

Impacts of joint municipal agencification on the democratic governance of waste management

Impacts of joint
municipal
agencification

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Abstract

Purpose – The study examines how introducing joint municipal arm's length bodies (ALBs) into municipal waste management has influenced the preconditions of democratic governance.

Design/methodology/approach – The authors describe and explain the democratic implications of joint municipal agencification by reviewing the perspectives of representative and participative democracy. Through this approach, the authors apply the exit–voice framework developed by Albert Hirschman to highlight the potential roles and rights of citizens. This research includes country case studies of Finland and Norway. The authors analyse and systematize Finnish and Norwegian waste and organizational policies by reviewing national regulatory documents, commentaries and guidance materials to identify the fundamental missions and institutional traditions of the alternative organizational forms of joint ALBs.

Findings – The study findings highlight that joint agencification has an adverse effect on the democratic governance of waste management policy and services even though these are public monopoly services. They also demonstrate that all joint municipal ALBs limit the classic elements of representative democracy in general, and that private-law ALBs limit residents' rights to influence and participate.

Originality/value – This study contributes to local public management studies by applying Hirschman's theory to comparative reviews of joint agencification and ALBs. It revealed the similarities and differences between the different organizational forms of joint ALBs applied in Finland and Norway. It also demonstrated how the democratic rights of residents depend on how municipalities collaborate.

Keywords Arm's length body, Joint agencification, Municipal waste management, Democratic governance, Exit, Voice

Paper type Research paper

Introduction

In western democracies, municipal governance is largely based on the principle of representative democracy, according to which citizens rule themselves through their elected representatives. This model is realized through local elections, through which the people appoint their representatives to a popular assembly, the local council, mandated to make the collective decisions of local communities. In addition, most democracies supplement their representative, democratic institutions with participatory arrangements, operating between or across elections, thus providing opportunities for local residents to take initiatives and



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play an active part in municipal affairs. However, during the last 20–25 years, widespread agencification has increasingly become a challenge to traditional democratic governance.

Agencification occurs when a single municipality creates an autonomous or semi-autonomous functional organization, or when several municipalities cooperate to establish such an entity, a process we call *joint agencification*. Joint municipal agencification begins by clarifying whether inter-municipal collaboration is compulsory, and whether municipalities want to collaborate. Municipalities then have to choose with whom to collaborate. Collaborating partners must also select which organizational form they want for their joint body (Verhoest, 2013). Joint bodies have many names and many forms in public management literature (Lane, 2009), but here we refer to them as joint *arm's length bodies* (ALBs) (van Genugten *et al.*, 2020; Wood, 2015). Finally, collaborative municipalities must develop a founding agreement for their new joint ALB, which defines the ALB's autonomy, financial basis and other features.

This article explores the democratic impacts of joint agencification by focusing on municipal waste management (MWM) of household and similar waste. As an operational process, MWM consists of waste collection, treatment and disposal. MWM has a long history as a local public service, and originally aimed to solve public health problems in urban areas. Today, MWM has a wide environmental focus. It is a policy area extensively regulated by EU legislation and follows the self-sufficiency principle that waste should be handled as close as possible to its origin (Antionoli and Massarutto, 2012). This aligns with the European Charter of Local Self-Government (ECLSG, 1985), which mandates that, in general, public duties should preferably be exercised by the authorities closest to the residents, i.e. the local government. However, municipalities have increasingly applied joint agencification to their MWM services, while volumes of waste have steadily grown.

Argento *et al.* (2010) studied the local public–public collaboration and externalization of municipal waste disposal in Italy and Sweden and concluded that agencification had progressed, because local policy-makers aimed to increase the autonomy of service units so that they could operate more like business enterprises. This study addresses the lack of cross-country comparative research (Voorn and van Genugten, 2021) and the need for further studies of the challenges facing the democratic governance of municipal ALBs called for by van Genugten *et al.* (2020).

Thus, our research question is:

RQ1. How does introducing joint municipal ALBs into MWM influence the preconditions of democratic governance?

We review and compare the democratic implications of both public- and private-law joint ALBs by focusing on the related issues of representative and participatory democracy. We look at two country case studies and investigate how the joint agencification of MWM services conditions the democratic governance of waste management agencies in Finland and Norway. Our study examines similar system designs in two Nordic countries in which democratic, multifunctional, and autonomous local governments provide the bulk of public welfare services, but which differ in terms of EU membership and the degree of neoliberal influence on public service provision. The comparative aspects of our country cases provide wider perspectives than a single country case study and highlight the contextual factors and varying features of joint agencification and ALBs (Cf. Denters and Mossberger, 2006). The analyses contribute to local public management and local self-government studies by highlighting the diverse use and governance differences of alternative joint agencies that have their own legal personalities (Klausen and Winsvold, 2021).

The article proceeds as follows. After the introduction, we describe the democratic character of a municipality and the relationship between the citizens and their local government, from the perspectives of representative and participative democracy. We then

specify our analytical framework by introducing exit, voice and loyalty as mechanisms that help citizens express dissatisfaction and optimize their individual interests (Hirschman, 1970). Finally, we present research premises by formulating our assumptions. The third section describes the case study methodology and the fourth reports our research findings. Fifth, we present an analytical discussion before finally summarizing our conclusions.

Analytical framework

Representative municipal democracy and residents' rights to influence and participate

A municipal council selected by the collective voice of its residents plays a pivotal role in translating local inputs (needs, suggestions and demands) into legitimate and thus authoritative decisions which in theory, guide the actions and activities of municipal in-house bureaus (Denters and Rose, 2005). Citizens have the right to participate in other ways as well as electing their representatives. Hirschman's (1970) exit, voice and loyalty theory can be used to analyse citizens' democratic rights, which allow them to express themselves in ways that can influence municipal decisions and organizations as well as the democratic discourse and ideas of the local government (James and John, 2021). Satisfied citizens may not be interested in using exit or voice and prefer to stay loyal, but dissatisfied citizens can choose whether they want to express their opinion through exit or voice (John, 2017; James and John, 2021).

The proportionality principle, which is used in municipal elections in the Nordic countries, enables all kinds of interest groups (usually political parties) to be proportionally represented, not only in the municipal council but also in other political municipal bodies, such as boards and committees. The proportional basis typically facilitates a consensual political culture. The majority principle, in contrast, refers to a system in which the majority group receives executive decision-making powers considered to support the formation of a more stable political authority (Raabe, 2015; Steiner, 1971; Bukve and Saxi, 2014). The principle of equality of political representativeness is the nationwide ground rule of Finnish municipalities, as the positions of trust are shared between political groups based on the proportions of a municipal election result. In Norway, the principle of proportionality has a long, well-established history. The amendment of the Local Government Act in the 1990s enabled municipalities and counties to introduce a parliamentary system. However, only two big cities and three counties have opted for this majoritarian-style, decision-making system (Bukve and Saxi, 2014).

Residents also have individual and participative voices. Those who are affected by a municipal decision can use their voices by appealing the decision and waiting for their appeal to be investigated and answered (Mäkinen, 2017). Municipal referendums, hearing procedures, customer panels and participative public budgeting are examples of how municipalities provide citizens with opportunities to participate, express their opinions and contribute to the agenda of local public policy (participative voice). Ultimately, participative democracy may help strengthen the legitimacy of the municipal decision-making processes as it facilitates societal education, encourages residents to listen to a diversity of arguments and promotes the assimilation of habits necessary for enlightened citizens (Dalton, 2008).

Exit is often associated with consumerism, because as clients, citizens can select a more appealing commodity or service provider (John, 2017). In the case of municipalities, citizens can make a domicile exit from one local government and move to another municipality. According to the ideas of Dowding and John (2011), citizens can make a complete exit by not using municipal services at all. They can make an internal exit within a local government by choosing an alternative municipal service unit, which is typically possible in multi-branch services such as schools and urban public transport. Moreover, if citizens can select a private service over the municipal service supply, they may have the option of a private exit (Dowding and John, 2011).

Research premises of the democratic implications of joint agencification

New public management (NPM), the overall liberalization trend since the 1990s, has encouraged municipalities to prefer outsourcing and externalization arrangements in the name of improving performance and productivity. However, NPM-inspired joint agencification dismantles the classic features of municipal organization and services by causing challenges such as goal divergence, information asymmetries, freeriding and duplication (Galanti and Turri, 2021; Voorn and van Genugten, 2021; Pollitt, 2009; Voorn *et al.*, 2019). The fragmentation of authority through joint agencification not only poses functional problems; it also raises the issue of securing transparency and maintaining democratic accountability (Denters and Rose, 2005).

According to some previous empirical studies, the use of ALBs causes democratic deficit by side-lining political representatives. Cooper *et al.* (2021) have argued that agencification profoundly impacts the functions of democracy by distancing the operations of public services from democratically elected politicians. Citroni *et al.* (2015) in turn have pointed out that ALBs may facilitate the development of new local oligarchies, because their boards can be used as a platform to provide opportunities to represent such non-elected people as former councillors and businessmen.

As our research premise, we assume that joint agencification can undermine the concept of local citizenship and civic participation. It may diminish the “publicness” (Bozeman and Brettschneider, 1994) of MWM services by introducing private law ALBs and reduce the universalist nature of public services by marketizing municipal service supply (Bevir, 2010). Furthermore, joint agencification can dispel the “localness” of service infrastructures by regionalizing the ownership of local public waste treatment facilities (cf. Balzar *et al.*, 2009; Blomqvist and Bergman, 2010).

Selection of country cases, research materials and methods

To justify our selection of the country cases of Finland and Norway we highlight some noteworthy administrative similarities and differences between the two countries. Both are not only Nordic welfare states but also decentralized and legalist unitary states with egalitarian values (Berge and Torsteinsen, 2021). The Nordic countries have a high level of public service: local governments organize and fund most of the welfare and local public infrastructure services, showing municipalities’ strong societal position. According to the Monitoring Reports of the Council of Europe, the municipal governance of the Nordic countries follows the principles of the European Charter of Local Self-Government (ECLSG, 1985), which emphasizes municipalities’ ability to regulate and administer, within the limits of the law, a considerable share of the local issues under their responsibility and in the interests of the local citizens (Mäkinen, 2017). Local self-government is understood as a precondition for implementing democracy, which can promote pluralism, participation and public choice to secure the public interest (Young, 1988; Bailey, 1999, 2008; Mäkinen, 2017). Finland became a full EU Member State in 1995, whereas Norway rejected EU membership and decided to join the European Economic Area (EEA), established in 1994 (Malinauskaite *et al.*, 2017). Norway has democratic governments on three levels (national, regional and local), whereas Finland is only just introducing the system of welfare regions as counties.

By comparing these countries, we contribute to studies of local autonomy by highlighting the leeway that municipal self-government provides in the processes of joint agencification. We analysed how joint agencification has progressed, how the Europeanization of waste policies has guided both the EU country and the EEA country to reform their local waste governance, and how similar organizational forms are used in inter-MMM.

We collected both national and local documents in both countries. The national public documents included waste laws and law-drafting materials that highlighted legal provisions

and arguments, as well as commentaries and textbooks that provided juridical interpretations. We also collected surveys and reports from ministries and competition authorities, including policy needs, debates and arguments. Finally, we used national guidebooks published by municipal central organizations for local authorities. The municipal documents comprised inter-municipal power-sharing contracts, websites, records, financial statements of joint municipal ALBs and local media reports. We initially reviewed both national and local source materials equally, but national sources, propositions to parliament and commentaries proved to be more useful for this study. Ultimately, the role of local documents was relatively small since we used them to confirm that we had correctly interpreted the national documents. [Table A1](#) in [Appendix](#) presents and classifies the national documents we analysed.

Instead of focusing on the numerous individual norms that control and direct joint ALBs, we examined the ideological foundations, value preferences and established administrative commitments associated with different public- and private-law ALBs. We analysed the regulatory principles of how alternative ALBs are governed by focusing on the ideas of representative and participative democracy. The central themes of our analyses were political representativeness, implemented through either the majority or proportionality principle and the opportunities of the citizens to use both their voices and make exits. We reviewed the residents' regulatory preconditions for voice and participating, specifically from the perspectives of the publicity of ALB's documents and their obligations to provide information. Finally, we systematized our findings concerning the country case studies by the comparative settings in [Tables](#) to illustrate the key differences between the makeup of decision-making bodies and governance systems in terms of municipal law- and company law-based joint ALBs.

Country case studies

Finland

The processes of the joint agencification of MWM began with municipal initiatives. After the amount of household waste grew rapidly in the Helsinki metropolitan (i.e. capital) region, the city governments of the region developed collaborative schemes and created the first ALB by establishing a joint municipal authority (JMA) in the early 1980s. The Europeanization of Finland's legal framework substantially promoted joint agencification in the early 1990s. In 1993, a new waste law introduced higher recovery and environmental targets, which formulated policy preferences to close many local and uncontrolled landfills, build modern waste treatment facilities and upgrade residual landfills. The new law also stipulated that if municipalities did not collaborate to achieve the new targets, the central government (e.g. the cabinet) could force them to do so. Local authorities around the country preferred to make their own power-sharing arrangements without national interventions, selected their collaborative partners and started voluntarily amalgamating their local waste management organizations. A clear majority of municipalities (nearly 84% of the mainland municipalities) corporatized their MWM by setting up joint limited liability companies. Approximately 9% of the municipalities selected a JMA that included three public bureau-type joint agencies and one joint municipal enterprise. Only about 7% of local governments still have their own in-house MWM services.

The concept of municipal waste has somehow been unstable in Finland, as lawmakers have alternately reduced and extended the scope of the concept. Currently, municipal waste is mainly defined as household waste and similar waste from municipal administration, services and some business office premises.

As illustrated in [Table 1](#), municipal councillors are elected as the highest decision-makers of in-house services through the collective voice (e.g. municipal elections), but the equivalent

Table 1.
Comparative review of
terms for use of voice in
applied organizational
forms of MWM in
Finland

Foundations of voice	Municipalities (in-house units)	Joint municipal authorities (JMA)	Inter-municipal limited companies
<i>Collective voice</i>	Municipal councillors are elected via proportional elections. In accordance with the principle of proportionality, a council elects the members of other municipal bodies	The highest body of a JMA (i.e. council or general assembly) is nominated by the majorities of councils of member municipalities, which means that the composition of the highest body does not correspond to the results of the municipal elections in the member municipalities	Majority representation as municipalities nominate one representative for shareholders' meetings. The representative is not considered to hold a municipal position of trust
(a) Principles of representation in highest decision-making body or forum			
(b) Role of executive board members	As a rule, members of executive boards are local politicians who can promote the interests of their local supporters	Members are politicians, but if nominated by member municipalities, they have a double role, as they have a position of trust in both the JMA and the member municipality that nominated them	Board members include both municipal politicians and external experts, but board membership is not a municipal position of trust. Board members must carefully promote the interests of the limited company
<i>Individual voice</i>	The public-law channels of an appeal are applied (municipal appeal). In certain cases of service failures, customers have consumer protection, entitling them to demand a price cut	The public-law channels of an appeal are applied (municipal appeal). In certain cases of service failures, customers have consumer protection, entitling them to demand a price cut	An appeal has no public law channels. In certain cases of service failures, customers have consumer protection, entitling them to demand a price cut
<i>Participative voice</i>	Residents have the right to submit initiatives, which have to be processed by their municipality. Municipalities can also organize consultative referendums	Residents have the right to submit initiatives, which have to be processed by their JMA. JMAs cannot organize referendums	No law-based rights to submit initiatives to companies
(a) Citizens' right to make official initiative			
(b) Principle of public disclosure (publicity of documents) and communication requirements	Legally applied (i.e. obligatory) principle of public disclosure and generic communication obligations	Legally applied (i.e. obligatory) principle of public disclosure and generic communication obligations	Organizational obligation to maintain the publicity of documents adopted in 2012, excluding business secrets. Companies have no generic reporting or communication obligations

decision-makers of joint agencies are nominated by member municipalities. The composition of the highest decision-making body of a JMA is not based on the aggregated results of the local elections of its member municipalities, as the majorities of municipal councils nominate their representatives to the body. According to the counterbalance principle, the compositions of a JMA's other decision-making bodies (i.e. subordinated bodies such as boards and committees) must be adjusted to correspond to the proportion of party and group votes in the local elections, but if a JMA is established as a joint municipal enterprise, which is a specific organizational form of a JMA, it is exempted from this principle. Thus, the JMAs' councils do not represent a pure collective voice of regional citizens and JMAs cannot organize referendums as municipalities do.

Equal representation of women and men in local politics is enforced through the Equal Opportunities Act, which requires that the proportion of both women and men in municipal bodies must be at least 40%. The requirement also applies to municipally owned limited companies, but as the act has a loophole stating that case-specific special reasons may justify deviation from the equality obligation, many boards of joint municipal limited companies have an unbalanced gender distribution, with fewer female members than the act requires.

Citizens can have an individual voice in the decisions of local governments and JMAs through municipal appeals. Residents and other members of municipalities, such as house owners, have the legal right to a municipal appeal, enabling them to officially complain about a judgement made by a municipal body (Mäkinen, 2017). A municipal appeal is not possible when the decisions are made by limited companies. However, the specific obligation of consumer protection gives a limited individual voice to citizens in all kinds of waste management ALBs as their customers have the right to demand a price cut in cases of service deficiencies.

Both in-house units and JMAs have clear governance differences to those of municipally owned limited companies because they are both regulated by the Municipal Act, which facilitates the use of the participative voice. Documents and recordings in the possession of municipal in-house units and JMAs are public, which means citizens can access them. These authorities are also generically required to inform residents of their strategies, investment plans, finances, participatory opportunities and so on. As the role and importance of MWM limited companies have grown over the years, in 2012 the legislature was obliged to introduce a legal reform, making the corporate documents of these companies open to the public. However, in addition to providing statutory waste management services to households and some other customers; MWM limited companies also offer market-based services to business enterprises, which enables them to hide their trade secrets. Limited companies do not have the generic communication obligation to report their finances and corporate plans, for example, directly to citizens, as their official communication channel is to their formal owners (e.g. municipalities). Nevertheless, all types of MWM bodies have a legal duty to increase citizens' awareness of how to reduce waste.

Citizens are consumers and services recipients, but they cannot make a complete exit from MWM because it is a legal monopoly, making municipalities the sole owners of household waste. Only on the basis of special circumstances, for example, a house owner being hospitalized, can a household be liberated from the service charges of MWM. Because Finnish ALBs typically integrate 5 to 17 member municipalities, joint agencification limits the scope of an effective domicile exit. A citizen can make an internal exit by changing their home address, but in urban areas, such an internal exit may not make much of a difference. However, urban and rural areas differ to some extent in refuse sorting and collection points.

Joint agencification does not necessarily limit the scope of a private exit. The Finnish municipal waste collection system is unconventional because the country has two alternative refuse collection systems. Regional waste committees, which are different public bodies to joint municipal ALB service organizations, make decisions on the basis of the waste act

stipulations, regardless of whether a municipality uses public or private procurements of collection services. Municipalities take care of public procurements, but private procurements allow house owners to select the collection company they prefer (cf. Meriläinen and Tukiainen, 2019). Even if a local government decided to become a member of a joint ALB, the citizens of the municipality would still retain their right to select private collection services.

Norway

Norwegian local governments can choose whether to provide their waste management services alone, in cooperation with other municipalities or through outsourcing. The first two of these choices involve four organizational options: integrated in-house service provision, an in-house company (KF), an inter-municipal company (IKS) or a limited company, including inter-municipal limited companies (AS) (see Table 2) [1].

In 2016, almost 80% of Norwegian municipalities ($N = 428$) arranged their waste management services through 60 inter-municipal public-law companies (i.e. unlimited liability entities), whereas nearly 15% used the services of 17 or 18 private-law (i.e. company law) limited (liability) companies, most often in cooperation with neighbouring municipalities (Torsteinsen and van Genugten, 2016). Both IKS- and AS-type companies are legally autonomous entities [2]. In addition, less than a handful of municipalities used the in-house company form, KF, which is not an independent legal person. Nonetheless, KFs have their own boards appointed by the municipal council, and their own CEO recruited by the board, and are not subordinate to the municipal CEO. As such, they have some hybrid features that allow them to operate more autonomously than their formal status would indicate (Opedal *et al.*, 2012). Although the amalgamation reform of 2020 has reduced the number of municipalities to 356, so far, no data indicate any major change in the relative distribution of organizational forms. In addition, operative waste services are purchased from external public or private providers and are managed through competitive tendering and contracting processes. Norwegian municipalities have to take care of household waste, but they are not responsible for household-like waste from business enterprises (European Environment Agency, 2013).

The central motive for choosing inter-municipal cooperative solutions is the small size of Norwegian municipalities. Cooperation enables scale benefits in terms of economy, competence and capability. Although cooperative solutions provide opportunities for member municipalities to formally exercise influence, each municipality's authority diminishes as the number of participating municipalities grows (Sørensen, 2007; Voorn *et al.*, 2019). One consequence of such cooperative arrangements is that weakened ownership control may increase the inter-municipal company's autonomy, perhaps even beyond that which the municipalities intend. Paradoxically, this may happen not because the company seeks to usurp power but because the municipal councils are happy to be relieved of operational tasks, at least if the waste service is functioning well. Consequently, the potential democratic deficit of joint ALBs may be outweighed by other governance benefits in the eyes of local politicians (Torsteinsen and Bjørnå, 2012).

First, decision-making in an IKS functions in very much the same way as in a municipally owned AS. The most important decision-making body is the corporate board, even in in-house KFs. Although the AoR and the AGM are formally the highest decision-making bodies in an IKS and AS, respectively, the board seems to be the real power centre of the organization, constituting the indirect corporate governance link between owners and companies. Although there seems to be a growing trend of appointing external board members (e.g. from private business), local politicians still constitute the largest group of members (Bjørnsen *et al.*, 2015). However, this broad-brush description covers considerable variation in how AoRs/AGMs and boards function, both regionally and over time. In addition, the AS form has been "invading" the IKS form in terms of organizing subsidiary companies.

Foundations of voice	In-house (1) waste unit, including (2) KFs	Inter-municipal companies (IKS)	Limited companies (AS)
<i>Collective voice</i>			
(a) Highest authority of service provision (direct voice in KF, indirect in IKS and AS), principles of composing delegated bodies (indirect voice)	Local council appoints members of (1) committees in proportion to the strength of political parties in the council, or (2) boards which may be composed more freely and pragmatically	Assembly of representatives (AoR) appointed by local councils, usually according to the size of the municipalities involved. Political proportionality is seldom applicable	Annual general meeting (AGM) participants are appointed by local council(s). They often include the mayor(s). Proportionality applies to municipal size
(b) Role of executive bodies (boards or committees), indirect voice	Committees (1) are policy-makers and generally deal with technical affairs, whereas boards (2) are task-specific decision-makers (on waste service issues). Boards recruit the KFs CEOs	Boards appointed by the AoR recruit the CEOs. The boards are the governance centre of operations, strategy and compliance	Boards appointed by the AGM recruit the CEOs. The boards are the power centre of operations, strategy and compliance
<i>Individual voice</i>			
Appeal mechanisms	Yes, according to public law	Yes, according to public law and private law, but opaque because of multiple owners. Service users can complain to owners and politicians	Yes, according to public and private law, but opaque because of multiple owners and twin systems of control and auditing Service users can complain to owners and politicians
<i>Participative voice</i>			
(a) Transparency and accountability mechanisms	Regulated by freedom of information Act and public administration Act	Regulated by freedom of information Act and public administration Act Mechanisms become opaque	Freedom of information Act is applied, but commercial market-oriented subsidiaries may be exempted
(b) Generic participatory opportunities	As citizens and service users, residents are free to exercise their democratic rights to initiate, oppose, support, lobby, mobilize, organize, etc. Municipalities may invite people and civic organizations to voice their interests, ideas and opinions, through meetings, hearings or referendums	The same, but multiple owners and indirect governance make participation more difficult	Mechanisms become opaque The same, but multiple owners and indirect governance make participation more difficult

Table 2. Comparative review of key terms for use of voice in applied organizational forms of MWM in Norway

To abide by EU and national competition regulations and to separate monopoly services (i.e. household waste) from commercial services (i.e. industrial waste), both kinds of joint bodies transfer their market-based services to dedicated subsidiaries that sell services to customers, private and public. Despite this development, the Freedom of Information Act applies to all public entities, except those operating in a commercial market. Finally, the Public Administration Act also applies, which regulates general public procedures, citizens' access to information on applications, cases, and where they are affected, also appeals. However, the actual practice of these regulations varies. The right to appeal also usually applies to ASs, but as uncertainty seems prevalent, practices vary.

Furthermore, the municipalities involved in AS and IKS types of inter-municipal arrangements may decide to move almost all tasks and competences concerning waste management to the companies. This makes these municipalities highly dependent on the administrative capacity and competence of their companies. On the other hand, the companies regularly provide their owners with detailed information on operations, strategy and economy through their annual reports and meetings, as well as through appearances at local council meetings, thus permitting them to act if they find it necessary or desirable. The municipal administration regularly aggregates information from municipal companies and submits it to the municipal council in a general ownership report, which includes an appraisal of the total portfolio of their companies and a review of the ownership strategy. The law obliges every municipality and county to do this once every four years. However, local politicians show remarkably little interest in the companies they (co-)own, including waste companies (Andersen and Torsteinsen, 2016), at least if operations are running smoothly. One issue that may trigger their attention is the annual decision on the waste fee. Furthermore, IKS and AS companies seem to be rather strong professional organizations that can meet the current competition in the wider waste market. The arm's length position of their owners, combined with external competition pressure, permit and probably necessitate the vigilance and adaptation capacity needed in the emerging circular economy.

Second, households have no real exit option from MWM; municipalities are legally obliged to ensure the collection of household waste, and no other party may provide this service without the consent of the municipality. Thus, it is a legal monopoly. This obligation applies to all municipalities, irrespective of the organizational form of the waste service, i.e. including inter-municipal arrangements (IKS or AS) or contracting out. Each municipal council decides on their waste management service charges, and consequently, fees may vary between municipalities even if they are co-owners of an IKS or an AS. Despite possible discontent, we found no data indicating that people move because they are dissatisfied with the waste service fee or other aspects of the service.

Discussion

Our findings align with the conclusion of Cooper *et al.* (2021) as we are able to argue that joint agencification effectively distances ALBs from local day-to-day policymaking through legal and cultural barriers, though keeping ALBs formally under the ownership control of municipalities. The results of our analyses further support this by arguing that there is a financial barrier, as joint ALBs are usually self-financing bodies with mainly symmetrical annual expenditures and revenues. Local councillors are practically prevented from interfering in ALBs' operational expenditures, as they cannot usually allocate municipal tax revenues to MWM services. By establishing joint ALBs, member municipalities lose their direct decision-making powers. The democratic implications of the agencification process reveal the restricted power of municipal councils to draw guidelines, monitor waste policy and make the management of joint ALBs directly accountable. In principle, the power of a specific municipality depends on its size relative to other member municipalities. In addition,

joint ALBs outsource commercial functions to private law subsidiary companies, which makes information channels and control strings longer and more opaque.

The use of joint municipal ALBs also involves a built-in tendency to replace the proportionality principle with the majority principle, limiting, or in many cases, eliminating the opportunities of opposition and minority parties and groups to be involved in the internal governance of the joint ALBs. However, sometimes both majority and minority politicians may be appointed to the owner assemblies, particularly if a municipality is large enough to hold several seats. On ALB boards, which usually comprise only a few seats, the political majority dominates.

The impact of the residents' voice depends on whether the joint agency is a public-law or a private-law body. Typically, public-law agencies have a more limited legal capacity, which prevents them from performing commercial operations, but they realize many fundamental values of democratic governance, particularly in association with the transparency and controllability of their activities. Private-law limited joint ALBs are usually less transparent than public-law joint bodies. Such companies are profit-oriented organizations by default, they usually operate in a market context, and they may go bankrupt. Board members of limited companies have to represent the best interest of the company and cannot favour their domicile municipalities. These findings concerning limited companies are relatively generalizable because company laws fit together in Europe (Enriques, 2017). However, our results demonstrating the specific democratic features of Finnish and Norwegian public-law joint ALBs must be considered more limited because the organizational forms of such inter-municipal bodies in other countries vary in terms of their democratic character.

Our analyses demonstrate that joint agencification has a relatively small or nearly irrelevant impact on citizens' abilities to exit, because MWM has the legal monopoly position. However, the data also highlights the uniqueness of Finnish waste collection systems. First, a private exit may be allowed in a sense that a house owner can change the private provider of a waste collection service. Second, when such a private exit applies, there is not a parallel municipal exit available because municipal collection services are not allowed to compete with private services. Third, the decisions on the type of collection system and joint agencification are not related, enabling municipalities to have their individual collection systems even when they decide to jointly agencify other elements of the waste management process.

Based on our analyses, we claim that the scope of municipal responsibility in waste management is impermanent and contextually bound; it depends not only on national waste rules but also on whether municipalities use commercial joint ALBs and receive waste from private enterprises. In Finland, the municipal responsibility is somewhat more wide-ranging than in Norway. However, the role of the representative local democracy in MWM seems to be smaller in Finland than in Norway due to two factors. First, approximately a third of Finnish households have the right to choose their waste collection service providers, which makes it more difficult for the municipality to coordinate the policy. In Norway, this is not an option. Second, the waste management fee in Finland is decided on by the regional waste committees, which are joint municipal waste authorities, whereas in Norway each municipal council sets its own fee level, despite being a member of an inter-municipal company. Consequently, it seems that the democratic governance of Finnish municipal councils is circumscribed from both above (regional waste committees) and below (households' freedom of choice). One could hastily conclude that the NPM has progressed further in Finland than in Norway. However, the system of private procurements of waste collection services has existed since the early twentieth century. Waste collection services have never been fully municipalized in Finland as in Norway and most other European countries (Antonioli and Massarutto, 2012).

The unique aspect of this study is that it compared an EU and an EEA country, which in turn enabled us to demonstrate that the development and tightening of EU environmental

regulation within the framework of the European Single Market have impacted both countries in a fairly similar way. Compared with some previous studies (Cf. Lindqvist, 2013; Kirkeby *et al.*, 2014; Erlingsson *et al.*, 2018), the emergence of joint ALBs in Finnish and Norwegian MWM has temporal, spatial and organizational similarities to the developments in other Nordic countries. On this basis, the apparent Europeanization of waste policies, including ambitious recycling and reuse targets (Gharfalkar *et al.*, 2015), is generating an isomorphic trend of reorganization in Europe. Local waste governance solutions now seem insufficient, as policy-makers increasingly prefer joint MMM strategies and organizations. In addition, our case countries are both unique in that they have many demographically small local authorities. The relatively small average size of Finnish and Norwegian municipalities has also effectively led joint agencification to pool financial resources and make large investments in the up-to-date waste treatment plants that are required by the developing circular economy.

The noteworthy value of our comparative review is the study of local self-government. We found that the Finnish and Norwegian legal foundations of municipal autonomy are so strong that some municipalities have been able to resist the national aspirations of organizational standardization by persistently refusing to join inter-municipal collaboration. However, our research data did not indicate re-municipalization through merging or in-sourcing joint ALBs. The drawback of the applied local self-government has been that joint agencification has progressed erratically, resulting in asymmetric and fragmentary governance of MWM. Citizens' legal rights to use their voices to influence public waste management affairs have not changed equally or simultaneously under various local authorities. Some municipalities have decided not to participate in inter-municipal collaboration, while most local authorities have selected between municipal-law and private-law joint ALBs, resulting in national states of affairs in which Finnish and Norwegian citizens have different voice capacities, including participation opportunities and systems of representation, depending on the domicile local governments.

Conclusions

This study contributes to public management studies by applying Hirschman's theory to the comparative reviews of public and private joint ALBs and contributes to knowledge on the topic by demonstrating that all joint municipal ALBs limit representative democracy in general, and that private law ALBs limit residents' rights to influence and participate in particular. We also conclude that although it compromises the classic role of local citizens and civic participation, the joint agencification of MWM promotes the technocratization, industrialization, public entrepreneurship and professionalization of waste governance.

The democratic lesson of our study is that even if municipalities frame their cooperation as public law or private law organizations, they can still endorse transparency and some representative and participative practices in their joint ALBs through their policy choices. Legislation typically grants owners considerable discretion to fine-tune the principles of internal governance of their ALBs through mutual agreements and articles of associations. However, the heterogeneous arrangements of multiple subsidiary companies and public-private joint ventures pose serious challenges to the democratic features and especially the transparency of joint ALBs.

Although the above findings concern MWM services, we presume that they also have relevance for democratic characteristics of other service sectors, in which municipalities collaborate through similar organizational forms. However, further cross-country and cross-sectoral studies are needed to determine what kinds of innovations in policy instruments have been suggested and realized to improve accountability, strengthen political representation and define the appropriate market role of joint municipal ALBs.

Notes

1. These forms align with types 1, 2 and 3, respectively in the ALB typology of [van Genugten et al. \(2020\)](#).
2. The most comprehensive study of municipally owned companies in Norway so far reported waste, water and sewage as one category ([Bjørnsen et al., 2015](#)), as in most public statistics. Therefore, the data on waste management were extracted by [Torsteinsen and van Genugten \(2016\)](#).

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Appendix

Finnish documents

Reports and surveys published by ministries
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Table A1.
Analysed national
public documents