

# Make the difference

A firm response to regional  
economic challenges

Summary: conclusions and  
recommendations

**National Advisory Committee on Public Administration and Governance**

## Introduction and background

High growth figures for the Dutch economy are becoming increasingly less self-evident. Nonetheless, the urgency of a healthy Dutch economy is set to remain high, over the next few years. Employment, commercial activity and financial freedom of movement for citizens, businesses and government go hand in hand with the ability to solve social problems, and ensure the provision of good services.

In this report we investigated whether the Netherlands misses out on economic growth due to the suboptimum organisation of the structure and practices of the public administration. Over the past few years, a growing number of academic publications have referred to the relationship between the structure and practices of public administration and the development of the economy. The way in which the public administration is structured and works after all leads to 'transaction costs', which in turn impact on policy in such fields as the regional economy, traffic and transport, spatial planning, the labour market, education and culture. Optimising the structure and practices of the public administration could have a serious effect on economic growth.

Economic challenges are context-specific and differ in their nature and scale, from region to region. This means that the structure and practices of the public administration must be sufficiently adaptable to be able to offer an effective and efficient response. Our observations at present suggest that the public administration is structured in a too uniform manner, and is insufficiently flexible in its practices. 'Administrative fragmentation' is an inhibiting factor. The mismatch between context-specific challenges and the adaptability of the public administration leaves opportunities for further economic development unutilised. Put more simply: we are missing out on money, which we can ill afford. By introducing greater differentiation and reducing the non-obligatory nature of administrative cooperation, that money we otherwise miss out on could be earned. This report offers an insight into the relevant economic developments and formulates recommendations with an economic regional administrative programme for the Netherlands.

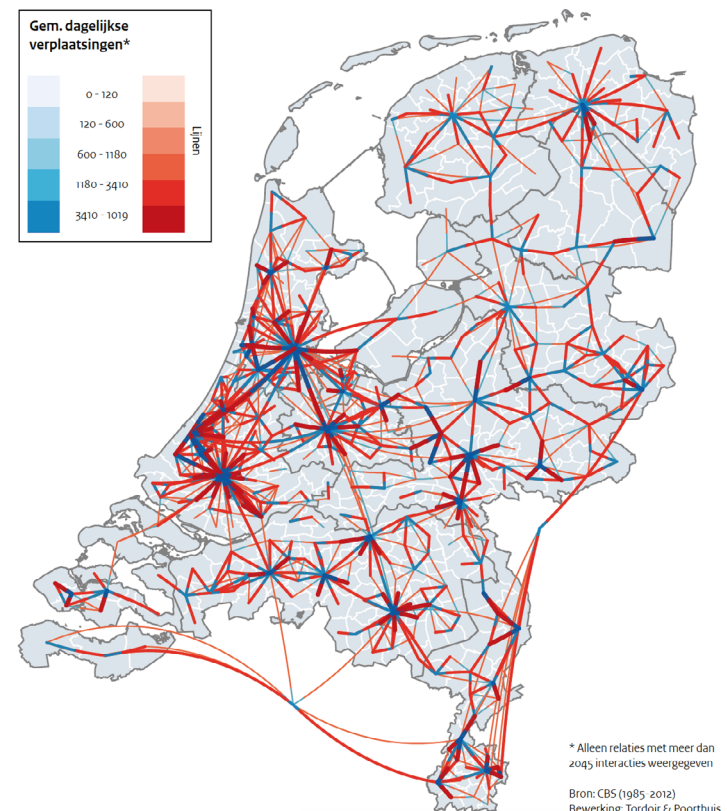
## Analysis

In our analysis we distinguish three trends within the economic domain that could be of clear importance for the structure and practices of public administration.

### More at a regional level

Economic challenges are concentrated at regional level. By the term regional we mean the level which generally operates above the municipality, but below the province, albeit that in certain parts of the country region and province coincide, while the level above the municipality sometimes in fact exceeds provincial and even national boundaries. The relationships and activities of businesses and entrepreneurs are generally concentrated mainly at regional level. The same also applies for day-to-day movements by individuals. In that sense, economic issues have a regional character.

If the scale at which businesses operate and people move on a day-to-day basis grows, what is the situation for example for the infrastructural links within the area? And if people are willing to travel greater distances between home and work, what questions does that raise for the availability of facilities or for housing stock within the area in question? All these are issues which emerge when we realise that the scale at which economic activities take place has grown.<sup>1</sup> Labour market, entrepreneurship, educational facilities, accommodation, transport, spatial planning, the provision of collective facilities: everyday realities for citizens, businesses and administrators are no longer restricted to a single municipality but instead above all operate at regional level, mainly in networks of larger and smaller towns, and often in a 'cross-border' context ('daily urban systems'). There is clear evidence that successful regions in the Netherlands are not based around a single large town or city (as is the case in many parts of the world), but above all comprise a network of densely populated larger and smaller towns and urban regions, since these offer so-called agglomeration advantages, due to their mutual proximity.



<sup>1</sup> Regional Plan and Spatial Economic Workshop Tordoir (2015), *The changing geography of the Netherlands: Tasks at meso level*. Amsterdam: Regional Plan.

Economic challenges differ from region to region, in both nature and scale. This is for example due to the differences in economic structure within the regions of the Netherlands, the differences in population composition, the differences in the level of education of the working population, and the location of certain areas. When matching the availability of education and the regional labour market in Drenthe or the Rijnmond region, completely different sets of questions have to be answered. Challenges in respect of public transport also vary widely between the Amsterdam urban region, and to the cross-border region around Heerlen. This means that solutions have to be customised. It is very questionable to what extent public administration in its current structure and practices is capable of delivering such customised solutions. The nature of the regional scale and how the administrative approach can best be designed may also differ according to the individual challenge. The composition of the population in the Province of Drenthe for example differs from that of the Province of Zuid-Holland; the geographical location of these two provinces differs hugely; the economy of the two provinces are barely comparable, and yet the same two provinces have the same tasks and authorities. The discrepancies are even more clearly pleonasmic at municipal level. The Municipality of Rozendaal in Gelderland has the fewest inhabitants in the mainland Netherlands, while the Municipality of Amsterdam has the most. Rozendaal has a relatively high number of millionaires within its municipal boundaries, while Amsterdam has large numbers of residents with low socioeconomic status. Nonetheless, broadly speaking, the two municipalities have the same institutional structure and in outline have the same tasks and authorities. For the administrative structure of the Netherlands, uniformity is very clearly the starting point. The structure of public administration offers insufficient freedom to solve specific challenges, above all because those challenges differ so considerably from region to region. This administrative uniformity is partly due to the incapacity of the Netherlands to deal with differences. Traditionally, differences are perceived as undesirable in the Netherlands.<sup>2</sup> This above all applies when it comes to discussions about the level of facilities and provisions in the various parts of the country. This was for example reflected in the introduction of decentralisation in the social domain, whereby during the implementation phase there was much discussion about possible discrepancies which could arise as a consequence of the process of decentralisation.

As already explained, the common economic challenges are becoming increasingly regional, in character. This does not only apply for economic but also other social issues, such as health-care. It is therefore essential that governments are able to act on a regional scale. We describe this as administrative capacity at regional level. Over the past few decades, governments have increasingly operated on that scale. However, since the scale can differ depending on the particular challenge and region, no single optimum scale can be defined. This fact makes it important that we are able to design the structure and practices of public administration depending on the territorial characteristics of the region, so that we can offer a customised response, that matches the various challenges in question.<sup>3</sup>

### Greater uncertainty about the future

Economic developments are accelerating, are becoming increasingly interdependent, and can have unexpected, disruptive consequences. Put briefly, economic reality has become more complex and less predictable.

Entrepreneurs in the Netherlands are expected to be able to respond to this increased complexity. “A smoothly functioning economy has the ability to adapt through a continuous process of variation and selection, as circumstances change due to technological developments, new power relationships and shifting market balances.”<sup>4</sup> This also has consequences for public administration. Public administration must be capable of offering its entrepreneurs sufficient freedom to respond to those changes. In a world in which economic developments can be increasingly complex and dynamic, it is “essential at the earliest possible stage to identify trends and think about how policy can be adapted to those trends,” suggested Maarten Camps, Secretary General for Economic Affairs.<sup>5</sup> To be able to offer a response, legislation and regulations must not raise insurmountable obstacles for new developments and innovation, certainly with a view to securing public interests. Public administration must also be capable of adapting its existing plans to newly emerging realities, rather than rigidly sticking to what was agreed in the past. This argues in favour of sufficiently adaptable public administration.<sup>6</sup> This relates to issues which could develop in uncertain directions, about which there are clear normative ideas and the outcomes of which are particularly uncertain. When tackling challenges of this kind, it is not enough to use regular instruments. Public administration must be able to adapt rapidly and flexibly to new situations and challenges, and as such be able to contribute to the economic capacity of the region. This in turn has consequences for the institutional structure of the public administration, but may also be of far greater consequence for the people and the work approach within the public administration.

As we have observed, the unpredictability of developments and the huge speed of change demand considerable adaptability from administration. The quality of mayors, aldermen, council members and civil servants is crucial for the adaptability of public administration. Good quality mayors and aldermen, council members and civil servants can place their region on the map and clearly identify the aspects that make their region distinctive from other regions. The opportunities that are then grasped within the regions result in increased regional economic growth.<sup>7</sup> Quality here should be taken to mean the access to and use of knowledge and skills that match today’s environment. By using contemporary skills and knowledge, mayors and aldermen, council members and civil servants are capable of laying down the links and networks necessary for responding to regional challenges.

Culture and processes are just as important as structure, when it comes to administrative adaptability; take for example non-hierarchical cooperation between levels of government, regulatory freedom and freedom of action and space for different arrangements and solutions.

<sup>2</sup> WRR (1997). *Van verdelen naar verdienen: afwegingen voor de sociale zekerheid in de 21ste eeuw* (From sharing to earning: considerations for social security in the 21st century). The Hague: SDU Uitgevers; Commissie Toekomst Lokaal Bestuur (Commissie Bovens) (2006). *De wil tot verschil: Gemeenten in 2015* (The will to make a difference: Municipalities in 2015). The Hague: VNG.

<sup>3</sup> OECD (2015). *Governing the City*. Paris: OECD Publishing.; Bartolini, D. (2015). *Municipal Fragmentation and Economic Performance of OECD TL2 Regions*. OECD Regional Development Working Papers, No. 2015/02. Parijs: OECD Publishing.

<sup>4</sup> WRR (2013). *Naar een lerende economie: Investeren in het verdienvermogen van Nederland* (Towards a learning economy: Investing in the earning capacity of the Netherlands). Amsterdam: Amsterdam University Press, p. 214.

<sup>5</sup> Camps, M. (2014). *Sturen op de toekomst*. Economisch Statistische Berichten, no. 4676, p. 9.

<sup>6</sup> Aghina, W., Smet, A. de, Weerda, K. (2015). *Agility: it rhymes with stability*. McKinsey Quarterly, 4.; Bazigos, M., Smet, A. de, Gagnon, C. (2015). *Why agility pays*. McKinsey Quarterly, 4.

<sup>7</sup> OECD (2015). *Local Economic Leadership*. Paris: OECD Publishing, p. 57.; Cerfontaine, G. (2005). *Governance in de Randstad*. Utrecht: University of Utrecht.

Against that background, we view a new administrative blueprint for the Netherlands as undesirable. A large-scale reorganisation of the administrative structure fails to recognise the fact that developments have always been with us, and will always continue to take place; furthermore, those very developments could quickly cause any new formal structure to be rapidly outdated.

### *The interwoven nature of economic activities*

Economic challenges cross borders. Issues, be they economic in nature or not, do not stop at socially or administratively established boundaries. It is already clear that economic challenges are not restricted by the boundaries of domains, such as public or private, commercial institution or knowledge institution, research or production. In the same way, those challenges take no account of administrative boundaries. Mayor Ahmed Aboutaleb of Rotterdam perfectly described this situation in his H.J. Schoo lecture: “You cannot see borders from the sky. You can see urban areas interspersed with green villages. You can see the roads, railways, cycle tracks and walking paths that appear superimposed as a finely meshed net. You can see businesses and offices of every conceivable size: the petrochemical industry in the port, the glasshouses in the Westland, the government buildings in The Hague, and the people moving backwards and forwards between them”.<sup>8</sup> Recognising that economic challenges also have a certain boundless character clearly has consequences for the way in which those economic challenges are taken up. The lack of boundaries means that the various issues are not the unique property of a single owner, but that a whole variety of parties are involved. The essence is to think in terms of co-creation and partnership: working together to solve problems jointly, on the basis of equality. The underlying principle is that public value is above all generated by a joint approach. Within our network society, it is therefore increasingly important that we establish links, build relationships and tackle problems together. The inherent quality of the networks and connections in turn generate new opportunities for development.<sup>9</sup> In a network society, public administration does not so much occupy a hierarchical position within social or economic relationships, but has instead become an equal player on a level playing field.<sup>10</sup> The other expression of the increasingly interwoven nature of the economy is the multiplicity of scales. This multiplicity reflects the development that economic activities are no longer restricted to a single level of scale, but are taking place simultaneously at multiple levels. This would appear to be contradictory to the above described process of regionalisation, but that is not the case. The multiplicity of scales is above all expressed in the interaction between the international and regional scale. In general terms, it can be suggested that the economy is becoming increasingly international.<sup>11</sup>

This fact calls upon the administration to adopt a role that matches the network society, also in the economic domain, which has a vision and helps direct that society. Against that background, the public administration – in this case the mayors and aldermen themselves – must establish links between the various parties within the economy, between businesses and knowledge and educational institutions and between the various layers of government (including transnational and European cooperation). The quality of mayors and aldermen and city council members is decisive. This in turn calls for support and appreciation for our administrators and politicians.

At the same time, there is an important role for civil servants in ensuring the quality and continuity of policy preparation and implementation. The interwoven nature of these developments also calls upon them to acquire new skills and adopt new roles.

## Recommendations

How can economic opportunities for growth and administrative structures be better matched? A series of principles was prepared to answer this question, which can be put into practice within an economic regional-administrative programme. These are as follows:

- Substantive challenges take priority; to be implemented at regional level. We should not assume non-binding blueprints and solutions.
- Sufficient adaptability to respond to new developments and changes. This calls for differentiation, deregulation and less hierarchy in and within public administration.
- The ability to establish links between domains and sectors, and between layers of administration. This in turn calls for a shared vision, substantive knowledge and the right skill set. In other words, good mayors, aldermen, politicians and civil servants.

The following agenda is therefore recommended for the coming Cabinet period:

**1. Priority for the substantive challenges.** Municipalities are invited and challenged to provide existing and new regional cooperation (in so far as this has not already been done) in an economic regional-administrative programme with intensive involvement by province, central government, water boards, industry, knowledge institutions and social organisations. In border regions, this also means cooperation with regions in Belgium and/or Germany. Within these programmes, common economic and administrative challenges will be placed on the agenda, and links established between the various sectors affected by the challenges. These programmes must be planned for several years, with a view to the desired clarity and continuity for industry, knowledge institutions, individual citizens and the affected government players.

**2. People make the difference in public administration.** Economic challenges call for good-quality mayors, aldermen, politicians and civil servants. In profile outlines and appointment procedures and in training and support, for both provincial and municipal mayors, aldermen and civil servants, more than is currently the case, importance will be attached to job requirements that match the current situation, such as the ability to think in terms of regional interests. Attention should also be focused on the availability of suitable training for mayors, aldermen, city council members and civil servants, so that knowledge and skills are kept up to date. Finally, attractive conditions of employment within the public domain are needed, in order to encourage good-quality people to seek employment in that domain.

<sup>8</sup> Aboutaleb, A. (2015). *De roep van de stad (The call of the city)*. Amsterdam: H.J. Schoo lecture, p. 14.

<sup>9</sup> Jonker, G. (2015). *Van Ego naar Eco: Triple helix-netwerken op weg naar lerende ecosystemen (From Ego to Eco: Triple helix networks on the road to learning ecosystems)*. Urmond: Jonker Group Creating Solutions.

<sup>10</sup> Castells, M. (2009). *The Rise of the Network Society: The Information Age: Economy, Society, and Culture*. New York: Wiley-Blackwell.

<sup>11</sup> Iriye, A. (2014). *Global Interdependence: The World after 1945*. Cambridge: Belknap Press.

**3. No blueprint; moral obligation.** Municipalities must strengthen their administrative capacity on the basis of greater understanding of their economic tasks and challenges, either by intensifying intermunicipal cooperation or by cooperating via a structure based around centralised municipalities. Municipalities should be given a period of for example two years to achieve this structure. If municipalities are unable to reach agreement on their own, depending on the regional context, central government will make a choice ('fallback option') either by establishing a clear position for the centralised municipality or by declaring regional cooperation 'generally binding'. Intermunicipal cooperation has a basis in public law. The Joint Regulations Act (Wgr) must be simplified, including the administrative forms; within this Act a more prominent position will be set aside for the centralised municipality structure and greater freedom will be established, in favour of intermunicipal cooperation. Within these structures, democratic legitimacy will remain with the individual municipal councils.

**4. Reducing the hierarchy (deregulation) in relationships between province and municipality.** Where provincial and regional scale coincide, municipalities and provinces can opt for a combined regional collaborative venture, including the possibility of delegating municipal and collaboration tasks to the centralised municipalities, or to the province. In response to a request by municipalities in the region, provincial tasks and authorities can be delegated to larger urban regions.

**5. Modernising the financial relationships.** The proposed administrative approach should be reflected in a thorough overhaul of the Grant to Municipal Authorities Act (FVw). The revised Act should be clearer in setting standards, and focused on simplifying the distribution model and for example encouraging regional cooperation.

**6. Deregulation of legislation.** It is recommended that organic and other relevant legislation be examined in favour of fewer obligations and more deregulation, with a view to creating more space for differentiation in terms of structure and practices, for example by scrapping provisions aimed at imposing supervision structures for cooperation between provinces and municipalities. The instruments available to central government for supervision and intervention should also be focused on the same goals.

**7. Inter-administrative framework: programmes for economic regional-administrative tasks.** Municipalities in a region (or regional association) will be invited to establish an economic regional-administrative programme that will set a course for and establish ties between various sectors. A programme of this kind also includes the necessary administrative arrangements. The starting point will be partnership between municipalities, provinces and central government; the programme will outline how water boards, industry, knowledge institutions, social partners, social organisations, transnational collaborative ventures and individual citizens can participate; the invitation will also specifically be aimed at them. A process of this kind, involving regional programmes, needs rules of play, direction and support. At the start of this process, these will be laid down in an interadministrative framework. Via this framework, space will be set aside in the eventual form of cooperation selected for legitimacy, speed of action and final authority.

Backed up by ideas distilled from interviews with academics, experts from practice, mayors, aldermen and representatives of industry, and by relevant scientific thinking, the analysis contained in this report is above all substantive in nature; after all, the central focus must be on the tasks and challenges. Nonetheless, the recommendations are in part also instrumental. In the judgement of the National Advisory Committee on Public Administration and Governance, consideration must be given to both sides of the coin. An analysis without the prospect of action is too non-binding, the opposite too unconvincing.

There is plenty of attention for municipalities, regions, collaborative ventures and provinces. Although given its focus it is legitimate for this report to not pay too much consideration to the water boards and the European Union (despite the fact that both are also essential for the structure of public administration, and must play a role in interadministrative frameworks), in our judgement, this legitimacy applies less to central government. Although this restriction was deliberately chosen in advance, it is a shortcoming that has started to feel increasingly urgent. As greater demands are placed on other levels of government for (even more) cooperation, adaptability and networking (interdependency) in a non-hierarchical structure, central government (and certainly not least importantly the Ministry of the Interior and Kingdom Relations itself) should also feel called upon to become involved.

The assignment awarded to the National Advisory Committee on Public Administration and Governance focused on the economic prospects. Although this represents a clear focus, it naturally also results in a restriction. The National Advisory Committee on Public Administration and Governance has recognised among mayors, aldermen, businesses and individual citizens a conviction of the value and necessity of regional cooperation. Regional cooperation can help solve social problems and establish good 'collective services' in the social domain, for infrastructure and transport, housing and construction, the labour market and education. The National Advisory Committee on Public Administration and Governance is fully aware of the importance of the democratic and institutional function of (all levels of) government and interadministrative relationships.

In conclusion, these recommendations are aimed at strengthening administrative capacity on a regional scale. This is the consequence of the following analysis: economic opportunities arise on a scale that deviates from our formal administrative structures, but if new 'blueprints' are unable to provide an answer in the 21st century of networking and superfast developments, then the bridging function must be found in the traditional Dutch approach of cooperation in unity: with sufficient space for individuality, and with far less space for non-binding agreements. This calls upon both government and parliament to set a course, while at the same time leaving sufficient freedom to other levels of government to put that call into practice.

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