governments is not as strong as it is in many other EU-states). Differences may also occur depending on the fiscal autonomy level of local governments. For example France, which has a high percentage of own-source tax revenues (49% of total tax revenue³) points to the fact that the impact of the crisis on local government is limited

³ Dexia (2008), *Sub-national governments in the European Union: organisation, responsibility and finance*, 653 p.

because the local taxes are less cyclical than the central government taxes. Another disparity occurs between local governments within the same country, depending on the level of debt taken by local governments in previous years. What most questioned states have in common, however, is that they stress the importance to sustain a suitable and qualitative level of local public services despite the budgetary limitations.

- Most countries add one or more other challenges in their list of 'general challenges'. These challenges all seem to be limited to either just one state or a specific group of states (e.g. size of local governments). They will thus be discussed under the heading of specific national challenges.

Specific national challenges? (e.g. size of local governments, coordination issues, an ageing civil service)

The answers given under the heading of 'specific national challenges' can be divided into two groups. A first group contains the specific challenges that apply to a specific group of states. After that, a table will present an overview of the remaining challenges that can be framed as truly specific national ones.

- A first specific national challenge that is mentioned by different states is the improvement of overall efficiency of local government management by some kind of efficiency review/programme. This challenge is often closely connected to the financial-economic crisis and could consequently be seen as a more general challenge as well. However because it is not mentioned specifically by each participating country, it is here labelled as a specific national challenge that applies to multiple countries. Different types of efficiency operations occur. Some structural efficiency improvements are mentioned like combining councils and districts in new unitary authorities in the United Kingdom. In other states, efficiency improvement is linked to reorganising local management (e.g. the introduction of new mechanisms for human resources management in Greece and Poland).

- A second specific national challenge that is mentioned by various states is the optimization of the scale of local governments. As can logically be expected, this is a concern in states with small or average-sized municipalities in terms of inhabitants like Luxembourg, Germany, Croatia, Hungary, Estonia, Slovenia, Austria, Switzerland and Spain (all average population of < 10000). Resizing of the municipalities, and promoting inter-municipal cooperation are being put forward as means to tackle this issue. Corresponding with the problem of municipal size, there seems to be a lack of differentiation of rights and responsibilities of local governments in some countries (e.g. Estonia, Slovenia, Croatia and Hungary) leading to unequal quality in service provision. France and Latvia are the exceptions, being the only states with small municipalities that do not mention the size of local governments as a specific challenge. Most of the states with larger municipalities (average of > 10000 inhabitants) do not mention size of local governments as a challenge (i.e. the United Kingdom, Bulgaria, Denmark, Ireland, Lithuania, Poland, Portugal and Sweden). The only exceptions here are the Netherlands and Greece.
- A third specific national challenge is also mentioned by a number of states, namely the ageing of the population in general and the ageing of the civil service at the local level more specifically. This seems to be an issue in mainly West European countries (Belgium, France, Denmark, Germany, Sweden and Switzerland). The ageing of the population leads to additional costs for infrastructure (i.e. rest homes etc.), material support to the elderly and increasing social benefit payments. As to the ageing of the civil service, there are increased pension obligations on the one side and difficulties to replace employees on the other side, as the younger generations are smaller than the older generations.
- A fourth specific national challenge that plays a role in some countries is the decentralisation process. This is the case in France, Greece (introduction of new two-level self-government), Bulgaria, Poland (introduction of three level territorial division), Slovenia (creation of regions) and the Former Yugoslav Republic of Macedonia.
- Table 2 gives an overview of the remaining specific national challenges that seem to fit more genuinely in this category as they

are more or less restricted to one single state. This table also contains some of the challenges that were framed as ‘main challenges’ but could not be classified in one of the abovementioned categories.

Table 2: Specific national challenges

Belgium	<p>Sectoral issues: Mobility problems, diversity and integration, safety, environmental protection and energy policy</p> <p>Police and civil security reform</p> <p>Local authorities share in central government debt</p> <p>Keeping qualified staff in certain policy areas (e.g. health services)</p> <p>Free market pressures on public (utility) services</p> <p>State reform</p> <p>Accounting system norms affecting investments</p> <p>Future of urban policy</p> <p>New charges in Brussels</p>
Bulgaria	<p>Overcoming low electoral activity</p> <p>Improvement of the normative framework of the local government</p> <p>Development of municipal administration’s capacity</p> <p>Encouraging cooperation between municipalities</p> <p>Application of good governance principles</p> <p>Studying opportunities for improved administrative and territorial structuring of the country</p>
Croatia	<p>Joining the European Union (adjusting national legislation, implementing economic reform and strengthening administrative capacities)</p>
Denmark	<p>Quality improvement (including organisation and management, debureaucratisation, labour-saving technologies, management and employee development, increased free choice between public and private service and development of user satisfaction surveys)</p>
France	<p>Control of expenditures</p> <p>Proliferation of standards</p> <p>‘Toxic’ credits</p> <p>Renewal of the institutional frame for local authorities</p> <p>Eliminating overlapping of structures</p> <p>Creation of metropolitan areas</p>

Former Yugoslav Republic of Macedonia	<p>Fiscal decentralisation</p> <p>Improvement of the normative framework for financing local self-government</p> <p>Systematic strengthening of the capacity of local self-government units</p> <p>Continuous deepening of the existing partnership between all stakeholders</p>
Germany	<p>Increasing social benefit payments</p> <p>Smaller administrative units and local co-operations</p> <p>Administrative reform on local and regional level with the aim to optimize number and fulfillment of the public responsibilities and create more efficient sizes for management units.</p>
Greece	<p>Elimination of bureaucracy with the aim of combating corruption</p> <p>Diffusion of development policy within regions and cities</p> <p>Enforcing transparency and publicity in all actions of the local government regarding budgetary discipline</p> <p>Definition of competences and coordination between different levels of government</p>
Hungary	<p>Utilizing EU-funds more efficiently</p> <p>Nursery school building</p> <p>Weak counties</p> <p>Difficult and opaque financial system of local governments</p>
Ireland	<p>Environmental issues</p> <p>Coordination between different levels of government</p> <p>Coordinated policies</p>
Latvia	<p>Comply with the Maastricht rules</p> <p>Change of the budget system</p> <p>Tax system change</p> <p>Sectoral goals: social exclusion, poor quality of education, higher employment and inadequate infrastructure</p>
Lithuania	<p>Abolishing County Governor institution and administration</p> <p>Transparent and efficient using of EU Funds support</p>

Poland	<p>Development of agglomerations and metropolis</p> <p>Act on local government employees</p> <p>Supporting less economically developed areas</p> <p>Regional specialisation</p> <p>Development of IT and communication techniques</p> <p>Development and modernisation of roads</p> <p>Reinforcement of the civic capital and supporting the civil society</p> <p>Debt of local governments</p> <p>Ensure accessibility to EU structural funds</p> <p>Transformation of multi year programmes and local strategies into an effective management tool</p> <p>Gap between verbal acceptance of modern management ideas and the practice of administrative routine</p> <p>Weak involvement of civic society and low levels of trust in local societies</p> <p>Limited access to public e-services</p> <p>Too small scale use of renewable energy by citizens</p> <p>Problems in building partnerships between local authorities and third sector</p> <p>Develop a model of multi-level cooperation between enterprises, public institutions and the financial sector</p> <p>Increase the cooperation between local and national governments</p> <p>Complete the process of decentralisation</p> <p>Coordination problem between local authorities and regional offices of the central governments</p>
Portugal	<p>Education (decentralization of competences, renewal and construction of educational facilities etc.)</p> <p>Territorial planning</p> <p>Environmental protection</p> <p>Size of parishes (infra-municipal level)</p> <p>Public services restructuring</p> <p>Civil service labour legislation</p>
Spain	<p>Coordination amongst different levels of government</p>
Sweden	<p>Unemployment in some rural areas and cities with many immigrants</p> <p>Urbanization</p> <p>The number of county councils</p> <p>Creating one stop shops</p> <p>Deepen the cooperation between state agencies and municipalities</p>

Switzerland	Keeping the high quality of life in cities and municipalities Keeping social system and economic system in good balance Social: Creating residential areas, keeping housing prices on a reasonable level, social cohesion and migration Economic: Staying on the highest level in the core economic branches, dependence on financial center, promotion of other branches with high value added Environmental: Sustainable development (transformation by the “2000-watt-society”) Organisational: Improving cooperation within Metropolitan area and within the hinterland, strengthening interests on national and cantonal level (weak political status of cities in Switzerland; financial compensations) Physical: Lack of availability of land to build/expand on
UK	Localism Collaborative working (shared services etc.)
The Netherlands	Urban development Regional and intergovernmental cooperation Number of government layers

**Note: Those countries that filled out the survey, but are not listed in the table did not specify additional specific national challenges*

Specific regional challenges? (e.g. size of local governments, coordination issues, an ageing civil service)

Various states sum up specific regional challenges. Some of these challenges relate to the general challenge of the financial-economic crisis (e.g. reduced resources on the regional level) or to broader national challenges (e.g. decentralization process, intermunicipal co-operation etc.). The specific regional challenges are presented in Table 3.

Table 3: Specific regional challenges

Belgium: Flanders	Implementation of multiannual strategic planning system Lowering planning obligations Regional 'state' reform: division of tasks between region, provinces and municipalities and increasing cooperation Redistribution of resources between local authorities to maintain and increase their governability
Belgium: Brussels	Establishment of local governance plan Establishment of social charter Integration of European directives in the regional legislative body
Bulgaria	Optimization of the functional competence of the district governor for coordination of the sector policies at regional level Exploring the opportunities for introduction of a second level of governance
Belgium: Wallonia	Definition of a strategic planning instrument Reinforcing local administrators capacities (including creation of public administration school)
Croatia	Unequal development of regions
Denmark	The abolition of the counties and the establishment of regions and larger and stronger municipalities have provided an opportunity to reform health services
France	Equalisation between regions Creation of metropolitan areas in border regions
FRYOM	Regional development
Germany	Gap between urban and rural areas Structurally weak regions Heterogeneous demographic development
Greece	Definition of competences and coordination between different levels of government
Hungary	The lack of a strong middle level with substantial duties (counties)
Ireland	Deepen regional cooperation Reduced financial and manpower for the regions Introduction of a directly elected mayor for the Dublin Region
Latvia	Obtaining of EU-funds
Lithuania	Internal decentralisation of the municipalities

Poland	Supporting less developed regions Development to EU average Promotion of the region Socio-political education Integration of the local community and creating civil society
Portugal	Association of municipalities Regionalisation bypass (negative response in a national referendum to regionalisation process)
Sweden	Urbanization Commuting problems
Switzerland	Regional governance Spatial planning
The Netherlands	Demographic change Cross-border cooperation

**Note: Those countries that filled out the survey, but are not listed in the table did not specify additional specific regional challenges*

> 3.3. Management ideas and -instruments

What are the main new management ideas, instruments and tools (NPM - post-NPM) introduced in local governments in the various countries in the period 2000-2010

One could expect that the many (different) challenges have provoked a multitude of local government reforms in the past decade as well. In the following paragraph we will briefly summarize the given answers by running through the surveyed categories of reforms⁴. We will not provide a complete analysis, but we will rather sketch the broad lines by giving some examples for the different types of reforms.

Personnel management/HRM? (e.g. performance-related pay systems, integrity/public value management, gender & diversity initiatives)

Most countries share a focus on personnel management reforms that aim to increase performance of local government staff in one way or another. Examples are obligatory tendering, performance-related contracts, performance-related remuneration, performance management and

⁴ The included categories are: personnel management, financial management, quality management, organisational management and structure, strategic planning and performance management, e-government, partnerships and citizen participation.

development, training and development of staff, result-oriented evaluation of employees, incentives based on achievements, promotion depending on the achieved results and sanctions or dismissal in case of incompetence. Other reforms that are mentioned by the participating countries include issues like cooperation between the political and the administrative sphere, career mobility, diversity, representation of minorities, gender balance, ethics in local civil service, health at work and appreciative leadership.

Financial management? (e.g. accrual budgeting, performance audits)

Financial management reforms seem to be driven mainly by the need to cut expenditures and improve performance. Examples are limiting local public debts, computerizing financial administration, multi-annual financial planning, accrual budgeting, activity based budgeting, global budgeting, double accounting, performance indicators, performance reports, internal and external performance audits, quality assessments and the introduction of 'value for money' tools. Other financial management reforms include decentralisation of public finances, transparency of budget information and specific financial crisis related measures like local government loan guarantees by central government and in some cases the introduction of new charges.

Quality management? (e.g. use of common assessment framework, business process reengineering, development of new quality models)

Quality management reforms that can be found in the survey answers include the introduction of international corporate quality models like ISO and CAF, business process re-engineering, quality contracts and service indicators.

Organizational management - structure? (e.g. introduction of project or matrix structure, agencification)

Organizational management reforms present a great diversity. Examples of organizational management and structural reforms that can be found in the answers are mergers of municipalities, creation of metropolitan areas, decentralization of tasks to local governments, internal centralization of supportive management within municipalities, 'one stop shops', increased organizational flexibility, lean management principles, administrative

consolidation, agentification, promoting competition in the public sector, creation of a single mandate, cooperation between sub-national authorities and the introduction of multi-level governance.

Strategic planning & performance management? (e.g. benchmarking initiatives)

Examples of strategic planning and performance management initiatives are setting of real prices for certain services (comparability), benchmarking instruments, quality awards, best practice contests, (frameworks for) strategic plans/programs (cf. corporate plans, business plans,...), mixed strategic policy committees, management information systems, negotiations between state and local governments on the local governments budgets and changes in resource allocation terms.

E-government? (e.g. e-tracking for applications & services)

Most e-government reforms aim to augment collaboration within the administration, to lower bureaucracy and to raise accessibility of local services to citizens. Therefore these initiatives seem to fit in the New Public Management idea of building government services around citizen choices. E-government reforms that can be found in the survey responses include standardization of processes, application of broadband services, use of ICT tools, introduction of workflow systems, creation of websites and portals, information sharing between different government levels and initiatives intended to create (sectoral) electronic administrative services (24/7) agencies. It is important to note that in some states e-government reforms depend on the installation of fibre-optic telecommunications in municipalities. This is of course a prerequisite to the implementation of many e-government reforms.

Partnerships? (e.g. PPP, new intergovernmental collaborative structures)

Examples of reforms in the field of partnerships include the establishment of acts on the regulation of public-private partnerships and/or central level funding for local government PPP's. The central support for PPP is basically intended to raise efficiency in local government, to ensure long term local investments in certain sector policies and/or to realize urgent or complex projects in the most optimal conditions (e.g. schools, hospitals etc.). PPP

structures seem to occur in different policy fields, like utilities, road infrastructure, waste management, healthcare, economic development etc. In some countries market liberalization has an impact on existing participations of municipalities in energy production and distribution companies. Another important kind of partnership is the inter-municipal cooperation and the creation of joint local administration offices. These reforms are often intended to produce more efficient, effective and economic service provision through economies of scale. Examples of other partnerships are multi-level discussion forums. Finally some reforms under this label have a more country-specific scope. Examples of these are guidelines in Estonia to cooperate with the non-profit sector, cooperation between Ireland and Northern Ireland in Ireland, intergovernmental collaborative structures in Portugal, cooperation with foreign communities in France and regional structures for horizontal and vertical cooperation in Switzerland.

Citizen participation? (e.g. citizen budgeting, consumer panels)

Reforms to raise citizen participation seem to vary from more passive forms of participation like complaint handling and the use of different kinds of communication, to more active forms like citizen budgeting, user committees/customer panels, surveys, hearing processes, referendums, opinion polls, popular initiatives consultation platforms and initiatives, discussion panels, cooperation with voluntary social associations, local plebiscites, petition rights, and town hall meetings.

> **3.4. Larger reforms packages**

To what extent are the abovementioned initiatives framed in larger reform packages/initiatives (e.g. 'Neues Steuerungsmodell' in Germany, 'Best Value' in the UK) ?

Table 4 sums up the larger reform packages. In different states, all or at least some management reforms are framed in larger reform packages. In the table we have displayed a number of reform programs together with a set of legal initiatives and acts which are related to local government reforms. At this point we can not assess if these legal acts and documents are broad reform programs or more punctual initiatives. This needs to be

elaborated further in a later stage. Most of the programs listed in Table 4 seem to be developed quite recently.

Table 4: Larger reform packages

Austria	New budget law (title not specified)	
Belgium: Flanders	Internal 'state' reform	2009
Denmark	Local Government Reform Quality Reform	01/01/2007 2007
France	Acte 2 de la décentralisation	2004
Former Yugoslav Republic of Macedonia	Programme for Implementation of the Decentralisation Process - PIDP 2008 -2010	2008
Germany	Neues Steuerungsmodell (NSM)	Early 1990's
Greece	Kapodistrias Program Kallikrates Program Thisseas Program Ellada Program	90's 2010 2010
Ireland	Transforming Public Services (TPS) Programme	2008
Poland	elektroniczna Platforma Usług Administracji Publicznej (ePUAP)	28/03/2007
Lithuania	Strategy of Lithuanian Public Administration Development till 2010 Law on public administration Program for promoting partnership of Public and Private Sector (2007-2010) Conception for the Internal Decentralization of the Municipalities	2007 2007
Portugal	Public Sector Reform Package	
Spain	Plan Moderniza 2006-2008	
Sweden	National responsibility and international commitment: A national strategy to meet the threat of terrorism Dialog on shared values	2007 2009
UK	Big Society	2010

The Netherlands	Wet dualisering			2000
	Nationaal	Uitvoerings	Programma	2010
	dienstverlening en e-overheid (NUP)			
	Programma	Krachtig	Bestuur	2008
	Code interbestuurlijke verhoudingen			

*Note: Those countries that filled out the survey, but are not listed in the table did not specify larger reform packages

> 3.5. Success and problems

To what extent are the abovementioned initiatives implemented successfully? + Question 5: What are the main problems encountered in the implementation processes of the abovementioned initiatives?

Most of the countries involved pretend that all or at least some of the reform packages are introduced successfully. They point at the fact that the reforms are being implemented (through legislation, new structures etc.) and seem to foster certain beneficial effects on local governments. However, we have to be careful in our conclusions here because most reforms have been developed quite recently and are thus still in a pilot stage or were not subject to a systematic evaluation yet. As to the possible problems, it seems that not all states have encountered major difficulties in the implementation process. Those who did, point out various issues that may have impeded on a successful implementation of local government reforms. Examples of these issues are the number of reforms and the tight schedule for implementation, the need for high implementation efforts (e.g. training, expenses,...), legal obstacles, institutional shortcomings, lack of information and know-how little openness of local authorities to reforms, bureaucratic impediments, lack of experience with new instruments (e.g. quality models), lack of financial and human resources, lack of staff competence, political disagreement, lack of political support, insufficient change management, lack of willingness of stakeholders (including governments) to cooperate, lack of initiative and vision, little confidence between different government levels or between public and private sector, implementation delay due to decentralized implementation responsibilities, mismanagement and even corruption. An additional problem that may occur is the need for follow-up reforms because of a raise in expectations due to the deployment of the reforms.

The implementation of reforms can differ heavily between different regions and local authorities. This is especially the case in countries with an unequal economic and social development, which is the case in Croatia for example.

The financial-economic crisis seems to play a paradoxical role. On the one hand it poses new challenges to both local and central governments and by that way speeds up some reform programs (e.g. budget cuts, efficiency gains etc.). On the other hand however the crisis seems to hamper at least some of the reforms (e.g. performance pay) because of budgetary restraints. In a more indirect way the crisis also causes reluctance of undertaking investments by the private sector and individuals, which poses an obstacle to local government PPP's.

> 3.6. Main drivers for reforms

What were the main drivers to introduce the abovementioned reforms?

There seems to be a variety of drivers introducing the aforementioned local government reforms. Some of these drivers can be found in different states. A main driver is of course the financial-economic crisis as the limitations it puts on the local budgets often incites reforms or provides incentives to speed up an existing reform program. This can also be an indirect effect, for example by means of a greater demand in public investments to boost the economy. Next to this EU-regulations, demands for reforms by local governments or other actors (e.g. voluntary organizations) growing expectations and demands by the public, the general need/goal for more efficiency, more effectiveness, more quality, more accessibility and more customer orientation in local government are all important drivers to local government reforms. Other drivers seem to be rather specific to one state. This is of course connected to the various specific national (and even regional) challenges that we discussed earlier. Some states simply refer to these challenges as the main drivers for the reforms. Some are defined more precisely such as the need for modern infrastructure in Poland and the support of European Union structural assistance and the introduction of rural internet access point in Lithuania.

