

Fifth Inter-American Conference of Mayors
"Building Effective Local Governments:
Lessons from throughout the Hemisphere"
Miami, Florida - June 2, 3, 4, 1999

STRATEGIES FOR EFFECTIVE MUNICIPAL DEVELOPMENT AND SERVICE DELIVERY

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Sweden is a constitutional monarchy with a parliamentary democracy. Sweden's 289 municipalities vary widely in size, from Stockholm, the capital, with a population of about 680,000, to Bjurholm, with 3,000 residents.

Municipalities enjoy considerable autonomy and far-reaching powers of their own. The constitution established the principles for local self-government, which creates the opportunity for citizens to take part in the local decision-making process and local administration via elected representatives to municipal and county councils.

Municipalities have the right to levy taxes and determine tax rates. The municipal tax is a flat tax in which the same percentage of income is paid regardless of level of income. The average tax rate is 32 per cent (including county council tax), but it varies from 26 to 35 per cent.

Central-Local Government Relations in Sweden

Historically, the management of local governments has been beset with contradictions in policy implementation, plagued by limited capacity and inhibited by significant financial constraints. Every county and municipality has had to chart a course suited to its circumstances and realities. Recent central government commitment to decentralisation policy has been essential. But even more important have been policies that reflect the reality that local governments are the foci of development, are needed for effective governance and are central to the promotion of participatory democracy. This is only possible if local government is independent in relation to the central government, both financially and functionally, and is managed efficiently, effectively and productively.

The greater degree of delegation, the transfer of certain responsibilities from central government to local government and the trend of contracting out operations to the private sector have been very positive.

There is a need to co-ordinate different welfare systems based on the observation of overlapping objectives and target groups in different systems. The present systems, taken together, have a complex structure that is difficult to grasp. Differences in rules and responsibilities for different systems carry the risk of inefficiency, misuse and difficulties in exercising controls.

Since the municipalities took over the full responsibility for activities in the school area in Sweden, efforts to decentralise responsibility to individual schools have been taking place. The reason is mainly to achieve better adjustment to prevailing conditions in each school's catchment area and thereby achieve greater effectiveness. Central government grants to the school activities of municipalities are part of the general grant to municipalities. This means that there is competition for funds between the various activities of the municipalities. In a large number of studies made of the schools area it is pointed out that many of the problems identified in the schools would be rectified if the individual school were given greater responsibility for its work. The more active pedagogical development work, which was intended to follow greater freedom of action and greater local responsibility, has hardly been realised.

The teachers are expected to be the driving force in the goal-oriented process of change taking place in the school. However there are tendencies to weaknesses in the professional position of teachers in this process. There are many examples of this in the education committee's general picture of the problems: the authority of the school and the teachers is often felt to be questioned, demands are being made that students and parents should have more influence and that the school should be open to local society, the governmental controls have often been replaced by equally detailed local controls and so on.

The delivery of public services in Sweden is organised as follows:

- * **Garbage collection/waste management**
 - Local government responsibility
 - Increasing contracting out to private-sector/employee co-operatives
 - Financing: through general municipal revenue and user fees

- * **Health care**
 - General policy-making by central government
 - Preventive and primary health care: local government
 - Curative/medical care/specialised hospitals: regional government (the counties)
 - Growing private sector involvement in medical care
 - Financing: mostly through general revenue/low recovery through user fees

- * **Education**
 - Pre-school and primary school: local government/private sector
 - Secondary school: local government/private sector
 - Higher education: central government/private sector
 - Financing: general revenues/low recovery through user fees

- * **Social welfare (including child care and care of the elderly)**
 - General policy-making: central government
 - Implementation: local government
 - Provision: public and private service providers
 - Financing: mostly by local government, partly by contributions/social insurance and user fees

- * **Water supply/sewerage**
 - Capital projects: special agencies and local government
 - Growing participation: private sector
 - Operation/maintenance: municipalities/special agencies
 - Financing: full cost recovery for operation/maintenance by user fees but low or no recovery towards capital costs; capital works financed by grants/loans

- * **Roads and streets**
 - Local roads and streets: local government
 - All other: central government
 - Financing: central government, limited subsidies by local government

- * **Public transport**
 - Railway track system: central government
 - Railway traffic responsibility: central or regional government

- Railway traffic operation: mix of private and public operators
 - Airports: central government and municipalities
 - Airline companies: private
 - Long distance buses: private
 - Regional transport services: counties and municipalities in co-operation with private operators
 - Financing: Fees, with the exception of subsidies to regional transport services and the railway track system (limited)
- * **Emergency services**
- Legal/regularity framework: central government
 - Enforcement: regional / local government
 - Operations: mix of public and private operators
 - Financing: general municipal revenue
- * **Housing**
- Mostly private sector
 - Central and local government involvement to some extent
 - Financing: capital projects through loans/housing funds/central grants; maintenance through recovery of rents/local government revenues
- * **Environmental and health protection**
- Legal/regulatory framework: central government
 - Enforcement: local/central government
 - Financing: general central and municipal revenue
- * **Streets and parks**
- Local government
 - Financing: general municipal revenue
- * **Physical planning and building**
- Local government
 - Financing: general municipal revenue

Decentralisation to the Municipalities

The Swedish welfare state is, to a larger extent than ever before, run and administered by the municipalities. Municipalities have also been allowed somewhat greater flexibility in organising municipal services. Many municipalities have used this freedom to initiate far-reaching changes in administration and management. Often, however, the actual services, such as schools, child-care, and care of the elderly, have not been subjected to equally drastic reforms. One reason for this is that the central government continues to regulate many aspects of municipal services.

During recent years the central government has withdrawn from many of its commitments that were previously believed to be central elements of a functioning welfare state. For example, full employment, sound financing of social services, and monitoring and safeguarding quality in social services was once considered to be guaranteed by the state. A central question is therefore, to what extent municipalities can fill the gaps, and thus help to

maintain quality and security in the welfare state. This concerns the municipalities' ability to face this new challenge, and thus seize control over their own future.

There is a long tradition of local decision-making in Sweden. The central government directs local government by framework legislation. The municipalities have the right to levy taxes and determine the size of the tax rates. In Sweden local government provides most of the community services. Local governments are responsible for more than 2/3 of the total public consumption. Decentralisation and Management by Results are the currently dominant organisational principles. The lessons of experience to date indicate that this will continue to be the case, which means an ongoing decentralisation from the central level to the local level and also an ongoing decentralisation within the agencies and the municipal bodies.

The relations between central and other levels of government are an ongoing and increasingly important consideration in Sweden. As a country's income grows, the amount of its social services usually increases. This is because governments very often need to do more in those areas where markets alone cannot be relied upon. Above all, in Sweden this has meant investing in education, health, childcare and care of the elderly and disabled; the building of social, physical, administrative, regulatory and legal infrastructures of better quality; the mobilising of resources to finance needed public expenditure; and the providing of a stable macroeconomic foundation. There has been an important change in attitudes in all governments, including local, to define these issues as investments for a more positive and prosperous future.

The demand for public accountability has often meant that many government service programs focus upon issues of "value for money". Today, an increased orientation towards the market, performance-linked incentives and new management information systems have meant that government operations have begun to attempt to adapt more rapidly to changing needs. Performance management strategies, which involve a shift from traditional procedural approaches to a more results-oriented culture where priority is given to outcomes, are being increasingly introduced into the public sector. The aim is to move from a mode of operation based on ex ante control of resources, extensive regulation to prevent abuse and ex post inspection to insure compliance with legal standards, to continuously monitored service delivery and management with accountability for results in all dimensions of performance (economy, efficiency, effectiveness, service quality, financial performance).

In the process of decentralisation - that is to say, the redefinition of structures, procedures and practices of governance to be closer to the citizenry - the importance of a general sensitisation of the public and a heightened awareness of costs and benefits, especially for direct stakeholders, both at the central and local levels, has to be emphasised. We would like to underscore the necessity to understand the process of decentralisation from such a perspective, instead of seeing it in the oversimplistic, and ultimately inaccurate, terms of a movement of power from the central to the local government. The reality is that government capacity is not a simple zero sum game. In fact, the Swedish experience shows that strengthening local government inevitably requires, and produces, enhanced capacity at the centre as well.

Any significant reform effort - at the central or local level - will require the involvement and support of top political leadership. The role of politicians in the making of policy and the initiating of reform is always complex and involves the task of representing many legitimate interests while resolving potentially destructive conflicts of interest. Development of

democratic forms to accommodate this need is an important issue at all levels of government and even in the private sector. Multiple interests must be brought into a participatory policy-making process, without jeopardising the capacity to govern. In Sweden we have experienced that a market economy is a sensitive organism that requires a firm, stable democratic system in order to thrive and achieve its potential. Local self-government creates a link between the central government and civil society, which in Sweden has provided the basis for the effective building of democracy and the most strategic use of the society's resources. Consequently, well-established local democracy in Sweden has been a prerequisite for building a stable productive society.

These efforts need to be woven into a framework in which the central capacity to govern is enhanced - especially in the face of globalisation; where an appropriate balance is struck between central direction and local discretion; where the interests of many policy actors are considered; and where democratic accountability and openness is insured and protected. Traditional public sector values of neutrality, integrity, and equity must also be married with today's demands for value-for-money and quality of service.

Therefore, the challenge facing both central and local governments is to gain or re-gain political strength by being more explicit when defining goals and more consequential in achieving them. Quality improvement and cost-effectiveness should be encouraged by using market mechanisms when and where appropriate. Only by applying these strategies can central and local governments solve the dilemma of assuming a new relevance through simultaneously juggling the complexity of protecting stability and consensus while seeking to achieve significant change.

Today, in Sweden and throughout the world, there is a broad-based movement towards greater decentralisation. At the same time, however, there is still real debate about whether decentralised governance can be an effective means of achieving the critical objectives of sustainable human development; improved and more equitable public access to services and employment; increased popular participation and enhanced government responsiveness. Consequently, there is an increasingly urgent need to review the structure and processes of central and local governance in the light of the growing recognition that good local governance is a sine qua non for improved central governance.

Mobilisation of Financial Resources in Local Government

In Sweden and many other western countries the Constitution has laid down the principle that local governments are entitled to levy taxes. They have also the right to increase the tax rate to meet citizen demands for services. Indeed, self-determination by local authorities as regards the raising of revenue is a corner stone in the building of strong and effective local self-government.

In many non-western countries local governments possess either no, or very limited, revenue raising capacity. This makes them very dependent upon their central governments, either to set local tax rates or to transfer funds to support various local activities. Such dependence greatly limits the capacity of local governments to meet the needs of their citizens. Consequently, the highest priority in Sweden in terms of strengthening local governance has always been the development of independent revenue raising and taxing capacity.

Another rapidly emerging issue in many transitional countries is the right of local governments to incur debt by taking loans. This option has been available to local governments in Sweden for many decades. In the past this was governed by special legal regulations that were very limiting. Now local governments are free to borrow money without any permission from the central government. In about 10% of the municipalities the possibility of borrowing has led to financial problems. In a couple of cases the central government has had to save the local government from bankruptcy through the awarding of special grants.

The most critical issue for local governments however is having ready access to the resources needed to finance necessary programs and service delivery. In Sweden, local income tax accounts for 63% of municipal revenues, general state grants 11% and special purpose grants 5%. User fees account for most of the remaining 21% of local income. Municipal power stations, garbage collection, water and sewage are fully financed by user fees.

In Sweden, the relationship between central and local government has come to be based on "the financing principle". That means that Parliament voluntarily limits its own ability to impose new expenditures on the municipalities and county councils without simultaneously giving them ways of financing other than through higher local taxes. Parliamentary decisions that lead to declining expenditures for the municipalities, or indirectly increase their tax revenues are also meant to be neutralised by corresponding changes in central government grants.

In Sweden the local governments impose the largest income tax, which is the opposite of the case in many developing and transitional countries where almost all tax rates are decided by the Parliament. The continuing development of the financial system, combined with the negotiation of revenue systems between central and local governments, represent very significant ongoing political debates in Sweden.

Many countries collect a third or less of what is due in revenue compared to Sweden, which collects approximately 95%. For some decades Sweden has been reforming its tax policy, with a view to broadening the tax base, reducing exemptions and changing tax structures to make them more progressive. These efforts in themselves, however, are frequently insufficient to increase revenues unless tax administration is also improved. Substantial additional efforts are needed to increase voluntary compliance, identify taxpayers, assess tax obligations, reduce evasion, upgrade management procedures, improve the audit and adjudication of tax disputes, reduce corruption, improve training and increase transparency through computerisation. In all these matters we believe that many countries have much to learn from the Swedish experience.

In many developing and transitional countries reforms of the tax administration system have focused mainly on institutional and administrative upgrading. The issue of how to create efficient, accountable and transparent tax-collection systems has been a major issue in Sweden. Emphasis has been put on giving greater technical support to the existing institutions and this work is still not finished.

Quality of Service

Discussions regarding quality within the public sector are often carried out in two completely different dimensions. On the one hand, there is the discussion and evaluation of the quality provided to customers and, on the other hand, there is the discussion and evaluation of the result which is provided in relation to the fulfilment of the goals set by and for the government. Even if the goals set for the government are identical to the customers' needs, and they often are, it is necessary to separate satisfying customers' needs from the institutional and political demands made upon the government.

Public services are always provided within a politically defined framework. This framework is determined by the extent to which the services are in demand and the extent which they will benefit the community. Of relevance will also be whether a fee or tax that can be levied will provide the necessary resources for achieving the goals that the services should fulfil. It is therefore possible that the fulfilment of goals set by or for the government can, ultimately, lead to conflicts in respect to quality for a citizen/customer. For example, the goal of equal treatment for all is often in open conflict with the individual's perception of quality. Similar conflicts can arise between employees' professional opinions and the goals established by politicians or between the citizen/customer's needs and the employees' professional opinion. Therefore, the further development of effective citizen oriented management within the public sector, is not about the strengthening of detailed political control of activities, but rather the creation of management mechanisms that clarify roles and responsibilities, and which also provide room for dialogue and discussion.

Public sector service delivery must seek to achieve a balance between the interests of the citizen/the customer, the professional ambitions of the staff and the interests of the general public/the taxpayers. A balance of this kind requires that the service consumer be able to influence and/or choose the service provider, that personnel be able to affect the image of their respective activities, and that the political leadership's goals have an impact on activities. Experience gained to date in Sweden indicates that far-reaching decentralisation, combined with an active follow-up of goals to establish how they are applied to working methods, can create the basis for a balance of this kind.

Citizen Charters are also being discussed, with an emphasis on commitment, quality, choice, standards and measurement, value for money and competition. In many cases, Swedish legislation sets well-established standards of services, security, accessibility and open channels for citizen complaint. This provides the basis for local charters. At the same time, the charters emphasise the need to raise the general standard and quality of services, to find locally sensitive and responsive solutions to citizen problems, increase transparency and enhance the overall effectiveness of public programs.

The commitments are to be found on three levels. The commitment for the organisation as a whole establishes broad public values and commits the government to customer-based quality and the support of citizen participation. It guarantees open channels for citizen complaints and ensures consumer rights in public services. Commitments on the result level establish standards for service in quantity and quality. Commitments at the individual institutional level, such as schools, kindergartens, etc. define customer-based ways of providing the best possible services at that particular institution.

Particular emphasis has been put on developing the ability to ensure, through continuous

quality control, that local authorities and/or agencies are constantly encouraging an orientation to customers and citizens at the same time that they stress continuity and long term redesigning of major current programs.

Decentralised Delivery of Services

There are many institutional alternatives for service provision. The variation in modalities of delivery systems in terms of responsibility, regulation, ownership, control and accountability becomes virtually impossible to catalogue. Despite the extraordinary variation to be found among local governments, there is unanimity in the recognition of the importance of extensive public service provision by local authorities and that local authorities should be created in accordance with general national constitutional or legal provisions and not by special action of a legislative body - since what is specially given can more readily be taken away.

Assigning responsibility for extensive service provision to local government permits greater social control, better response to local demands and priorities and facilitates citizen and/or user participation. Under such arrangements, Parliament and Cabinet - the legislative and executive branches - on the central level would decide upon an overall framework of public service activities, while each local government would have the freedom to shape its own particular array of public programs, based on local conditions. Thus, one lessens the need for central control with very sophisticated regulation and complex monitoring systems. Local control is more simple and cost-effective because needed social control is inherent to user participation and such arrangements facilitate demand-driven provision of services and a greater willingness to pay for them.

Local accountability may and should be upward to higher levels of government and downward to local constituents - thus allowing checks on the behaviour of political leaders, government officials and managers of services. Downward accountability permits the users' fullest participation in the process of service delivery and makes for more effective control. De-regulation at the central level combined with greater responsibility at the local level may lead to more flexibility and efficiency. Stronger local initiative may also provide greater protection of the public interest and consumers rights', thus contributing to improved quality and responsiveness. In addition, decisions made by local government may be appealed by individuals and their legality examined more readily in the local judicial system.

Decentralisation stimulates the search for programmatic and policy innovation, first of all because it is, per se, an innovative practice of governance. Second, because, through its implementation, local governments are required to assume new and broader responsibilities in order to provide public services for all. The assumption of new responsibilities through decentralisation often requires improved planning, budgeting and management techniques and practices; the adoption of new tools; and the development of improved human resources to operate the decentralised programs.

The innovations that result from decentralisation often benefit local governments through increased global communications and international and regional needs. The Swedish example demonstrates how decentralisation helps strengthen ties between voter/taxpayers and their government, which is fundamental to mobilising finance, recovering costs, instilling legitimacy and ensuring sustainability.

Management Reform in Local Governments

There have been major changes in the key concepts of management for development in Sweden along with the worldwide movement from highly centralised planning to more sustainable, participatory and democratic procedures. It is being increasingly realised that the central government should not interfere in the administration of local government and that the local governments must have the financial resources to run their programs.

For those countries making the transition to a market economy, addressing issues about decentralisation, the appropriate role of local governments, and new approaches to governance is central to the reform process. This has also been the case in Sweden. It was not until 1990 that it became possible for local government to contract the teachers in the schools and to remunerate them as local personnel. Local governance in this situation required the acquisition, by both officials and administrators, of new skills and management systems. Moreover, citizens will certainly try to influence governmental institutions to cater to their own increasingly diversified needs - thus placing even more locally focused demands on systems. Consequently, decentralisation, which moves decision-making power closer to communities, is a logical reform. For citizens, the demand for decentralisation is strong, but the struggle to achieve it is much more complex and far from won.

As administrators find themselves drawn to the challenges of the market place on the one hand and the demands of the citizenry on the other, they have increasingly had to become the political managers, negotiators and mediators of central-to-local relations as well as of newly emerging public-private partnerships. They are the initiators of reform and, therefore, need substantive knowledge and skills for strategic planning in all its dimensions.

To respond to these challenges, the government has adopted an integrated management approach, including:

- the introduction of participatory management which encourages the decentralisation of institutions
- the decentralisation of administrative, political and development processes to lower levels as counties, municipalities, districts and neighbourhood committees
- greater citizen/community participation to ensure the co-operation and support of the public for municipal programs
- the opening up of institutions to public scrutiny in order to ensure accountability, thus enhancing efficiency, probity, transparency and effective program execution; and,
- greater efforts to develop improved institutional capacity.

Recent management innovation involves creation of closer linkages between budgets (resource allocation) and performance. The main aim has been to switch from a system based on inputs, to a system based on outputs, where the day-to-day management is left in the hands of autonomous units. This implies more stringent stipulation of the results required as well as greater freedom for the units to obtain them. In the modernisation of management in government, management systems from the private sector such as Management by Objectives (MbO), Management by Results (MbR), Performance Management and Total Quality Management (TQM) have been used increasingly.

In recent years we have also in Sweden experienced a management system innovation tailored for the public sector, which has been put into practice in local governments, agencies and

central government ministries. This system is called Commitment Quality Management (CQM). Its aim is to balance external demands with limited resources and to create a culture where achieving customer satisfaction and real results is the commitment of every committee, manager and employee in central and local government. The parties draw up contracts to clarify the responsibilities of each party and constitute a formal commitment to mutually developed and shared goals. This system specifies the type and level of performance required in return for specified funding, and sets an agreed level of autonomy and the related reporting requirements.

Four Phases in Management Reforms

The requirement for achieving successful reform and change in Swedish government has been effectively to balance between various competing requirements, such as: (a) approaches to management which emphasise efficiency, devolution and decentralisation, (b) the development of equitable and sustainable governance institutions, (c) institutionalising strategic and co-operative leadership, (d) maximising participation by stakeholders, and (e) ensuring transparency and accountability. The government has addressed each of these issues. The main question has been: What steps can be taken now to improve the quality of governance? Significant management reforms take time to implement. Moreover, sometimes the ideas behind them are very slow to take root. Today a variety of new management methods, concepts, models and values are being accepted as integral to the way public administration is conducted.

The question of the ultimate relevance of different management concepts and techniques is however still open to debate. Recent experience at both the central and the local level suggests that there are four phases in the process by which public management reform has been carried forward.

The first phase involved addressing the full range of familiar bureaucratic shortcomings: waste, unnecessary activity, overcomplex regulations, overlap and duplication of functions, confused lines of responsibility, slow and overcentralised procedures for decision making, divided authority, unclear performance standards and lack of information about results and costs.

Such reforms have focused on matters like the elimination of outdated reporting systems, of expensive work being conducted by government when it is clear that external purchasing is cheaper, and of common services being provided free of charge to user departments.

The second phase of reform typically has focused on more general public management modernisation. The objective has been to shift from procedures-based administration to a results-based management style, with yearly measured improvement in performance. This requires knowledge of results and costs and better methods of using human and financial resources. This phase relied on a "one-best way" management-by-objectives (MbO) philosophy strongly coloured by private sector experience. The main themes of the second phase have been:

- strengthening accountable line management
- developing new systems, structures and priorities to decentralise financial management and cost control.

The third phase reform involved the changing of culture, attitudes and behaviour in government so that continuous improvement becomes a widespread and built in feature in the search for better value for money and steady improvement of services. This phase can be summarised in the following way:

- focus operational management responsibilities by clearly defining objectives and tasks
- keep strategic policy and resource decisions at the centre, but devolve implementation decisions to the units responsible for results; and,
- establish processes for agreeing on performance measures and "contracts" between the centre and the units responsible for program results.

The fourth phase of reform is often quite different. This phase aims at large-scale structural reorganisation of public service delivery systems. A macro management process is always required to steer structural changes because they ultimately are beyond the control of individual organisations. Methods of managing reform are therefore required which take account of the pluralism and professionalism of the services in question. The management solutions that have been applied to structural reorganisations tend to focus on Management by Results approaches. They have often followed the pattern of imitating business models and promoting competition. The main elements of such efforts are:

- decentralisation of operational management responsibilities to individual units
- creation of a business management ethos: cost consciousness, management by results, financial accountability within organisations
- competition between providers
- treating the public as citizen customers rather than clients, in a purchaser-provider contracting system; and,
- implementing centralised financial control with local management discretion

When moving from rule - driven management towards MbR effective mobilisation of political support is essential. Otherwise the pressure of rule - driven administration will absorb the MbR initiatives and one will witness a slow return to the old system. However it is often not possible to make a clear distinction between rule-based systems and those focused on market-oriented strategies. Experience to date suggests that the two are usually likely to coexist side by side.

Another defining feature of the new methods of governance is its responsiveness to stakeholders' interests and needs. Thus the tasks of government are to identify and support the development of local partnerships (e.g. with community-based organisations, non-governmental organisations, and the private sector).

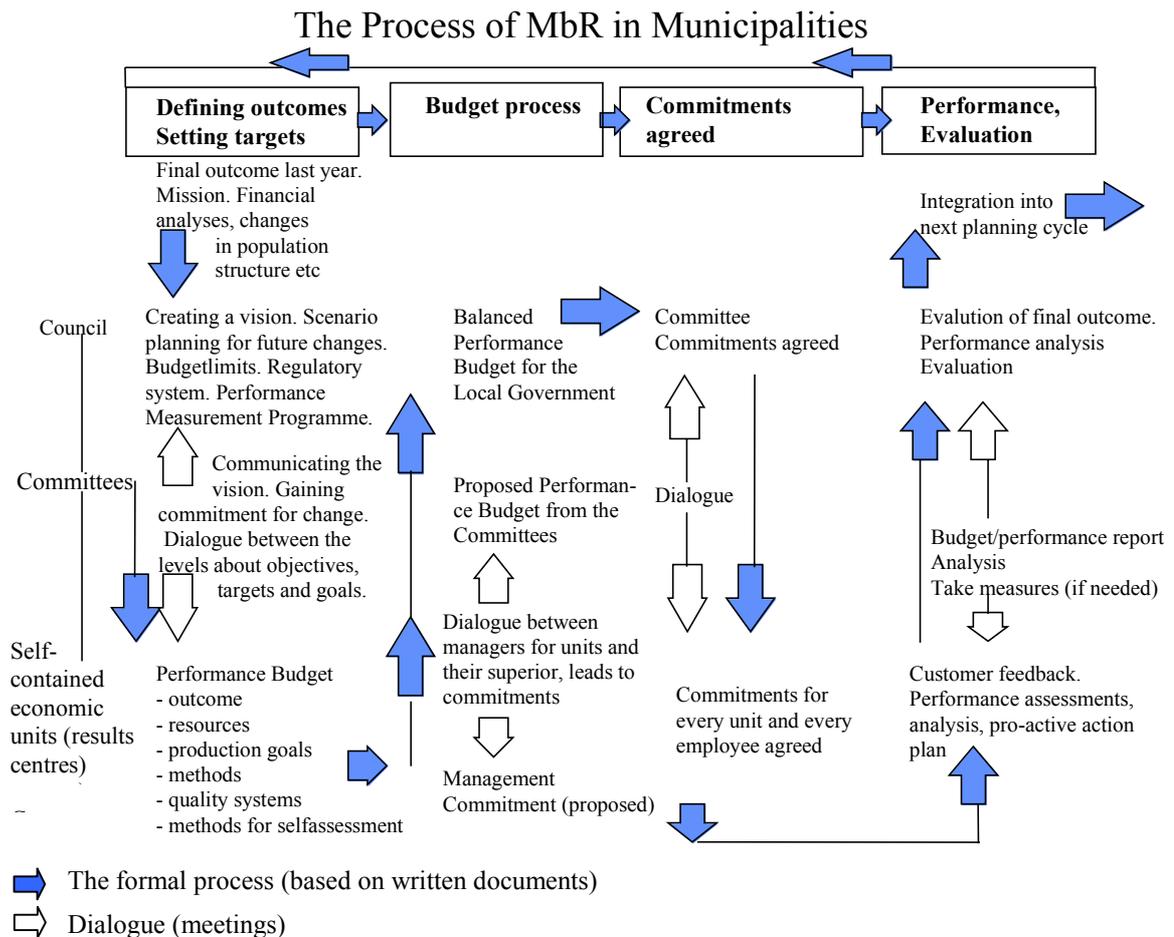
Management by Results

The implementation of *Management by Results (MbR)* has been applied in central and local government, in many cases very successfully, especially on the local level. MbR and other *performance management* strategies involve a shift from traditional procedural approaches to placing emphasis upon the outcomes of public policies. An evaluation of the lessons of experience in central and local government in Sweden up to 1997 suggests the following guidelines for implementing such a reform process:

1. The effects for the people concerned (patients, children, pupils) should be focused at all levels of the organisation.
2. Discussions about visions, goals and targets should be integrated into the budgetary process and all decisions should relate resources to demands for results in terms of the quantity and quality of services delivered.
3. This process should be designed in such a way as to engage every politician and every employee of the organisation. Targets, which are credible and motivating, must be established.
4. The government should be organised into “result units” and there should be a commitment (contract) for every result unit signed by the manager and her/his superior, where responsibility for certain results is agreed upon.
5. Required results (which are possible to follow up and evaluate) must be linked to resource allocation.
6. Outdated and unnecessary regulations should be abolished. Decentralisation of authority and employee empowerment is fundamental.
7. The commitment of every employee to defined results is critical.
8. Effective monitoring, evaluation, performance incentive systems and accountability must be implemented.
9. Essential prerequisites for MbR are systematic customer/citizen quality feedback systems. Evaluation and accounting systems should be implemented so that the achieved results can be measured against visions, goals and targets.
10. The philosophy of MbR should be carefully implemented among all politicians and all employees through well thought-out introductory programs and appropriate training systems.

Management by Results was introduced in some Swedish municipalities during the 1980s. The model has been further developed through the 1980s and the 1990s. Today at least 75% of the Swedish municipalities have decided to use Management by Results in the budget process. In many cases the municipalities have used MbR for several years, with good results. In other cases MbR has been newly introduced.

The process, in most local governments using Management by Results, is summarised below:



The commitments aim to clarify the responsibilities of each party and represent a formal commitment by the parties to what has been agreed upon. This includes a specific type and level of performance in return for specified funding and an agreed upon level of autonomy and related reporting requirements (sanctions and rewards may also be prescribed).

The management systems in many Swedish municipalities have been further developed into the model Commitment Quality Management (CQM). This model recognises the need to balance external demands and limited resources while achieving customer satisfaction and real results. The objective is to give units greater operational autonomy while developing a better steering and strategic capability at the central level.

CQM highlights

- A. Leadership based on clear specifications of performance (including quality standards) in aims, objectives, goals and targets
- B. Focus on the results achieved for the citizens and their perception of them
- C. Performance Commitments based on participation of every employee in the process
- D. Measurement and evaluation of performance, including service standard quality; and
- E. A program for continuous improvement of quality and efficiency.

Efforts to reform government in this direction have been very successful in the 1990s and have served as model for the reform of the management of both central and local government. This would involve:

- utilisation of the MbR negotiating process as a step towards CQM
- utilising MbR systems in the form of interactive co-planning with citizens in technical and social areas.
- integrating MbR systems with systematic customer/citizen quality feedback systems.
- distinguishing between - but linking together - programming, financing and implementation
- ensuring interaction between results orientation, regulation and competition in local government services.
- integration of MbR systems and organisational outsourcing with the aim of stimulating institutional competition.

This approach builds upon the growing trend towards quality control of public service production through citizen and customer participation. Above all, it includes systematic and decentralised citizen quality feedback systems and in some cases explicit service obligations by the administration towards citizens within the framework of a citizen charter, focused upon issues such as timeliness, accessibility and continuity of services.

This approach to reform does, however, lead to a strategic dilemma in the course of the internal modernisation process: typically the central unit proves to be an important, if not indispensable, motor initiating the reform process, once a certain stage of development has been reached, however, the headquarters often constitute a major barrier for the further course of the modernisation process. A second strategic dilemma is found in the fact that by abandoning administrative in favour of results-oriented steering, one creates organisational space for autonomous action by the units at local level. Such a steering logic can, however, lead to the centrifugal fragmentation of the administrative system unless monitoring skills to accompany the process of reform are developed as a medium for collective observation, learning and self-steering.

Internal modernisation is not merely a task for management, but is inherently a function of the work and action of all the employees participating in the value added process. Thus the development of working structures, which are conducive to learning and favour task integration, together with corresponding personnel development systems, is essential.

Customer Orientation and Quality Systems

Within all the bigger areas of welfare policy (school, pre-school, elder care, handicap care, health care, etc.) new demands have been introduced during the past few years through legislation on the development of the quality system at all workplaces. Within the social service, for example, there has to be an appropriate system to continuously govern, follow-up, develop and document quality, no matter what the form of management may be. These quality systems should include the organising structure, responsibility, processes and resources to lead and govern the operation, so that the quality goals set for the operation are always reached. Important demands on quality systems are that they should be efficient, should be able to be easily applied and they should be able to guarantee that the operation fulfils the customers' demands and expectations. Each organisation must, according to the quality legislation, successfully define its customers and their needs, demands and expectations.

There are even more particular demands placed on the quality systems for elder and handicap care.

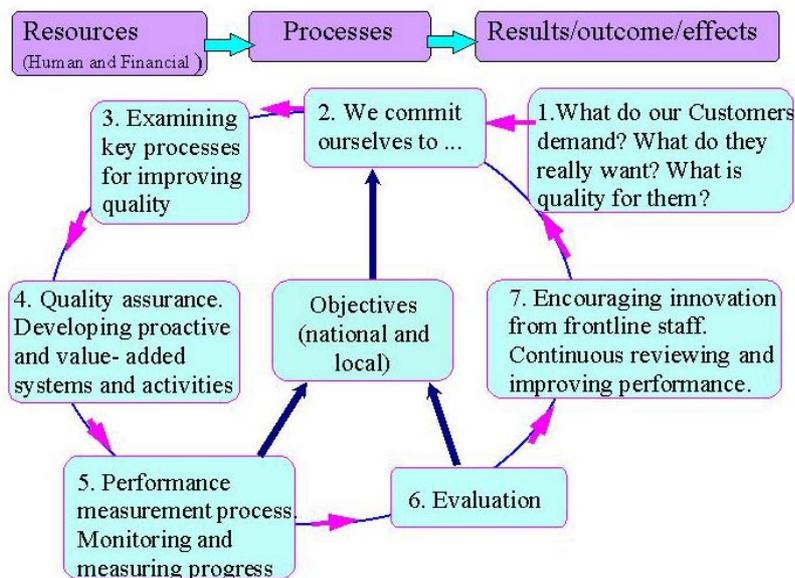
When it comes to schools, the Government has decided that every municipality and school will produce quality reports and evaluations of activities. These should include assessments based on both local quality measures and the national quality examination. The reports should contain a description of goals and results, assessment of the fulfilment of the goals, and proposals as to how their operation can be improved.

Against this background a pilot project has been carried out over the past few years to develop a model for these quality systems. The development work has led to a model that is now used by many municipalities, including the larger ones like Stockholm as well as the small and medium sized ones.

Of course in practice it is local development work that is of most importance to the citizens. If a law is not converted into action that improves people's everyday life, it is ineffective. The development of concrete models for carrying out political decisions is therefore a decisive part of the reform work. The creation of these models requires that each participatory unit design and structure its working processes, in accordance with set goals, and that detailed follow-up of their application occurs, especially as working processes of special importance.

In Sweden, local government provides relevant examples of CQM across a range of different public services, for example childcare, education, and social security and care of the elderly. The work involves clarifying and strengthening the connection between the commitments the unit undertakes (based on the goals that direct the unit's activities, the needs of its customers, and the unit's chosen image), and the working methods and routines that are applied. Education, child care and care of the elderly are customer-affiliated activities, which are characterised by intensive, long-term and close relationships with customers. Customers' needs are often based on the values of security, consideration and respect. This emotive dimension is also often what attracts people to work in schools, hospitals and social welfare. By taking stock of these values, it is possible to create a multi-faceted picture of the needs the unit is required to satisfy. Experience has shown that an initial stock-taking of such values, together with the personnel, provides an invaluable basis for commitment to development work.

The following figure gives an example of the steps used in determining how the work should be structured in practice.



Step 1: Identifying the customers and their needs

Today even the public sector is part of a competitive market place. Public organisations have to be increasingly proactive in meeting customer needs. The challenge is to satisfy customers and to go beyond the ordinary requirements of quality and value to exceed customers' expectations.

Step 2: Identification of commitments (= what is to be achieved)

One problem is the fact that customer satisfaction is affected both by perceptions of performance and by expectations, both of which are "subjective". Managing expectations becomes an objective in itself. In step 2 ("we commit ourselves to...") the unit has to find a balance between the interests of the taxpayers, the politicians and the direct users of the service. The commitments are on two levels - one general, and one more detailed and individual. All commitments are put in writing, signed by both parties. There is agreement upon the duration and when the commitment is to be reconsidered.

Step 3: Service structuring (= how the commitments are to be achieved).

A clear description of the working processes closely linked to the fulfilment of the goals. A detailed description of especially important parts of the processes.

Step 4: Safeguards (= when, by whom)

These includes:

Specification of the time for carrying out the processes.

Allocation of responsibility for carrying out the processes.

Description of routines, which should provide the possibility of monitoring whether the agreed working methods are in fact being applied.

Step 5: Follow-up of work carried out and follow-up of results

Description of how the unit is to follow up and trace back actual results.

Developing a practical action plan to measure, monitor and improve performance.

Step 6: Evaluation

Once a performance measure is calculated it must be evaluated. Is the performance good, of bad or indifferent?

Description of how the unit evaluates the quality system in relation to customers' needs

Professional image and the meeting of commitments.

Step 7: Development

Description of development goals.

Description of development efforts.

Specification of how continual reviewing of agreed parts in the quality system should be carried out.

The practical work of quality management can be regarded as a repetitive process, focusing on reviewing all the stages and monitoring the parts of the operation that are important in order to ensure quality. The commitments the unit undertakes, in relation to customers and the purchaser, are formulated on the basis of the level of ambition and an assessment of what is achievable.

As mentioned before, the quality of a service depends to a great extent on the personnel's involvement in their work. Quality systems, which are based on important emotive values, motivate involvement. Allowing personnel to have a strong influence on the planning of operations should develop this motivation. The development of a quality system guarantees this influence inasmuch as all personnel participate in working out the system, and each working group is responsible for the quality system when it eventually comes into operation. The management's role is to support and supervise the work.

The personnel design the quality system, but the direction the work takes is determined by the customers and by politically set goals. Therefore part of the unit's quality system is to evaluate and adapt the unit's goals and working methods to suit the customers' needs and the political goals.

Competition, Contracting out and Privatisation

In many countries the local budget has been a part of the state budget, and has been distributed arbitrarily. An important question in these situations is then: Should political responsibility be decentralised first for Private Sector Participation (PSP) carried out at the local level as a second step?

The answer depends on the type of activities concerned and how quickly reforms are to be introduced. In PSP in operations that form natural monopolies there are in general economies of scale, which mean that decentralisation of political responsibility can come at a later stage. As far as social welfare, education and other individual services are concerned, local contact between citizens, operators and politicians must be well established in the local community if confidence in the system is to be maintained - especially when the economic situation is deteriorating.

The experience in Sweden shows that increased competition leads to activities becoming better and cheaper. It is therefore desirable that there be more providers of services - private companies, producer co-operatives, consumer co-operatives etc. Why are some municipalities attracting co-operation partners while others are not? Which co-operation partners are to be preferred - voluntary organisations or private contractors? What is it that makes a municipality successful in its efforts to make activities more effective by opening them up to competition?

Many municipalities and county councils have used competitive tendering in the care of the elderly, day-care for children and other social welfare services. Others have instead expanded the possibilities for alternative producers to become established, by various voucher systems and quasi-voucher systems, where the principle is that citizens may choose among producers (approved by the municipality), which are then wholly or partly paid from public funds.

The experience in Sweden shows that it is possible to establish a foundation for more market-like conditions, through opening up activities to competition by

- * creating freedom of choice and variety for alternative operational forms, in contrast to homogeneity and monopolies
- * the fact that free, open competition leads to increased efficiency. It is of fundamental importance in a market economy that the state prevents the formation of monopolies and cartels in the economy by creating legislation and agencies to supervise competition
- * ensuring the opportunity for more options and greater choice, which can improve the quality of services. Greater choice can also lead to a better balance between cost and quality standard
- * providing for greater flexibility. This means the ability to adapt the supply of services to the varying needs of different individuals. It involves adaptation of the input of resources over time, as needs change. It may also mean avoiding being tied down by expensive investments

It is of special interest to develop a model, which creates price competition by tendering and gives citizens freedom of choice at the same time.

Freedom of Choice

Increasingly, public sector organisations, especially at the local level, are becoming aware of the critical need to be customer-oriented in all phases of their activities and of the importance of service excellence in achieving customer satisfaction. The challenge has been – and still is - to achieve real results. Within the government that means balancing demands and limited resources, creating incentives which actually result in more satisfied customers, and truly infusing the organisation from top to bottom with a philosophy and culture that achieving citizen/customer satisfaction is really important. This growing customer orientation is leading to a number of innovative approaches to service delivery.

Customer choice generally means that the individual citizen, given the entitlement by the central government or the municipality to a subsidised service, is able to make use of this subsidy by means of a service cheque/money grant or the equivalent, which is valid as a means of payment when purchasing the service. This right is based on an individual decision for each person, or a general decision covering all individuals with a particular need. The person or organisation providing the service is authorised by the municipality to cash the cheque. The individual citizen can also be given the opportunity of choosing more or less freely among competing providers without this being linked to a system of checks or money grants.

There are numerous advantages to systems using money grants. The individual has freedom of choice. Producers are obliged to compete for customers - which is likely to increase quality.

One of the prerequisites of a system of money grants is that it is easy to establish the entitlement to the grant, preferably on the basis of objective criteria. This is the case, for example, with school grants that follow the pupil, or grants for maternity care, childcare and dental care. In these examples, the service provided is relatively homogeneous and individual differences in needs can be assumed to cancel each other out over time. In addition, such grants can be easily adjusted to take account of individual variation in need for services and capacity to pay for them.

In the following example of local authority child day-care grants, the grant is dependent on the age of the child and the extent of the care. The grant is paid by the local authority directly to the day-care centre (the amounts in SEK per year, 1996).

The child's age	The extent of the care (hours per week)			
	Over 40 hours	30-39.5	20-29.5	Under 20
1-2 years	108,000	84,000	60,000	42,000
3-5 years	72,000	56,000	40,000	28,000
6 years	50,400	39,200	28,000	19,600

Lessons Learned – a Summary

During the last decades there has been a number of efforts around Sweden- some locally initiated and some central government stimulated - at encouraging decentralisation of central governments and strengthening and/or creating local government institutions. Some of these undertakings are recent and some are mature. Quite clearly it is far too early to attempt a full assessment of their significance. Nevertheless, there are some clear lessons that have been learned with regard to implementing public management reform. Among these are:

Local Governments are the foci of development. Managing local governments is beset with contradictions in policy implementation, plagued by limited capacity, and inhibited by significant financial constraints. But even more important is both the recognition of and the existence of policies that reflect the reality that local governments are the foci of development, are needed for effective governance and are central to the promotion of

participatory democracy. This is only possible if local government is independent in relation to central government, both financially and functionally, and is managed efficiently, effectively and productively.

Decentralisation requires opportunities for local governments to have their own revenue-raising capacity. There is no question that the implementation of meaningful decentralisation and reform of local governance has been greatly supported by the revenue-raising capacity possessed by local governments. Over-reliance on national funds to finance local government could very easily, over time, serve to promote a relationship of central government control and local government dependence.

To achieve a balance between the interests of customers and taxpayers is an ongoing challenge. Public sector services are required to achieve a balance between the interests of customers, the professional ambitions of personnel, and the interests of the general public / the tax payers. A balance of this kind requires that the customer be able to influence and/or choose the service provider, that personnel be able to choose the image of their respective activities, and that the political leadership's goals have an impact on activities. Experience gained from the implementation of Commitment Quality Management, CQM, in Sweden to date indicates that far-reaching decentralisation combined with an active follow-up of goals to establish how they are applied to working methods, can create the basis for a balance of this kind.

More competition, result measurement and quality development in the future. Mainly this is a reflection of the fact that result measurement is not part of central and municipal culture yet. In addition, however, an important problem for municipalities is that the relevant central government agencies have not been very helpful in producing standards for result measurement that would make the results comparable across the country.

Measurement of quality and results is somewhat more common where competition has been introduced. So far, however, only a small fraction of municipal services has been exposed to competition. These conclusions are reinforced by a closer inspection of quality in schools, childcare and care of the elderly. In this area research quite clearly demonstrates that measurement of quality and results, and management by results, can lead to significant improvements. Yet these insights have not pervaded municipalities' management on a large scale.

Local government institutions require strengthening before they are able to operate effectively in a decentralised environment. The structures of local government, and the management and delivery of public services, are by now highly developed and indeed in some instances more advanced than the central government. But it has not always been that way. Twenty years ago the mindset of many individuals, both those involved in government and influential citizens was likely still to be dependent upon detailed direction from the centre. In addition, many local governments did not at that time even have the infrastructure to take advantage of available training and technical assistance some decades ago. A considerable number of local governments employed only a handful of people. Consequently, they required substantial investment in new resources - both human and capital - in order to be able to function effectively in a decentralised environment. Thus, programs of public management reform, technical assistance, training and the like were very important. I strongly believe that this has been a prerequisite for the success of the public management reform process in Sweden.

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