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From Unambiguity to Widescreen: Broadening the Evaluation Criteria of Effectiveness, Efficiency and Compliance in the Public Sector

A Dutch Municipal Case Study

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Abstract: Evaluation of government organisations in terms of effectiveness, efficiency and compliance is increasingly being mandated in European countries. However, the actual evaluation of government organisations based on these three criteria can be particularly complex in practice. In this contribution, using a municipal case study as an example, the evaluation criteria of effectiveness, efficiency and compliance are situated within political, economic and legal rationalities, respectively. This approach yields a broader and more nuanced understanding of the extent to which a public sector organisation operates effectively, efficiently, or in accordance with the law. On the other hand, positioning the criteria within these three rationalities implies that it is not straightforward to construct a predetermined normative framework, and that in most cases no unequivocal assessment can be reached. The rationalities do not contradict one another: each employs a distinct criterium, and together they complement each other and provide a more comprehensive basis for evaluation.

Keywords: evaluation, effectiveness, efficiency, compliance, rationality

1. Introduction

The evaluation of policy and its implementation can foster accountability, organisational learning, and even inter-organisational collaboration in the public sector (Van Der Meer & Edelenbos, 2006; Lemire et al., 2020; van der Knaap et al., 2023). Evaluation of government organisations in terms of effectiveness, efficiency and compliance is increasingly being mandated in European countries (Bovens, 2007; Stern, 2009). Likewise, in the Netherlands, legislation prescribes that government organisations must be evaluated on the basis of these three criteria. For instance, ministers are held accountable for the efficiency and compliance of financial management and are responsible for the periodic assessment of the efficiency and effectiveness of policy and operational management. At the decentralised level, the ordinance on financial policy and management must ensure compliance, and the board is required to periodically evaluate the efficiency and effectiveness of implemented policy. These three criteria also constitute the guiding principles for audits conducted by Dutch audit offices at both central and decentralised levels.

The practical application of these criteria within public sector organisations is not always without challenges. To trace the degree of effectiveness, the objectives of the public organisation are often taken as the starting point (van Twist & Verheul, 2010; Brown, 2021; Virtanen & Jalonen, 2024). However, consensus regarding these objectives is not always present (Teisman, 1992; Moore, 1995; Bulgarelli & Gori, 2004; Arensman & van Wessel, 2018; Rothgang & Lageman, 2021). Gaining insight into efficiency further requires understanding the output produced by the organisation, yet such output is not always readily identifiable (Farrell, 1957; White, 1999; Klaassen et al., 2010; Rutgers & van der Meer, 2010). Furthermore, the degree of compliance appears to be associated with various, and at times conflicting, legal provisions, while the application of particular legal provisions to individual cases may leave room for divergent interpretations (Matland, 1995; Blay & Piotrowicz, 2001; Stevens, 2007; Schotman, 2017; Michelin, 2018; Rogers, 2018; Manca, 2022).

These challenges are partly rooted in an approach that presumes effectiveness, efficiency and compliance as having unambiguous conceptualisations, allowing for standardised norms and unambiguous evaluation. In practice, however, there is not always a clear picture of the constituent elements underlying these concepts (White, 1999; Workman, 2015).

It can be argued that effectiveness, efficiency and compliance can be situated within three distinct rationalities: political, economic and legal rationality, respectively. By embedding these criteria within their respective rationalities, it may become possible to conceptualise them more broadly and thereby address some of the practical complications commonly encountered.

While previous research has analysed the functioning of public administration from the perspective of different rationalities, this approach has not yet been explicitly applied in the evaluation of public organisations in terms of effectiveness, efficiency and compliance (Snellen, 2002; in 't Veld & Kruiter, 2012; Langer, 2022). Positioning these three criteria within separate rationalities, however, generates additional insights into their

various manifestations, thereby enriching the evaluation process (Bovaird & Löffler, 2003; Van Der Meer & Edelenbos, 2006).

This contribution provides a foundation for a further elaboration of the evaluation criteria effectiveness, efficiency and compliance. To this end, these three criteria will be situated within, respectively, a political, an economic, and a legal rationality. This approach generates a broader and more nuanced understanding of the extent to which a public sector organisation operates effectively, efficiently, or in a compliant manner (Schreurs, 2002; in 't Veld & Kruiter, 2012). These different rationalities can complement each other and, combined, provide a framework for evaluating the actions of public sector organisations (Hanberger, 2001). At the same time, situating a criterion within a particular rationality implies that the evaluation will generally not result in an unambiguous judgment (Arensman & van Wessel, 2018; Lemire et al., 2020).

First, this contribution will address the meaning of the concept of rationality. The criteria effectiveness, efficiency and compliance will then be linked to three different rationalities. This broadens the criteria, and the implications for evaluation will be illustrated through a case study. Since one rationality alone is too comprehensive to serve as a basis for an evaluation framework, and the concretisation of a rationality is partly determined by the nature of a specific case, no normative framework will be developed initially. Instead, a single case of a Dutch municipality will be presented to representatives of the three rationalities, and the case will be evaluated based on the analysis provided by these respondents.

2. Theoretical exploration

2.1. The concept of rationality

Rationalities relate to standards, a certain 'format' or 'pattern' of reasoning and acting, and are grounded in knowledge, values and choices (in 't Veld & Kruiter, 2012). A rationality can be understood as a particular way of approaching problems and developing solutions (West, 1983; Meier et al., 2019; Langer, 2022). Within each rationality, different values are prioritised distinctly relative to one another, and the functioning of public administration is approached and assessed from a unique perspective. Each rationality is therefore associated with a specific complex of norms and a particular language (Snellen, 2002; Jones, 2002; 2017).

Rationality is sometimes interpreted instrumentally and then typically refers to economic rationality (Schreurs, 2002). However, within public administration, besides economic values, other values are also relevant, such as legitimacy, democratic quality, equality before the law and reliability (Long, 1954; Hood, 1991; White, 1999; Schreurs, 2002; Bovaird & Löffler, 2003; Meier et al., 2019). Hence, in addition to economic rationality, one can distinguish legal-procedural, political and technical rationalities (Snellen, 2002; in 't Veld & Kruiter, 2012). Other categorisations are possible, and it is conceivable that new rationalities may emerge as well (Hartwig, 1978; Snellen, 2002).

There is no single dominant rationality for approaching problems in public administration (Hartwig, 1978; Jones, 2017). In general, it is assumed that each rationality

is indispensable for the proper functioning of public administration (Snellen, 2002, p. 327; Bovens, 2007).

However, combining multiple rationalities into a single course of action is far from straightforward, as each rationality operates according to a distinct normative framework. At times, the normative framework of one rationality may exclude solutions proposed by another rationality (Overkleeft-Verburg, 1998). Moreover, rationalities tend to dominate one another; representatives of different rationalities often pursue the maximisation of their own normative framework (Snellen, 2002; Benz, 2005). Representatives of a given rationality may also possess a trained incapacity to comprehend alternative rationalities. In bureaucratic organisations, where different rationalities are compartmentalised within separate departments and directorates, the development of genuine synergy between rationalities is impeded (West, 1988). Some authors go so far as to argue that rationalities are a primary reason why collaboration can break down, as they may obstruct trust, empathy, and thus understanding of others' underlying motivations (in 't Veld & Kruiter, 2012).

Effectiveness, efficiency and compliance each have distinct origins and can also be situated historically in different contexts of the public sector. When the organisation and steering of government organisations are viewed within a developmental trajectory from traditional public management, via new public management, to public value management, the emphasis placed on these criteria shifts (Pollitt & Bouckaert, 2000; Bovaird & Löffler, 2003; Nabatchi, 2009; Moore, 2014; Brown, 2021). Whereas traditional public management emphasises compliant conduct, new public management centres on the business–economic concept of efficiency. Public value management, by contrast, focuses explicitly on the achievement of societal objectives in terms of public values, thereby placing the emphasis on effectiveness (Moore, 1995; O'Toole, 1997; Rhodes, 1997; Pierre, 2000; Stoker, 2006; Rethemeyer & Hatmaker, 2007; Vrangbæk, 2009; Hovik & Hanssen, 2015; Ansell et al., 2017; Howlett & Ramesh, 2016).

2.2. Placing the criteria within three rationalities

The criteria of effectiveness, efficiency and compliance differ not only in their historical context, but also in the underlying rationality on which they are based. In order to fully understand these criteria, they must be examined in the light of their respective rationalities (Overkleeft-Verburg, 1998; Workman, 2015). In this regard, effectiveness can be situated within the political rationality, efficiency within the economic rationality, and compliance within the legal rationality.

The Dutch Regulation on Periodic Evaluation Research defines effectiveness as the extent to which policy objectives are achieved as a result of the implemented policy, and with as few undesirable side effects as possible (Article 1.1, Regulation on Periodic Evaluation Research 2022; Algemene Rekenkamer, 2023). In this conceptualisation, effectiveness pertains to the attainment of intended objectives as a consequence of implemented policy (Haselbekke et al., 1990; Hoogerwerf, 1995; ter Bogt & van Helden, 2005; Klaassen et al., 2010; van Twist & Verheul, 2010; Peters et al., 2018; Mukherjee et al., 2021; van der Knaap et al., 2023). One of the major complications in applying this

conceptualisation of effectiveness lies in the fact that there is not always consensus on the objectives to be achieved, nor on the desirable societal outcomes to be pursued (Bulgarelli & Gori, 2004; Klaassen et al., 2010; Arensman & van Wessel, 2018).

When the concept of effectiveness is situated within the political rationality, a broader perspective on this concept emerges. Politics concerns itself with the making of authorised, binding and collective decisions (Jones, 2002; Askim & Christensen, 2025). Political rationality prescribes that certain collective problems should be placed on the agenda and be provided with possible solutions in order to achieve desirable societal outcomes and deliver public value (Moore, 1995; Pierre, 2000; Snellen, 2002; Stoker, 2006). Within the political rationality, it is acknowledged that there is not always consensus on the desirable societal outcomes or the public values to be pursued (Bovaird & Löffler, 2003; Howlett, 2015; Mukherjee et al., 2021). Plurality of values is, in this context, an essential characteristic of public administration (Hoogerwerf, 1995; Moore, 1995; Jørgensen & Bozeman, 2007). When placed within the political rationality, the concept of effectiveness therefore acquires a more individualised character: from the perspective of one actor, an organisation may be acting effectively, while from the perspective of another actor, this may not necessarily be the case (Conn et al., 1973; Bovaird & Löffler, 2003; Kuruvilla & Dorstewitz, 2010; Brown, 2021). Whereas the original conceptualisation of effectiveness assumes an organisation-wide normative consensus and a uniform assessment, within the political rationality, the concept acquires an actor-specific dimension, and the assessment of effectiveness must be considered in light of the interests and objectives of a particular actor (Anderson, 2006; Virtanen & Jalonen, 2024).

To explain the realisation of public values and the degree of effectiveness, the political rationality allows for the mobilisation of a wide range of factors and perspectives (Dunleavy, 1991; Jørgensen & Bozeman, 2007; Fimreite & Lægreid, 2009; Janssens & de Wolf, 2009). For example, the process of value creation can be analysed through the lens of interaction with other actors, the influence an actor wields, the configuration of power relations, the decision-making processes, the way different objectives are weighed and conflicting interests are managed, the extent to which support and trust are generated, and so forth (Conn et al., 1973; West, 1988; Snellen, 2002; Jones, 2017; Egeberg & Trondal, 2018; Meier et al., 2019).

At the Dutch national level, efficiency is defined as the extent to which the outputs and impacts of policy are achieved with the lowest possible use of (financial) resources and minimal undesirable side effects, or, conversely, the extent to which, with a given amount of (financial) resources, the maximum policy outputs and impacts are achieved while minimising undesirable side effects (Article 1.1, Regulation on Periodic Evaluation Research 2022). From a business-economic perspective, efficiency can be defined as the ratio between realised and desired productivity, whereby productivity refers to an output–input relationship (Farrell, 1957; Haselbekke et al., 1990; ter Bogt & van Helden, 1994; Hoogerwerf, 1995; White, 1999; Nabatchi, 2009). Whereas effectiveness generally concerns the achievement of objectives, efficiency often focuses on the manner in which those objectives are achieved (Klaassen et al., 2010; Kuruvilla & Dorstewitz, 2010). As such, efficiency acquires an instrumental character (Dasgupta, 1990; Lee, 2019). In most approaches to efficiency, the delivered output is taken as the starting point. Here, one of the major challenges within

public sector organisations becomes apparent: in government contexts, output is by no means always readily identifiable (Anderson, 2006; Klaassen et al., 2010).

The phenomenon of scarcity constitutes a core element of the economic rationality (Snellen, 2002). Within the economic rationality, it is acknowledged that the desired output to be delivered cannot always be clearly identified (Rutgers & van der Meer, 2010). Consequently, efficiency is conceived more broadly than merely the attainment of desired productivity (Lee, 2019). The prevention of counter-productivity can also serve as an indicator of efficiency, and within the economic rationality, the concept of efficiency thereby expands towards process optimisation and process control (Farrell, 1957; Conn et al., 1973; Kuruvilla & Dorstewitz, 2010).

This broadening of the concept of efficiency gives rise to a correspondingly wide range of considerations and explanatory factors for the level of efficiency achieved (Dasgupta, 1990; Hong, 2019). From the perspective of the economic rationality, attention may be directed towards the design of risk management or internal control mechanisms, the methods by which cost prices and budgets are calculated, allocated and monitored, the extent to which processes are controlled and optimised, and the functioning of the planning and control system, among other factors (ter Bogt & van Helden, 1994; ter Bogt, 2003; Anthony & Young, 2004; Merchant & Otley, 2006; Widener, 2007; Klaassen et al., 2010). Since, within the economic rationality, efficiency is extended to encompass process control, process management becomes a specific area of focus. In this approach to efficiency, consideration is also given to how output steering, performance management, or output budgeting can be designed and implemented (Otley, 1999; ter Bogt & van Helden, 2005; Rajan & Reichelstein, 2006).

The Dutch Government interprets the concept of compliance in the accounting sense, designating a financial transaction as compliant if it is in accordance with the provisions set out in budget laws, among others (Ministry of Finance, 2025). A broader definition is offered by the BADO Committee: "In principle, the legal concept of compliance relates to all applicable laws and regulations. Compliance is acting in accordance with these laws and regulations" (BADO, 2020, p. 14). In the legal literature, compliance is understood as the extent to which actions, decisions, or situations comply with applicable law (van Ommeren, 1988; Schotman, 2017; Rogers, 2018; Coșpănar, 2019; Polak et al., 2019; Barkhuysen et al., 2022; Perlman et al., 2023). Given that public sector organisations are generally subject to a multitude of provisions, the question arises as to whether it is possible for an organisation to comply with all prevailing provisions, particularly when such provisions may be in tension with one another (Blay & Piotrowicz, 2001). Furthermore, the question emerges as to the extent to which evaluating governmental action on the basis of a single provision allows for multiple interpretations (Stevens, 2007; Schotman, 2017; Michelon, 2018; Manea, 2022).

Legal rationality focuses on all the elements necessary to safeguard our trust in the law (van Ommeren, 1988; Stevens, 2007; Schotman, 2017). Situated within the framework of legal rationality, the concept of compliance manifests itself in a wide variety of forms, depending on the specific governmental action in question and the particular provisions subject to evaluation (Bovaird & Löffler, 2003). One and the same legal act may be assessed differently in terms of compliance, depending on the specific provision or

principle included in the analysis. For instance, compliance may be evaluated in relation to special public law provisions, but it can also be assessed on the basis of the general principles of proper administration (Blay & Piotrowicz, 2001; Schlössels, 2021; Barkhuysen et al., 2022). This typically does not lead to a single, unequivocal judgment.

Furthermore, provisions must be interpreted in the course of their application to an individual case. No matter how strictly a provision is drafted, its application invariably involves a certain degree of interpretative discretion (Stevens, 2007; Michelon, 2018). It is therefore entirely conceivable that, based on one and the same provision, a given course of action may be deemed compliant by some, yet less compliant by others (Coșpănar, 2019; Perlman et al., 2023). Within the paradigm of legal rationality, even the provisions themselves may be subject to critical reflection: provisions that are poorly aligned with the general principles of good administration may, through an exceptive review or the application of the principle of proportionality, be declared unlawful (Hoge Raad, 1978; Bröring & de Graaf, 2016; Rogers, 2018; Barkhuysen et al., 2022).

Here too, situating the concept of compliance within the framework of legal rationality yields a multiplicity of focal points and explanatory perspectives. Within legal rationality, the legal act itself can be designated as the object of analysis, allowing one to examine the extent to which this legal act aligns with specific provisions or general principles of proper administration (Westerman, 2006; van Erp & Mascini, 2011; Bokhorst & de Goede, 2014). Within this rationality, relatively considerable attention is also devoted to the various ways in which a provision may be interpreted and applied to an individual case in order to assess its compliance. This involves, among other things, examining whether the provisions are formulated with a focus on substantive objectives or rather on procedural requirements; whether they employ closed norms or open standards; the degree of discretionary power afforded to the administrative body; and the extent to which the provisions themselves align with the general principles of good administration (Meussen, 2002; Colon & Swagerman, 2015).

The above can be summarised as shown in Table 1.

Table 1
Rationality and criteria

	Effectiveness	Efficiency	Compliance
Criterion as defined in Dutch legal provisions	The extent to which the intended societal objectives are achieved as a result of government action	The extent to which the greatest possible output is achieved with the least possible means	The extent to which actions are in accordance with all applicable provisions
Criterion placed within a rationality	The extent to which an actor's intended objectives are achieved	The extent to which processes are effectively controlled	The extent to which government action is in accordance with pre-specified provisions and principles, while allowing for a certain degree of interpretative discretion in the application of those provisions

Source: Compiled by the author.

3. Case study design

The theoretical exploration demonstrates that, once criteria are situated within a specific rationality, numerous approaches can be applied, explanatory factors can be advanced, and distinct normative frameworks can be employed. Moreover, the conceptualisation of any given criterion is shaped by the specific characteristics of the case at hand. Consequently, it is not possible to construct an *a priori* normative framework, based solely on the three rationalities, to evaluate the actions of a public organisation in terms of effectiveness, efficiency and compliance. Therefore, an alternative approach was adopted. The same municipal case was presented to presumed representatives of the political, economic and legal rationalities.

The case concerns a municipal collaboration with Company 'B', a private company providing complementary support services within the social domain. In 2022, the municipality decided to contract these services from a single provider, Company 'B'. Based on a document analysis and 21 interviews with council members, board members, civil servants and employees of Company 'B', a case description was developed.¹ The document analysis drew upon council and municipal board proposals, program budgets and annual reports, internal reports, reports by Company 'B', contracts, assignments, and other official communications between the municipality and Company 'B', as well as public information releases, minutes of council and committee meetings, and minutes of the General Shareholders' Meeting.

The interviews aimed to obtain a clearer picture of the decision-making process and the relationships among the council, the municipal board and the General Shareholders' Meeting, and to clarify ambiguities found in the documents. The case description addresses the municipality's rationale for consolidating services under a single provider, the selection process, contracting and implementation, financial management and operations, municipal steering and planning and control functions, decision-making within the council, municipal board and shareholders' meeting, and the role of the municipal council.

Subsequently, the case description was presented to representatives of the three rationalities, with the request to analyse and evaluate the case. The three groups of respondents were asked to assess the case in terms of effectiveness (the group representing the political rationality), efficiency (the group representing the economic rationality), or compliance (the group representing the legal rationality). No specific normative framework for analysis or evaluation was provided intentionally. Likewise, the object of analysis and evaluation was left unspecified. Respondents were free to select their own focus, such as the selection process, municipal steering, administrative decision-making, operational management, the planning and control function, or any combination of these aspects.

By deliberately granting respondents the freedom to select and operationalise their own norms and to choose the object of analysis and evaluation, it becomes possible to gain

¹ The respondents have declared in writing, in advance, that they are participating in this study entirely voluntarily and without any personal interest. It has also been guaranteed that all findings will be analysed anonymously.

insight into how the criteria are applied in practice and how they may be broadened within a given rationality.

To select the representatives, fifteen municipalities of comparable size were contacted. Respondents from fourteen of these municipalities agreed to reflect on the case. The case was thus presented to eight aldermen and nine policy advisors working in the field of municipal politics and administration (representatives of the political rationality). In addition, thirteen economists employed within municipal finance departments or serving as financial controllers participated as representatives of the economic rationality. Finally, twelve legal advisors working in municipal legal departments participated as representatives of the legal rationality.

Each respondent analysed and evaluated the case individually and submitted a written analysis. The various analyses within each rationality group were then synthesised into three comprehensive analyses. All substantive notions provided by the respondents were included, while duplicate notions with identical meanings across different responses were consolidated. In this manner, three distinct overall analyses were produced: an analysis of effectiveness based on the input of the representatives of the political rationality; an analysis of efficiency derived from the representatives of the economic rationality; and an analysis of compliance based on the input from the representatives of the legal rationality. The same procedure was applied to the evaluations, resulting in three comprehensive evaluations corresponding to the three rationalities. The three overarching analyses can be presented as follows.

3.1. Political analysis

The representatives of the political rationality (namely, the aldermen and political advisors) analysed the case as follows.

The Alderman for the Social Domain (Alderman A) of the municipality sought to simplify the procurement of services within the social domain. Specifically, this concerned ambulant care, day care, family support, personal budgets and social shelter services. In the previous arrangement, these services were procured from 143 different providers, involving seven separate departmental units of the municipality. In consultation with the municipal board of mayor and aldermen and the executive board, the plan was conceived to procure all of these services from a single provider: Company 'B'. Simultaneously, the internal organisation of the social domain of the municipality would need to be restructured, establishing centralised coordination and management within the municipal administration and transferring the municipal social district teams to the contractor. This reorganisation would provide Alderman A with greater capacity for consistent political and administrative steering.

When the plan was first presented to the Social Affairs Committee in mid-2021, it received a critical response. Committee members questioned whether the proposed approach would generate genuine cost savings and expressed concerns about the municipality becoming overly dependent on a single provider. They also voiced apprehension regarding the continuity of service provision during the transition of social

district teams to the contractor. It was decided to revisit the item in a subsequent committee meeting.

In the lead-up to that second meeting, a substantial number of written questions were submitted by municipal councillors. In his responses, Alderman A outlined the goals and benefits of the new approach. These answers did not fully convince the committee, which resolved to include the proposal as a discussion item on the agenda of the November 2021 council meeting. Prior to this meeting, the alderman conducted several bilateral consultations with party leaders of the municipal council. During these consultations, the party leaders stressed the priority of ensuring continuity in service provision. In the November 2021 council meeting, the alderman emphasised this point in his address, thereby securing sufficient support from the council to approve the proposal.

The Alderman for Finance (Alderman B) endorsed the plan on the condition that it could be implemented on a budget-neutral basis. To ensure that service delivery would not only meet quality standards but also remain within the municipality's budget boundaries, the municipal board decided to acquire a participatory stake in Company 'B'. As part of this arrangement, the municipality required that Alderman A serve as a member of the supervisory board and Alderman B act as a shareholder in the General Shareholders' Meeting (GSM) of Company 'B'. The contract was awarded in mid-2022, enabling Company 'B' to commence organisational preparations.

Operations began in 2023. Shortly thereafter, the municipal board received early indications that expenditures were likely to exceed the allocated budget. Several factors contributed to this expectation: the newly negotiated collective labour agreement was more costly than anticipated; demand for care services proved higher than projected; and the organisational transition required substantially more effort and resources than initially estimated. These developments prompted a debate within the board, in which Aldermen A and B found themselves at odds. Ultimately, the decision was taken to maintain the municipality's existing budgetary ceiling.

Throughout 2023, municipal councillors regularly approached Alderman A with requests to expand certain aspects of service provision, particularly in the fields of youth mental health, dementia care and debt counselling. Alderman A found himself in a difficult position: on the one hand, he was obliged to adhere to the municipality's budgetary framework; on the other, he needed to maintain political support within the council. In response, he chose to accommodate these requests, issuing a total of five supplementary assignment letters to Company 'B' during 2023, sometimes directly and sometimes via sectoral departments situated outside the central coordination structure of the municipality.

This approach ultimately resulted in a deficit of €5.1 million. The shortfall was first addressed in the GSM, which Alderman A attended in his capacity as supervisory board member. It was argued that the deficit was largely attributable to exogenous factors. Given that, at the request of its shareholders, the company operated with only a very modest equity position, both the company's management and supervisory board proposed that the municipality be asked to issue a declaration of indemnity and provide additional funds to cover the shortfall. The shareholders approved this proposal, with the exception of Alderman B, who insisted on the development of a cost-reduction plan.

At the initiative of Alderman A, the company regularly organised on-site information sessions for municipal councillors. These sessions were well attended, and the minutes indicate that, over the course of 2023, councillors developed an increasingly favourable attitude towards the collaboration.

The request for a declaration of indemnity was subsequently placed on the agenda of the municipal board. In the run-up to this meeting, Alderman A engaged in bilateral consultations with all aldermen, except for Alderman B. The party leaders of the municipal council affiliated with these aldermen were also invited to these discussions. During these meetings, emphasis was placed on the fact that the company had delivered additional services, which had ultimately contributed to the budget shortfall.

The municipal board eventually approved the request, again with the exception of Alderman B, and granted the Company ‘B’ both a declaration of indemnity and supplementary funding of €5.1 million. Alderman A subsequently presented and explained this decision to the Social Affairs Committee, which elicited neither questions nor debate.

3.2. Economic analysis

Respondents from an economic rationality perspective primarily focus on the desired output–input ratio, as this constitutes the principal benchmark for assessing the degree of efficiency achieved. In this case, the desired output–input ratio refers to the allocated budget in relation to the performance requirements set forth in the contract.

A closer examination of the municipality’s substantiation for the lump sum budget yields the following observations. In the invitation to tender, the lump sum budget is specified as follows.

Table 2
Original lump sum budget 2023

Social district teams	€4,000,000
Social infrastructure	€13,500,000
Outpatient support	€7,500,000
Day care	€2,500,000
Family support and guidance for young adults	€3,000,000
Personal care budget scheme	€2,500,000
Budget reduction target	€–1,000,000
Total budget 2023	€32,000,000

Source: Compiled by the author.

The municipality uses its own operational expenditures from previous years as the basis for budget determination. It is not uncommon for historical data to inform the desired output–input ratio. However, the drawback of such a historical basis is that any prior

budget maximisation practices are not corrected when calculating the lump sum budget for 2023. In many cases, such drawbacks are mitigated by including the provider’s proposed pricing as an award criterion. In this instance, however, pricing is not included as a separate award criterion in the invitation to tender.

Furthermore, the municipality has not conducted a benchmark analysis against other providers or municipalities. It also remains unclear how many activities, precisely, are to be performed within each budget category, as no substantiated price × quantity calculation has been employed. Based on the 2023 annual financial statements of the contractor, it is not possible to determine the exact volume of activities performed or the expenditure per activity.

Consequently, for each budget category, it is impossible to indicate exactly what has been delivered or whether the contractor spent more or less than estimated. Moreover, the estimates themselves lack substantiation. This means that the municipality has no real insight into the efficiency that has actually been achieved.

Respondents’ attention is now directed towards the extent to which the municipality exercises control over its processes. The first point to note is that, over time, the original budget has been increased.

Table 3
Budget developments from 2023 onwards

Contract letter and budget 2023	€32,000,000	€37,100,000 realised 2023 expenditure
Additional contract letters 2023	€3,000,000	
Contract letter and budget 2024	€35,902,210	n. a.
Contract letter and budget 2025	€40,396,525	n. a.

Source: Compiled by the author.

The budget increase in 2023 can be explained in part by the issuance of additional contract letters during the year, for which no corresponding financial coverage was secured. These additional activities relate to youth mental health, dementia care and debt relief. This raises questions about the extent to which the approved lump sum budget serves as a binding framework and whether budgetary oversight can be maintained under such circumstances. The budget increases for 2024 and 2025 are partly the result of incorporating the 2023 additional activities into the subsequent contractual scope. This raises the question of how the additional activities have been adequately budgeted.

According to interview records, some form of budget monitoring did take place during 2023. Municipal staff indicated that the budget overrun of €5.1 million did not come as a surprise. However, it remains unclear what corrective actions, if any, the municipality undertook in 2023 to address the overrun. It is clear, however, that the final actual expenditure exceeded the total value of the contract letters by €2.1 million. One would expect the municipality to have taken action to address at least this excess. It is also notable that no subsequent funding coverage was sought for the unfunded additional contract letters.

The municipality states that both the municipality and the contractor are jointly responsible for timely implementing appropriate control measures to mitigate risks. The agreement notes that risks are categorised based on their degree of predictability and controllability. However, this form of categorisation is not free from ambiguity. The question arises as to when risks are considered controllable and predictable. Both in academic literature and in practice, this question is answered very differently. Moreover, the risk management approach used does not clarify in advance which risks are borne by the municipality and which are borne by Company ‘B’. The allocation of responsibilities regarding risk management is a fundamental principle of effective risk management, as illustrated in the widely accepted Three Lines Model.

The 2023 annual report of Company ‘B’ mentions the assignment and identifies risks related to wage increases and housing. However, it does not specify how these risks will be managed or who holds primary responsibility. The 2024 annual report of Company ‘B’ shows some risk allocation: identified risks related to collective labour agreements, tariff indexation, and labour market tightness are quantified and divided between the contractor (in the form of cost-saving targets) and the municipality (in the form of additional budget). Notably, the risks borne by the municipality are not mentioned in the municipality’s risk section, as included in the council proposals.

The risk inventory is solely conducted by the contractor, with no further reflection or evaluation by the municipality. This raises questions regarding the comprehensiveness of the risk inventory. The risks identified are exclusively those that could negatively impact the contractor’s operations. Risks that affect only the municipality are not incorporated into the inventory. One such risk for the municipality is its dependency on a single party. A pertinent question is how Company ‘B’ leverages the market power it holds as an organisation. Company ‘B’ determines which subcontractor performs which activity within the municipality, potentially influenced by other interests.

Furthermore, it is notable that the equity of Company ‘B’ has significantly increased in recent years.

Table 4
Development of equity capital of Company ‘B’

Year	Equity capital
2021	€1,200,000
2022	€1,600,000
2023	€3,500,000
2024	€4,800,000 (projected)
2025	n.a.

Source: Compiled by the author.

A dilemma arises in this context. On the one hand, as a financial participant, the municipality has an interest in an adequate solvency position of Company ‘B’, and thus in a certain growth of its equity capital. On the other hand, the growth of equity capital may indicate that allocated budgets are not being utilised and are instead added to

Company 'B's general reserves. From the municipality's perspective, the latter is undesirable and could even create the impression of budget maximisation in advance.

It remains remarkable that Company 'B's equity capital has increased while the assignment shows a deficit of €5.1 million for 2023. Although municipal staff assert that this partnership is based on transparency and trust, and that the equity growth stems from activities outside the contract, the principal-agent dilemma is not fully resolved. Company 'B' has an incentive to maximise its equity capital, and there is a risk that costs are internally allocated via Company 'B's cost allocation statement to the municipality's assigned tasks, thereby fully exhausting the municipal budget while generating a positive balance from other activities. However, the municipality lacks insight into how internal cost allocations are made within Company 'B'. Since no cost price calculation per activity has been developed by the municipality, it cannot independently produce an operating overview per activity based on delivered performance.

A more detailed analysis can be conducted for the Social District Teams component.

Table 5
Process data for social district teams

Indicator	2022	2023
Cases already in process	412	1,239
Residents: Inflow	3,615	2,582
Residents: Outflow	2,788	1,873
Residents: Still in process	1,239	1,948
Waiting time (weeks)	5	7
Average care duration (months)	5	6
Costs (€)	3,275,000	4,000,000
Cost per outflow (€)	1,175	2,136
Cost per case (€)	961	1,405

Source: Compiled by the author.

From the process data overview, it can be inferred that in 2023, the cost per case increases, as well as the average treatment time and the waiting time.

3.3. Legal analysis

The respondents who can be regarded as representatives of legal rationality, i.e. the legal advisors, analyse the case as follows.

The municipality drafts a pre-selection document, a selection document and ultimately an invitation to tender. The question arises as to what extent the municipality should have tendered this contract according to the European public procurement procedure.

Article 2.24a of the Dutch Public Procurement Act 2012 provides an exemption possibility for this procedure. A public contract awarded by a contracting authority to a private legal entity falls outside the scope of the European procurement rules if three

conditions are cumulatively met. First, the municipality must exercise control over the legal entity similar to the supervision which it exercises over its own departments. Second, more than 80% of the activities of the private legal entity must consist of performing the municipality's assignments. Finally, there must be no direct participation of private capital in the controlled legal entity, except in cases where such private capital does not exert decisive influence over the entity (Article 12, Directive 2014/24/EU; Article 2.24a, Procurement Act 2012). The case description suggests that the municipality is invoking this exemption.

Examination of the 2023 annual accounts of Company 'B' shows a total turnover of €70 million, with the current contract amounting to €37.1 million: approximately 50% of the total turnover. As the municipality has not put forward any alternative measure, the contract fails to meet the activity criterion and therefore does not qualify for the exemption under Article 2.24a of the Procurement Act.

Furthermore, the municipality's supervision of the company is not structured in the same manner as over its own departments. According to settled case law, the municipality must be able to exercise decisive influence over both the company's strategic objectives and its significant decisions in order to meet the control criterion (Explanatory Memorandum, Procurement Act 2012; Case C-107/98). Mere representation on the supervisory board or the general meeting of shareholders is insufficient (Case C-383/21). Supervision of only part of the company's activities likewise does not satisfy the requirement; control must extend to the entire organisation and all of its activities (Case C-458/03). It can therefore be concluded that the municipality does not meet this control requirement. In particular, with regard to the company's other activities, no decisive influence by the municipality can be established.

Some respondents argue, in this regard, that certain activities within the contract are so self-contained that the question arises whether there are objective grounds for dividing the contract pursuant to Article 3 of the Directive, having regard to Article 2.14 of the Dutch Public Procurement Act. For these components, a European public procurement procedure might therefore not be applicable. Indeed, Article 1.5 of the Procurement Act prescribes that contracts must not be combined unnecessarily.

During the course of the cooperation, the municipality carries out a number of private law legal acts. For example, the conclusion of the agreement constitutes a multilateral private law legal act. Likewise, the issuance of assignment letters, in which the lump sum budget and various additional budgets are determined, may be regarded as a multilateral private law legal act. Finally, the financial participation in Company 'B' naturally constitutes a private law legal act.

In such cases, the municipality acts as a private party and, in effect, operates under a market governance regime. It should be noted, however, that even when a public sector organisation acts under private law, general principles of proper administration continue to permeate and shape such conduct, influencing the interpretation and application of private law rules (van Ommeren, 1988; Scheltema, 2009; Jurgens, 2011; van Ommeren, 2012; Bröring & de Graaf, 2016; Schlössels, 2021). In that sense, when public bodies engage in private law acts, the public interest invariably plays a role in the background (Schroten, 2000; Huisman & van Ommeren, 2015). In principle, a public body is free to choose the type of legal act it employs, unless the law prohibits such private law actions by

public authorities. Furthermore, the performance of a private law act may not unacceptably circumvent a public law regime (Supreme Court of the Netherlands, 26 January 1990; Scheltema, 2009; van Ommeren, 2012; Borgdorff, 1992; Huisman & van Ommeren, 2015). It can be concluded that the private law legal acts in question neither circumvent any public law provision nor are subject to any statutory prohibition.

A further analysis has been conducted into the granting of personal care budgets. Examination of the documents reveals that applications for these budgets are assessed directly by the municipality, and that the decisions are taken by the municipal board of mayor and aldermen, as prescribed by the Social Support Act 2015 (Article 2.3.2 Wmo 2015; Article 2.6.3 Wmo 2015). The fact that Company 'B' subsequently acts as a care provider is both a common practice and legally permissible.

On the other hand, the percentage of submitted notices of objection is high: 12% in 2023, whereas municipalities of comparable size reported a rate of 3% for the same year. Furthermore, 34% of these objections were upheld, compared to 18% in comparable municipalities. A similar pattern emerges at the appeal stage: 35% of appeals were upheld, compared with 17% in comparable municipalities. In a relatively large number of cases, the municipal decision in question was annulled on the grounds that the municipal board had either failed to prepare the decision with due care or had provided insufficient reasoning.

The declaration of indemnity was granted in the form of a settlement agreement, with the budgetary basis for this remission laid down in the municipal board's decision of 16 April 2024. The conclusion of a settlement agreement falls within the authority of the board as the representative of the municipality and thus constitutes a compliant legal act, if this legal act is assessed in relation to the provisions of private law. However, the decision of the board to enter into such an agreement must also be considered in relation to the municipal council's budgetary rights under the Decree on Budgeting and Accountability, a provision of public law. This budgetary right is safeguarded by the budgeting criterion, one of the three financial compliance criteria of the Decree.

The municipality's 2023 annual report notes that the accountability threshold of €7.8 million for that year was exceeded. The total amount of irregularities was established at €9,839,000. It may be stated that the overrun of €5.1 million is difficult to reconcile with the budgeting criterion.

4. Evaluation from the perspective of the three rationalities

Some respondents evaluated the case and provided a judgment. In summary, these assessments can be presented as shown in Table 6.

In this case as well, the previously identified complications associated with the unambiguous conceptualisation of the three criteria occur, and in this respect, these complications are confirmed. There is a lack of consensus regarding the objectives the municipality seeks to achieve, resulting in the absence of a clear benchmark for evaluating effectiveness. Identifiable output is also lacking, which complicates the assessment of efficiency. The evaluation of compliance is linked to the specific legal provision applied, while the use and assessment of the same provision allow for multiple interpretations.

Table 6
Evaluation from three rationalities, as indicated by the respondents

Representatives of the political rationality: effectiveness	Representatives of the economic rationality: efficiency	Representatives of the legal rationality: compliance
It can be concluded that Alderman A operates effectively. He not only succeeds in shaping governance in a more coherent manner and in creating and maintaining support within both the municipal board and the municipal council, but also in offering additional services to the municipality’s residents. During 2023, the service package is expanded. This expansion is extended into the years 2024 and 2025 and is reflected in corresponding budget increases.	It can be concluded that the municipality lacks insight into the efficiency actually achieved. Process control is also found to be inadequate. The annual budget does not serve as a guiding framework, budgetary monitoring appears less effective, risk management is configured ambiguously, no consideration is given to a potential principal–agent dilemma, and an analysis of the social district teams points to diminished process control.	It can be concluded that the municipality should have tendered the contract according to the European public procurement procedure, although, according to some respondents, this does not apply to the contract in its entirety. Assessed in relation to the provisions of private law, the cooperation itself proceeds compliantly. However, the conclusion of the settlement agreement aligns less with public legislation, and is therefore less compliant in relation to public law.
In terms of budgetary oversight, Alderman B operates less effectively, as the municipality bears the deficit for 2023. Whereas Alderman A actively engages in bilateral consultations and maintains close contact with council members, Alderman B invests significantly less in such interaction. Ultimately, Alderman B becomes isolated in both the General Shareholders’ Meeting of Shareholders and the municipal board.		While the personal care budget decisions are taken in accordance with the law, their quality is less compatible with the general principles of proper administration, specifically, with the requirements of due preparation and adequate reasoning.

Source: Compiled by the author.

As a consequence, respondents turn to alternative ways of evaluating the actions of public organisations using the three criteria. To do so, they situate each criterion within the rationality underlying it and broaden its conceptualisation.

The three groups of respondents analysed the case in different ways, each selecting distinct components of the case description. In the political analysis, those sections were emphasised that related to how the responsible aldermen pursued their individual objectives, how political support was obtained, and how decision-making processes unfolded. The economic analysis focused on findings concerning budget justification, the design of budget control and risk management, the development of equity, cost allocation methods, and the degree of process control within the district teams. The legal

analysis examined whether the procurement procedure, private law transactions, and the issuance of personal budget (PGB) decisions were consistent with relevant legal provisions and principles.

Because each group emphasised different aspects of the case description, three entirely distinct analyses of the same case emerged.

In all three analyses, the criteria were broadened. In the political analysis, effectiveness was conceived in individual rather than collective terms, taking the objectives of the two aldermen as the primary reference point. The analysis demonstrated that their goals were in conflict and explored the extent to which and the manner in which each alderman achieved their own objectives. This did not lead to an overall judgment of effectiveness but rather to an assessment of how well individual actors succeeded in realising their personal goals. The conclusion was nuanced: Alderman A was considered more effective than Alderman B.

In the economic analysis, it was observed that the intended level of productivity was poorly substantiated, and the achieved level of productivity could not be verified. Consequently, a conceptually precise judgment of efficiency could not be formulated. The analysis, therefore, shifted focus to process control, concluding that the budget was not used as a management instrument and that budgetary monitoring was inadequate. The approach to risk management was described as ambiguous, and the risk inventory failed to provide a complete overview of potential risks. The municipality also appeared to overlook a possible principal–agent dilemma, whereby the contractor could benefit from attributing additional costs to municipal responsibilities. Furthermore, the analysis noted stagnation in the workflow of the district teams.

The legal analysis concluded that the municipality should have conducted a European procurement procedure and therefore acted less compliantly in this regard. Notably, some respondents argued that this conclusion applied only to specific parts of the contract. The private law transactions, by contrast, were deemed compliant. From an administrative law perspective, however, the allocation of additional budget was considered likely to be less compliant. The issuance of PGB decisions was found to be compliant, although the quality of these decisions was judged inconsistent with the general principles of proper administration, rendering the municipality's conduct less compliant in that respect. The legal analysis illustrated that testing against different provisions could lead to divergent judgments regarding compliance and that even applying a single provision could yield multiple interpretations and evaluations of compliance.

The use of three rationalities can result in the same finding from the case being evaluated differently. A striking example concerns the budget overrun of €5.1 million. This overrun was analysed and assessed differently by the three groups of respondents. Representatives of the political rationality linked the overrun to the objectives of Alderman A and concluded that the expansion of tasks associated with the overrun enabled the alderman to realise his goals. Representatives of the economic rationality viewed the overrun as evidence of the limited steering capacity of the budget and as an indication of insufficient process and budget control. Representatives of the legal rationality argued that the budget overrun did not align with the legal principles underpinning sound budgeting and therefore must be regarded as less compliant.

Because broadening a criterion generates multiple norms for that criterion, it is difficult to construct an *a priori* normative framework for effectiveness, efficiency and lawfulness. Respondents indicated that the case description determines which notions and norms from a given rationality are activated in the analytical process. It should be noted that, from within a given rationality, different norms and points of attention may be mobilised during the analysis, yet even within a single rationality, different respondents may introduce different norms and focal points in their analytical reasoning.

This broadening also implies that even within one rationality, a single unambiguous evaluation is rarely possible. For instance, one alderman may act effectively while another does not; under certain legal provisions, the municipality may act compliantly, while under others it may not. Moreover, the same legal provision can be interpreted and evaluated differently in terms of lawfulness.

The rationalities do not contradict one another, as each emphasises a distinct evaluative criterion. For example, the legal rationality does not address efficiency, just as the political analysis does not concern itself with compliance. Similarly, the economic analysis does not consider effectiveness or compliance. It can therefore be argued that the three rationalities complement one another and collectively enrich the overall evaluation.

5. Conclusions and discussion

As in most EU countries, it is prescribed that Dutch public sector organisations must be evaluated in terms of efficiency, effectiveness and compliance. Both in the statutory provisions and in the literature, these three criteria are often conceptualised unambiguously in order to arrive at clear standards and evaluations for each criterion.

However, the application of these criteria can be complicated in practice. This is partly due to the fact that the elements constituting the criteria are not always clearly traceable in the operational practice of public sector organisations. For instance, there is not always a consensus on the desired outcomes to be achieved, which complicates the evaluation of effectiveness. Likewise, the output of a public sector organisation is not always identifiable, meaning a core element essential to the concept of efficiency is absent. Finally, compliance depends on the specific legal provision invoked for the evaluation and does not have a generic character. Moreover, the manner in which a provision is interpreted also influences the ultimate evaluation of compliance.

To evaluate the degree of effectiveness, efficiency and compliance, these criteria can be situated within three distinct rationalities and thereby broadened conceptually. Effectiveness can be positioned within the political rationality, efficiency within the economic rationality, and lawfulness within the legal rationality. Situating a criterion within a rationality allows for multiple ways of conceptualising it and for applying different norms, focal points and analytical approaches. In doing so, the missing elements of the criteria can be complemented, producing a broader and more nuanced understanding of the extent to which a public organisation operates effectively, efficiently and compliantly.

The case study demonstrates the complications described above. In response, the respondents broadened their analyses by positioning the criteria within different

rationalities, which produced additional insights. In the political analysis, effectiveness was conceived in individual terms, taking the objectives of the two aldermen as a starting point. The analysis showed that their objectives conflicted and examined both the extent and the way in which each alderman pursued and achieved these objectives. In the economic analysis, respondents observed that there was insufficient justification for the intended productivity and that the achieved productivity could not be traced. As a result, a conceptually precise assessment of efficiency could not be made. The focus therefore shifted to the degree of process control and the type of risk management applied. The analysis also revealed a principal–agent dilemma and provided insight into the overall process flow. The legal analysis was found to be ambiguous regarding the compliance of the contracting procedure. While the remaining private law actions were deemed compliant, not all administrative law actions were, and concerns were raised about the quality of these acts as well.

These factors resulted in three markedly different analyses in which even one and the same fact from the case was interpreted and evaluated in very different ways. Situating a criterion within a rationality also entails that the criterion may be associated with multiple norms, making it difficult to construct an a priori normative framework for effectiveness, efficiency and compliance. Moreover, embedding a criterion within a specific rationality implies that an evaluation based on this criterion will rarely yield a single, unequivocal judgment.

It should be recognised that an evaluation conducted without a predefined normative framework and without a clear-cut conclusion is primarily aimed at generating understanding rather than passing judgment. This produces a fundamental dilemma: applying the prescribed criteria in public administration practice aims at generating a clear judgment, yet in doing so, various complications may arise. These complications imply that the degree of effectiveness, efficiency and compliance cannot always be traced in accordance with their prescribed conceptualisations. Viewed from a broader perspective, one can obtain an image of how effectively, efficiently and compliantly an organisation operates, but this image is typically non-unequivocal and does not provide a basis for definitive judgment.

Nevertheless, the two approaches are not mutually exclusive. One can assess a public organisation's operations through the prescribed definitions of effectiveness, efficiency and compliance. When such an evaluation is not possible or remains incomplete, it may be supplemented by placing the criteria within a broader rational perspective. This approach yields additional insight rather than a judgment *per se*. In this sense, embedding the evaluative criteria within broader rationalities should be regarded as a complementary form of evaluation.

These supplementary insights are, however, not generalisable. The way in which the criteria are elaborated and operationalised within a given rationality is highly dependent on the specific case at hand. A different case would therefore produce a different elaboration, a different analysis, and ultimately, a different evaluation.

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