PUBLIC SECTOR COLLABORATIONS: CAN THEY IMPROVE EFFICIENCY AND REDUCE RED TAPE?

Local governments are under increasing pressure to meet high levels of demand for public services with reduced funding, due to austerity measures. The social and economic challenges of the Coronavirus pandemic have shown that innovative approaches to efficient public service delivery are now needed more than ever.

Collaborations in the public sector are often considered as a way of achieving efficiencies and can take many forms. The two most popular mechanisms are intermunicipal cooperation (a formal cooperation among a number of municipalities under a joint authority) and shared services (a centralised administrative service delivery run by one team).

Through a literature review and nine case studies in seven European countries, the research in the EU Horizon 2020 funded project Transforming into Open, Innovative and Collaborative Governments (TROPICO, Work Package 9) investigated the impact of collaboration between public sector organisations on efficiency and red tape (administrative burden) and the role of ICT tools in making the collaborations work.

This policy brief for policymakers and public service managers focuses on how to design and implement collaborations to improve efficiency and reduce the burden of rules and procedures. Other potential benefits of collaborations, such as higher service quality, access to a greater range of expertise, and creation of innovative and sustainable service delivery methods are also considered.

We begin by examining the main findings of the research before addressing their policy implications.

Key findings

Our literature review included 52 academic papers which studied the impact of collaboration on three types of efficiency:

- Cost Efficiency - refers to the cost of providing a service or the cost of the savings achieved as a result of the collaboration.
- Service Efficiency - refers to any outcome that measures the quality of the service or the satisfaction of staff or service users.
- Technical Efficiency – refers to the amount of output that it is possible to obtain with a fixed level of input (e.g., resources).

Figures 1, 2 and 3 show the different effects of collaborations on cost, service, and technical efficiency, ranging from a negative effect, no effect, to a mixed and positive effect. The literature review revealed that cost-efficiency was the most frequent outcome measure used, followed by service efficiency and then technical efficiency. Overall, the evidence regarding the impact of collaboration on efficiency was mixed for all the three categories of efficiency.
The majority of papers reviewed demonstrated that efficiencies can only be achieved under certain conditions. One important condition was the size of the municipalities involved in the collaboration, with only small to medium sized organisations having the potential to benefit from economies of scale (Bel et al., 2012). Another condition was linked to the type of service provided by the collaboration, services which rely less on service user preferences e.g. water and health services, benefited more (Drew et al., 2019). Waste management and back-office services were most analysed.

Studies which measured efficiency across several services found that benefits vary, with both cost savings and cost increases observed depending on the service in question (Aldag et al., 2020) and the city or region studied (Zeemering, 2019).

The governance structure was also found to be important, as fragmentation of ownership or management can lead to inefficiencies (Sørensen, 2007). The research furthermore showed that external intermunicipal cooperation board directors and concentrated municipal ownership were positively associated with cost efficiency (Garrone et al., 2013).

Although there were many articles in the literature review discussing the burden of red tape (see our TROPICO WP9 research report for details), we did not identify any which investigated the impact of collaboration on the burden of rules and procedures which can slow productivity or innovation. This may be due to difficulties in defining outcome measures or the availability of data. There was also little mention of the role of ICT in facilitating collaborative efficiency in the literature, despite the obvious potential for ICT to speed up communication and automate.

**Figure 1-3: Overall direction of effect reported by studies examining the impact of collaboration on service, cost, and technical efficiency**
processes. The reasons for this are less clear but may reflect a focus on the overall outcomes rather than the mechanisms involved.

Given the lack of research on the impact of collaboration on red tape and the role of ICT in fostering or inhibiting collaborations, we complemented our literature review by conducting interviews in ‘best practice’ collaborations in Belgium, Denmark, Estonia, France, Germany, Hungary, and Norway.

The interviewees in our case studies highlighted overall that ICT have had a positive impact on collaborations by increasing the speed of the response time (e.g., the Independently Responding Volunteer Fire Brigades case in Hungary) and avoiding wasting time and money by reducing duplication (as in the PoWalCo case in Belgium) and increasing automatisation.

The results from the case studies further showed that ICT had been an essential prerequisite that helped the collaborations function and assisted in transcending organisational boundaries and accelerating interactive processes. ICT tools allow for instant synchronisation and communication among partners which improves the exchange of information between the different actors (e.g., the Neteland case in Belgium and the Intermunicipal collaboration in the district of Groß-Gerau e-procurement centre case in Germany). ICT tools have also been helpful in facilitating the relationship with collaborations and citizens (e.g., in the Telecare Nord case in Denmark, citizens were provided with a TeleKit to measure their health and this information directly connected to health professionals).

Moreover, the interviewees believed that collaborations have a positive impact on red tape, e.g., avoiding the use of paper and reducing the burdensome exchange of written communication in several cases (as in the SUD THD Desk case in France, the Government Cloud services for First Aid exams case in Hungary, and the Regional coordination group eHealth and Welfare technology Agder (RKG) case in Norway). However, in some cases there was the perception that red tape increased (e.g., due to duplication of activities, as in the Waste collection in the city of Tallinn case in Estonia).

**Implications for policy development**

While there is clear potential for efficiencies through collaboration, there are also many risks and successful shared public service delivery is dependent on the context in which the collaboration is introduced. For example, the case study interviews suggested that the collaborations were often based on informal relationships which had been in place for many years, and that this was a positive influence on outcomes. From the literature reviewed and case studies, several recommendations can be made for policymakers and public service managers leading the design and implementation of sharing agreements. We suggest that they:

- Recognise that service provision collaborations are not a quick fix to immediate budgetary issues as cost savings may take years to become apparent.
- Be realistic about the scale of efficiencies and not be motivated by the prospect of cost savings alone which can be overstated.
- Carefully consider transaction costs, administrative costs and policy and practice differences between cooperating organisations to determine whether savings will outweigh these costs.
- Clearly define the concepts of efficiency and red tape that are often perceived as interchangeable terms.
• Improve data collection and plan ongoing evaluation to monitor expected versus actual benefits to determine whether savings are achieved.
• Ensure that ICT systems and tools across partners are compatible or work quickly to make this happen.
• Plan training or mentoring programmes to help those involved in the collaboration to familiarise themselves with new arrangements/tools.
• Consider how the potential of non-efficiency benefits (e.g., service improvement, access to a greater range of expertise) can be measured.

Conclusions

Our research found that the relationship between collaborations and efficiency is mixed. While collaboration between local governments can reduce costs and improve service efficiency and quality, this depends upon a range of factors. The decision on whether to collaborate needs to be based on evidence on the potential outcomes.

While some studies used indirect measures of service delivery efficiency (e.g., house price changes), there is a need to strengthen the measurement of efficiency.

While quantitative data are needed to establish efficiencies, qualitative data is crucial to understanding the context of successful and unsuccessful collaborations. Future studies should use a mixed methods approach to studying collaboration and efficiency.

Despite considerable efforts to develop ways to reduce administrative burden on the public sector (OECD, 2007), there is a knowledge gap regarding the impact of collaboration in this area. This is an important topic for future research, especially given ongoing reforms which are looking to introduce intermunicipal cooperation or shared services.

Finally, there is a need to improve understanding of the context, including management structure, number of partners, service demands, administrative costs, demographics, etc., to aid understanding of which collaborations are most likely to succeed.

References


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