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# TERRITORIAL CONSOLIDATION REFORMS IN EUROPE

Edited by Pawel Swianiewicz





# Territorial Consolidation Reforms in Europe

*edited by*

PAWEŁ SWIANIEWICZ



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and Public Service  
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# Foreword

In November 2008, the Local Government and Public Services Reform Initiative (LGI) a program of the Open Society Institute in Budapest supported a major international conference on “Lessons from Territorial Consolidation Reforms—The European Experience.” The conference addressed the issue of territorial organization and local governance. More specifically, it covered how the dynamics of fragmentation and consolidation in Europe shaped different models of governance. The topic is of crucial importance as territorial and subsequent administrative reforms greatly impact relations between central and local level governance, service provision, efficiency and effective use of resources, and local democracy.

The present publication is a selection of the best studies presented at the conference in 2008. The logic of the conference was to first address and assess reforms in the “old” EU member states (Denmark, Greece, East Germany, and the United Kingdom) and to then look into the reforms in Eastern Europe. In the 1950s, 1960s, and 1970s, old Europe’s reforms were driven by the premise of economic, fiscal, and management efficiency—meaning that larger local government units were better providers of local services.

With the launch of the transitional period in Eastern Europe, a tendency of fragmentation occurred in many countries, perhaps a natural outcome of the stronger need for democracy and more specifically local democracy. However, in many countries such as Albania, Armenia, Azerbaijan, Czech Republic, Hungary, Macedonia, Montenegro, Slovakia, and Ukraine, issues of costs and efficiency of services have risen to the surface and pushed the consolidation debate to a new level. The issue remains a very contentious one as consolidation impacts the access of citizens in the smallest units to their basic rights and services. Thus, as the title in the introductory chapter rightly points out, consolidation may not always be the right solution to fragmentation. The solutions are country-specific and recipes from outside may be hard to implement, but the lessons from some implemented reforms may be well-assessed and the mistakes avoided. This, we thought, was our goal.

In particular, part three of this volume, *Less than Consolidation Reform, More Than Status Quo*, looks at Armenia, Czech Republic, Hungary, Slovakia, and Ukraine where a variety of intermunicipal structures and associations of small municipalities were debated. These cases are a response to the need to provide efficient services and yet keep local democracy intact. The success or failures of these may still remain to be seen.

The final two chapters discuss intermunicipal cooperation and the issue of municipal size, economy, and democracy in a more general, theoretical way.



We hope that the current publication will be one of the few systemic views on the consolidation versus fragmentation issues and that it will be a timely contribution to the field. We hope the book will be useful to academics, policymakers, students, and development practitioners from Europe and beyond.

LGI and OSI would like to extend its warmest thanks to the major engine behind this tremendous endeavor, Paweł Swianiewicz, Professor and Head of the Department of Local Development and Policy, University of Warsaw and Chair of the European Urban Research Association. Paweł, your energy, dedication, and commitment have fed the inspiration that moved the process going—many thanks! We would also like to thank the University of Warsaw Students' Research Club "Spatium"—a group of enthusiastic students who have all the energy to tackle many local governance issues and who have made the conference a logistical success and a pleasant event. Special acknowledgment to Paweł Dąbrowski, Anna Górska, Paulina Jurgiel, Aleksandra Kępczyńska, Joanna Krukowska, Adam Mielczarek, Ewa Myśliwiec, Marcin Olejnik, Ilona Pohlmann, Weronika Skomorowska, Kinga Stańczuk, Joanna Stryjewska, and Karol Trammer for their excellent research on Georgian territorial reforms, and for the persistence and courage and continue the research in the Caucasus despite the recent conflict in Georgia. Numerous thanks to all our contributors who had the will to attend the conference, the courage to think aloud and their patience with the editorial process. Last but not least, thanks to Gabriela Matei and Roberto Fasino at the Council of Europe who made everything possible for our cooperation to manifest itself in this event and publication. Last but not least, we would like to thank the University of Warsaw for offering their hospitality to host us on the beautiful premises of their campus.

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# Territorial Fragmentation As a Problem, Consolidation As a Solution?<sup>1</sup>

*Paweł Swianiewicz*

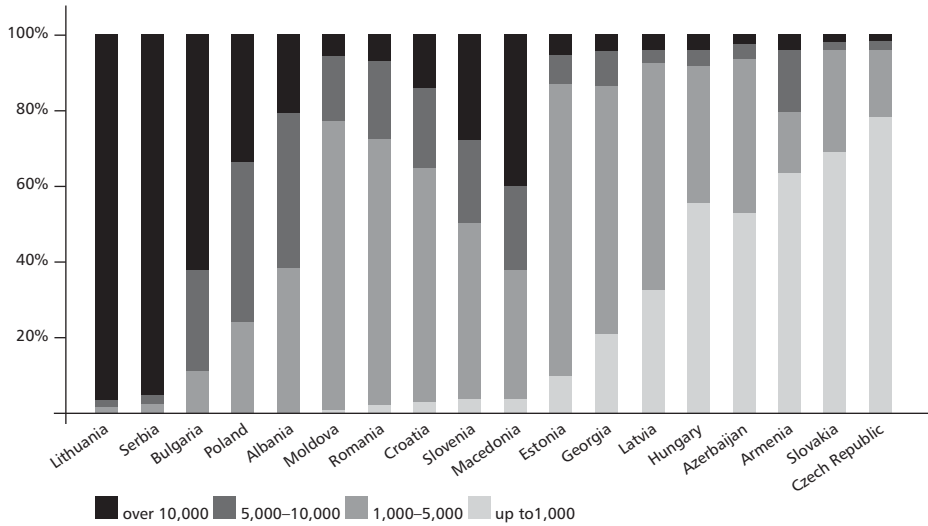
## INTRODUCTION

Local territorial organization at the lowest level of towns, municipalities, and villages has changed in many countries in Central, Eastern, and South Eastern Europe since 1990. Territorial fragmentation has been a recent trend in the Czech Republic, Slovakia, Hungary, Macedonia, and several other countries. This was often a reaction to earlier territorial consolidations introduced by the communist government in an undemocratic manner, without any public consultation (like in the former Czechoslovakia and Hungary).<sup>2</sup> After 1990, decentralization and a paradigm of local autonomy were often understood in a way that gave the right to become a separate local government to almost each settlement unit, even if that unit was a tiny village. Attempts to create or maintain larger territorial jurisdictions were seen as a violation of local autonomy. As a result, in several countries, there was a significant proportion of very small authorities, many of which had much less than 1,000 residents. Extreme examples of villages like Bidovce in the Czech Republic or Prikry in Slovakia, had fewer than 10 citizens.<sup>3</sup> Conversely, there were examples of territorially consolidated countries (such as Yugoslavia/Serbia, Montenegro, Lithuania, Bulgaria, and Poland) where the median size of the local government unit was much larger, though none of them had less than 1,000 residents. But the phenomenon of territorial fragmentation at the lowest tier has been widespread. Figure 1 provides a graphic illustration of this phenomenon in the individual countries of the region.

It quickly became apparent that territorial fragmentation was one of the major barriers for the decentralization and effective functioning of the local government system. With different degrees of intensity, such voices could be heard in Albania, Armenia, Azerbaijan, Czech Republic, Estonia, Georgia, Hungary, Latvia, Macedonia, Moldova, Slovakia, Ukraine, and other countries. In a different context, a similar discussion was conducted in Poland, where the size of the upper tiers of subnational government—*powiat* and *województwo*—was discussed, or in Bulgaria, Montenegro, or again Poland, where bottom-up pressure to split existing large municipalities was occasionally pushing towards a larger degree of territorial fragmentation.

Despite the fact that territorial consolidation reform was often presented as a prescription for problems, actual territorial reforms rarely have been introduced. The difficulty of implementation is not only a feature of Central and Eastern Europe. Baldersheim and Rose (forthcoming) quote the example of Norway, where territorial consolidation has been continuously discussed for over 15 years, though no action has been taken so far.

*Figure 1.*  
Distribution of Municipal Governments According to Their Population Size  
for the Countries of Central, Eastern, and South Eastern Europe



*Note:* Data in Figure 1 concerns the situation at the beginning of current decade, before the reforms described later in this volume.

## WHY IS TERRITORIAL FRAGMENTATION A PROBLEM?

Perhaps this question might be reformulated: is territorial fragmentation a problem at all? The debate on this issue is not a unique Central and Eastern European phenomenon. It is also widespread in the United States and Western Europe, especially in relation to the organization of local governments in metropolitan areas.<sup>4</sup> Also, in a wider context, the optimal size of local government is a commonly discussed issue. Baldersheim and Rose (forthcoming) quote publications of Dowding (1994) and Boyne (2003), both including an overview of an empirical search for the optimal local government size. The former includes 65 references, while the latter as many as 190, and—as Baldersheim and Rose note—*it is probably just the tip of the iceberg*. Perhaps the most comprehensive

summary of this theoretical discussion may be found in Keating (1995), while an econometric interpretation can also be found in King (1984). An overview of the theoretical discussion, as well as some of the empirical studies presented in the context of Central and Eastern Europe, can be found in Swianiewicz (2002). There is no need to present the entire discussion again, so this chapter will briefly restate their most basic arguments.

The arguments in favor of territorial consolidation (leading to creation of large subnational jurisdictions) can be summarized in the following points:

- Larger local governments have more capacity to provide a wider range of functions, so territorial consolidation allows an allocation of more services to the local level.
- There is an economy of scale that allows for a less expensive, more effective provision of services in the larger local government units. The most straightforward evidence of this rule has been presented on the issue of spending on municipal administration (Swianiewicz 2002).
- Since large local governments can provide more functions, it is more likely that citizens will be interested in participation in local politics (Dahl and Tufte 1973). In this interpretation, consolidation helps to promote local democracy.
- Territorial organization with large local governments produces less income disparities among municipalities, so there is a diminished pressure for horizontal equalization systems, which may be costly for the national budget and/or a politically sensitive issue.
- Large local governments can be more effective in planning and in economic development policies.
- In territorially consolidated systems it is easier to reduce problems of free-riding, i.e., situations when locally provided services are consumed by residents who live (and pay local taxes) in another jurisdiction. In other words, consolidation helps to reduce the mismatch between administrative boundaries and catchment areas of services.

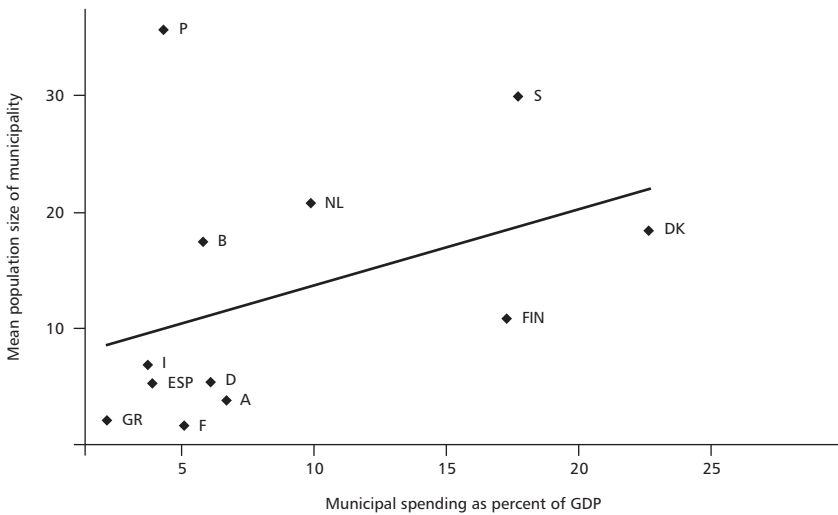
Let's take a closer look at the first argument—regarding the relationship between territorial consolidation and the scope of functional decentralization—since it often plays a very crucial role in the discussions conducted in countries of Central and Eastern Europe.

As we can see in Figure 2, there is a positive relationship between the mean size of the municipality and the share of municipal spending compared to GDP.<sup>5</sup> The most pronounced deviation from the typical relationship is in Portugal, with its large local governments, and a narrow set of municipality-performed functions. In other countries, however, the rule of thumb that more functions are allocated to municipalities in more territorially consolidated systems is very clearly observable.

However, we should mention that the same rule is not necessarily followed when the countries of Central and Eastern Europe are concerned. Of course, the amount of municipal spending is just one single, but not the most important (but the easiest to use for international comparisons), indicator of functional decentralization. There are equally important indicators, such as actual discretion to decide upon local revenues and spending allocation, the number of national norms and standards binding local governments in service delivery, and the extent of formal and informal influence national administration has over local decisions, etc. Nevertheless, the illustration in Figure 3 is significant—there is no clear relationship between size of municipalities and size of municipal finance. There are countries (like Azerbaijan and Armenia) in which territorial fragmentation coexists with the minimal role of municipal budgets, or such as Poland, in which the large size of basic subnational jurisdictions corresponds with a wide scope of locally delivered public functions. But there are also contrasting examples—for example, Macedonia, which represents a much lower size, and Hungary, which has a much higher share of spending comparing to predictions one could make on the basis of the size of municipalities.

Figure 2.

Relationship between Territorial Consolidation and Functional Decentralization



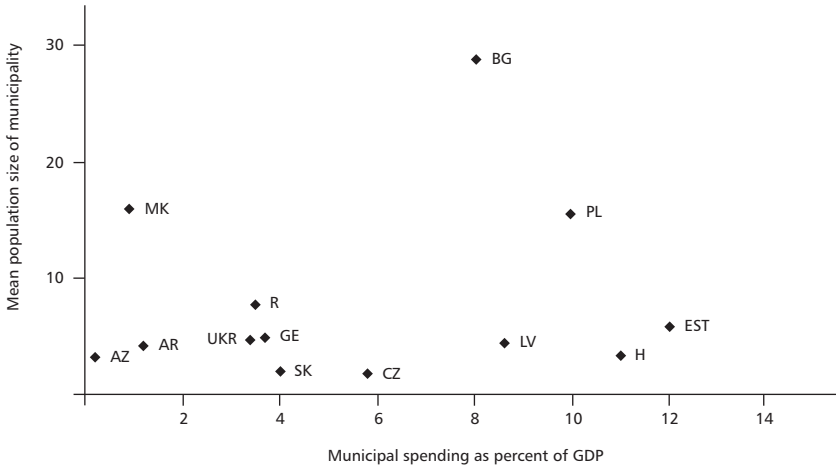
R square = 0.15

Notes: Data on Greece and Denmark refer to the situation before territorial reforms described in the subsequent chapters of this volume.

A–Austria, B–Belgium, D–Germany, DK–Denmark, ESP–Spain, F–France, FIN–Finland, GR–Greece, I–Italy, NL–Netherlands, P–Portugal, S–Sweden.

Sources: Dexia 2002; Council of Europe 1995.

*Figure 3.*  
Relationship between Territorial Consolidation and Functional Decentralization  
in Central and Eastern European Countries



**R square = 0.03**

*Notes:* Data on Macedonia and Georgia refer to the situation before the territorial reform described in the subsequent chapters of this book.

AZ–Azerbaijan, AR–Armenia, BG–Bulgaria, CZ–Czech Republic, EST–Estonia, GE–Georgia, H–Hungary, LV–Latvia, MK–Macedonia, PL–Poland, R–Romania, SK–Slovakia, UKR–Ukraine.

*Sources:* Dexia 2004; Kandeve 2000; FDI project materials.

As concluded in earlier research (Swianiewicz 2002: 302):

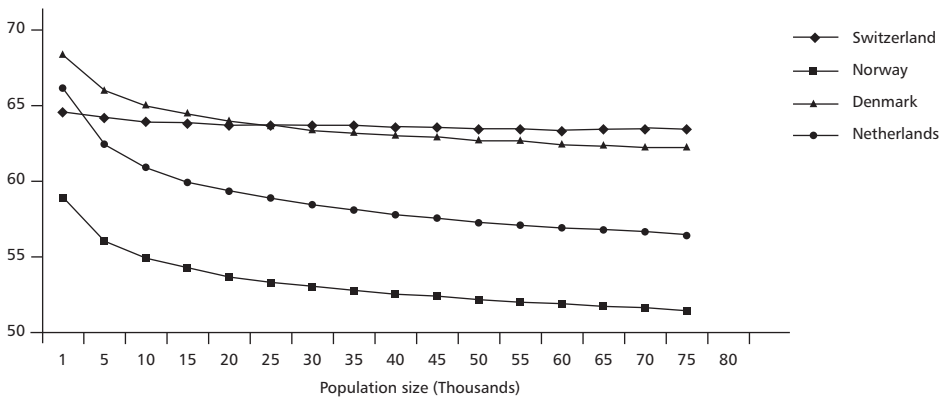
...in Central and Eastern Europe, it is quite clear that the level of territorial consolidation has had some importance on a municipal level yet has not been a decisive factor for functional decentralization. Several other factors... such as political determination for the decentralization agenda, have played much more important roles.

Territorial consolidation, indeed, allows for the allocation of more functions to the local level, but it is not a guarantee of decentralization. It may happen (as we will see in some of following chapters) that territorial reform introduced under the flag of strengthening local governments is not followed (or accompanied) by allowing municipalities to assume new responsibilities. On the other hand, countries like Hungary, which decided to offer a wide variety of functions to local governments, are experiencing problems and are looking for various solutions to make the delivery of these functions viable in the case of small jurisdictions.



Conversely, advocates of territorial fragmentation also have their arguments. The defense of small local jurisdictions is usually based on arguments for democracy. In small communities, the link between citizens/voters and local representatives is tighter. There is more mutual trust, flow of information is easier and, as a result, local governments are more accountable towards the local population. There are several studies indicating that citizens of small municipalities are more satisfied with local government performance (although, as Hajnal 2001 and Borecky and Prudky 2001 studies on Hungary and the Czech Republic show, this rule does not concern very tiny municipalities—below 1,000 citizens. In such cases, perhaps a low capacity of local government overshadows the “sociological beauty” of the small community, and negatively influences popular perception of the local government performance). In most of countries, citizens’ interest in local public affairs, expressed by the turnout in local elections, is also usually higher in small municipalities (for evidence on Central and Eastern European countries—see Swianiewicz 2002). A model confirming this rule in Western Europe was recently demonstrated by Mouritzen (2008), and is summarized in Figure 4.

Figure 4.  
Relationship between the Overall Satisfaction with Local Governments’ Index (0–100 Scale) and Size of the Local Government



Note: Estimations based on empirical data collected by the “Size and Local Democracy” research project.

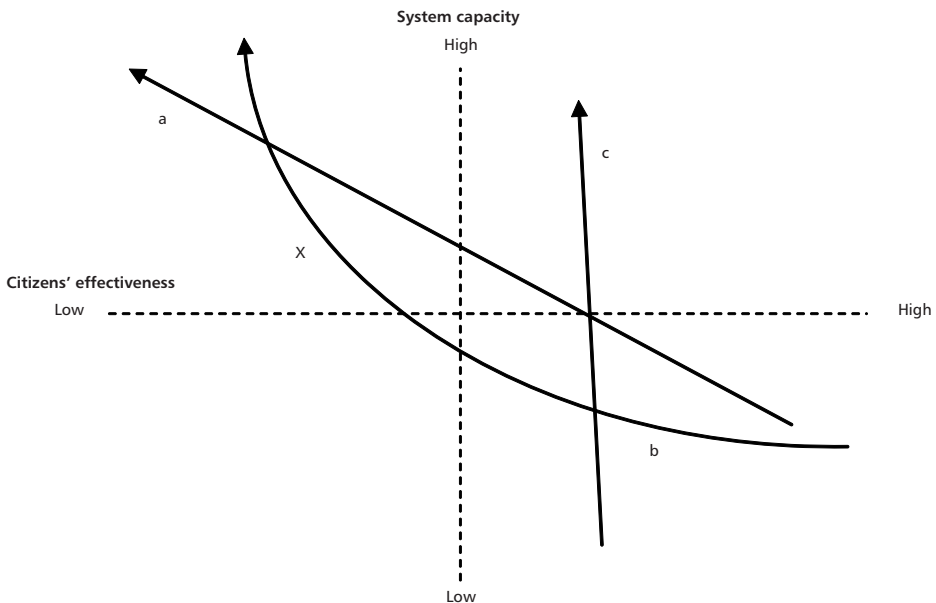
Source: Based on Mouritzen 2008.

Since consolidation is usually promoted on the basis of efficiency or the capacity of local governments, consolidation is often defended on the grounds of promoting local democracy. In popular perception, there is a *trade-off* between democracy and economic

efficiency. In that sense, there is no universal answer as to whether consolidation is advantageous from the perspective territorial fragmentation, or *vice versa*. The answer depends on the values of the local governments that are on the top of political agenda. If decentralization is seen, first of all, in the functional perspective (as it is, for example, in Scandinavia or the United Kingdom—see Goldsmith 1996, but also in Poland—see Swianiewicz 2003), then consolidation is more understandable. But if the focus is on the “natural” perspective of local government being an emanation of the local community (as in Southern Europe), then there is a case to defend territorial fragmentation. This distinction between the two different visions of what local government is about structures the discourse of (among other things) territorial organization. We will return to this observation further in this chapter.

A recent research report by Mouritzen (2008), also quoted in the Danish chapter of this volume, challenges this simple conclusion (even if earlier research of the same author, such as Mouritzen (1989), were promoting the idea of the “trade-off” between two values). This is illustrated in Figure 5.

*Figure 5.*  
The Trade-off between System Capacity and Citizens’ Effectiveness



Source: Mouritzen 2008.

As Mouritzen says:

Our main finding, however, is that this trade-off is not the same irrespective of where one is in the diagram. Rather the relative loss of citizen effectiveness depends upon where along a size continuum one may be. This situation is depicted by a curvilinear relation: the curved line b in Figure 5. Thus, when municipalities are quite small, making them larger has a negative effect on some indicators of local democracy; citizen effectiveness declines. But after a certain point, denoted by X in the diagram, increasing the size further has little or no effect. Just what X stands for depends on the specific indicator being investigated, but our findings suggest a relatively small size of just a few thousand inhabitants is what we are talking about in most cases. . . . Our findings, however, are not only represented by the curvilinear line b. On some indicators of local democracy they are better represented by the almost vertical line c, since no significant size effects were found.

Mouritzen (forthcoming) concludes that empirical evidences suggest that the (negative) effect of size for democratic performance is now less pronounced than 25–30 years ago. Speculating about possible reasons of this change, he mentions:

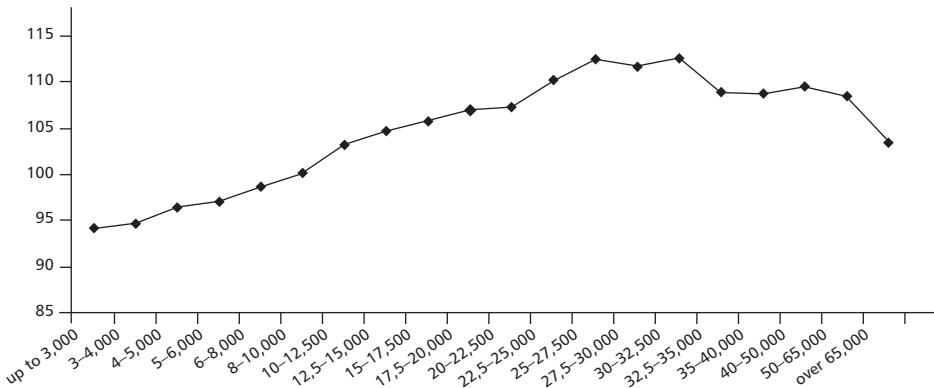
- Local bureaucracy which acts in a much more impersonal, professional way across the country, regardless of the size of local government;
- Explosion of information, which is easily available everywhere;
- Homogenization of daily lifestyles.

Assuming that Mouritzen is correct in his conclusions, this discussion brings to our perspective at least two important questions:

- If homogenization, information, and professionalization of local administration reduces the impact of size on democratic capacity, can it also reduce the positive correlation between the size and “system capacity” (dependent, for example, on the assumption that bigger municipalities have better access to human resources)?
- Are the same factors explaining decreasing role of size for democratic performance significant also in countries of Central and Eastern Europe? Perhaps there are important differences between Western and Eastern Europe, as well as variations among countries of the region in our focus. In general, the level of professionalization in local administration is much lower in Eastern than in Western Europe. In some countries of Eastern Europe, the factor Mouritzen called “homogenization of lifestyles” is also much less pronounced—the differences between capitals (or major cities) on one hand, and small, remote towns and villages on the other—are still very much visible.

There is also a range of empirical studies, referring to the “trade-off” between *system capacity* and *citizens’ effectiveness*, which try to seek a “balance point” between the beauty of democratic performance in small communities and economy of scale that can be achieved only in the larger local governments. Looking for an optimal size of local jurisdictions is reminiscent of the search for the “philosopher’s stone” and leads to very different results, depending on assumptions and indicators used in the model. For example, in a Polish study, an index of the local government performance was constructed on the basis of variables reflecting democratic performance, service delivery, and the ability to promote local economic development (Swianiewicz and Herbst 2002). The result is presented in Figure 6. The conclusion was that “the optimal” size is in the local government of around 30,000 citizens.<sup>6</sup> A bit different than in the logic of Mourtizen’s argumentation above, this figure for the marginal loss in democratic performance is higher than the marginal gain in economic efficiency. Obviously, this result should not be taken too literally. The shape of the “performance curve” may be different if other assumptions are made or other variables are taken into account. But regardless the precise numbers, the most important conclusion is that moderate rather than extreme solutions should be promoted. Both extreme fragmentation (as we know from several countries) and extreme territorial consolidation (as suggested by the case of England—discussed later in this volume) might be a problem.

Figure 6.  
Index of Performance and Size of Local Government in Poland



Source: Swianiewicz and Herbst 2002.

In conclusion, we may say that although the arguments of economy of scale or democratic deficits are not fully convincing, there is a series of studies<sup>7</sup> suggesting that jurisdictions below 3,000–5,000 inhabitants cannot be given significant public sector

responsibilities, and such fragmentation will make functional decentralization difficult and costly. Another formulation of the same conclusion would be that territorial consolidation is about *subsidiarity a rebours*—the subsidiarity argument is usually read in a way supporting more functions allocated to lower levels.<sup>8</sup>

## TERRITORIAL CONSOLIDATION REFORMS —WHY THEY HAPPEN AND WHY SO RARELY

As delineated above, the arguments for consolidation reforms are usually built on the ground of economic efficiency, and are more likely to occur in countries that primarily have a functional perspective of the role of local government. An additional argument, recently used in some European countries, mentions the needs arising from European integration. It is done so in two possible ways. Direct, in which pro-reformers argue (not quite correctly, but sometimes effectively) that a certain form of subnational institutions is a requirement of the European Union.<sup>9</sup> Or indirectly, in which it is argued that the challenge of competition with regions/cities in other countries of a uniting Europe, requires stronger local government institutions. But even if the arguments are firm, it is usually very difficult to implement the reforms. There are several (complementary) explanations for this difficulty.

First, there is inertia in the existing institutions; there are also actors interested in defending the *status quo*. As Baldersheim and Rose (forthcoming) conclude: *once institutions are established, they set limits to the future choices that are available*. This resistance may be explained on a level of rational choice. The consolidation reform would mean a reduction of political posts available (mayors, councilors). For others, this may mean losing job security or at least *prestige*. As Paddison (2004: 34) states bluntly: *local (municipal) elites are unlikely to vote for territorial suicide*, though resistance to change is common.

Second, village autonomy is often seen as an important value in local communities, even if, in practice, this autonomy is more symbolic than actual (because small local government is not capable of performing many significant functions). Indeed, the reform may lead to potentially negative side-effects that are feared by local populations, and the importance and likeliness of which may be highlighted by opponents of the reform, who try to cover their own interests (as presented in the above paragraph) with arguments that call for the protection of local communities. These negative side-effects may include:

- *Accessibility of local administration*. In peripheral regions of Central and Eastern Europe, in which the transport infrastructure is poorly developed and internet communication is still nonexistent, it may be a problem even more than in well-developed regions of more affluent countries. The physical distance to the town hall makes the lives of citizens in remote villages more difficult.

- *Identity of local communities.* In small towns/villages the town hall (a bit like a local school) is not only a place to deal with administrative registers, licenses, etc., but is also a local center that gives a feeling of local identity. Liquidation of the local administration may mean not only a more difficult access to services, but also may do harm to local social life.
- *Fear of not being represented.* The local community may be afraid that its voice will be disregarded in the distant municipal center, when it comes to decisions (for example) about the list of local investments. Sometimes the fear may be irrational, but other times the domination of the central town of the enlarged municipality may be a real issue.
- *Conflicts among regions of the new (amalgamated) municipality.* A typical example of the situation that may produce such a conflict may be between the core city of an agglomeration and the small suburban town that is being annexed by the central city.

Those negative side-effects may be addressed by the reform, in order to reduce their impact. The office might be organized in a way that minimizes problems related to the distance between place of residence and the town hall location. There might be special provisions in the electoral law that prevent domination of one part of the municipality. There also might be special provisions for submunicipal governments, which help to represent village interests and to promote local pride. In the further chapters of this volume, we will see if, and how, they were addressed in recent European territorial reforms.

## THE POLITICS OF REFORM IMPLEMENTATION

Why are some reforms successfully implemented while some fail before they are undertaken, or result in more chaos and conflict than accord? First of all, for the reasons specified in the previous section, it would be naïve to expect that the reform proposal (even the best-prepared one) will not meet opposition. As Paddison (2004: 25) notes: *it is almost a law of local boundary restructuring, that there will be powerful forces intent on maintaining the status quo.* Paddison also formulates three propositions that should help in a successful completion of the reform:

1. Local government restructuring should meaningfully address local preferences and needs. Paddison opposes the planning paradigm that argues for very large local jurisdictions, and that may be difficult to accept for other (social, political) reasons. *Local governments should be sufficiently small so that it is able to be responsive* (2004: 27).

2. The way in which local government revision is undertaken should be a fair, transparent, and relatively accessible process. In this proposition Paddison directs our attention to the process of social consultations. It should be remembered that this issue is a formal requirement mentioned in the European Charter of Local Self-Government, and is thus obligatory for each country that ratified the Charter.
3. The territorial reform has to be a compromise. It should not be wholly decided by either central or local political elites.

The issue of local consultations warrants additional comment. The Council of Europe recommends local referenda, but it also allows other forms of consultation (especially if the local referendum is not permitted by the national legislation). According to the Charter, the result of the consultation is not legally binding for the decision-maker (government, Parliament), but it builds a political pressure in an obvious way. But as Copus' discussion of the United Kingdom case in this volume shows, it is also possible that the decision made clearly opposes the popular will expressed in the consultations.

The successful implementation of the reform depends on many factors. For Balderheim and Rose (2008) the most crucial ones are:

- The ability of promoters of the reform ("policy entrepreneurs") to frame policies *lifting policy ideas out of a "primeval soup" of competing possibilities.*
- The capability of:
  - Policy entrepreneurs to form advocacy coalitions;
  - Opponents to form veto alliances (as we noted before, they would be—first of all—local politicians, especially from local governments, who may lose their independent status in the process of the territorial reform).
- Institutional context, including possibility of various stakeholders to participate in the decision-making process.

The most frequent advocates of consolidation reform are from the community of experts or from central governments. But the group of central level politicians must not be treated as homogenous—politicians whose political capital is based on the support in the regions often promote regional interests and are likely to defend the status quo rather than the reform (Meligrana 2004).

There are two additional factors that are perhaps worth looking at in the context of Eastern and Central Europe. The first is the existence of a specific, prominent actor, namely the international community of donors. In both Macedonia and Georgia—two cases described later in this volume, this factor played an important (and in the case of

Macedonia perhaps even a decisive) role. Experts brought by foreign donor programs are not involved in local interests' networks, so it is easier for them to formulate radical prescriptions, and they are often keen to test theories that would be much more difficult to try in their home countries.

The second specific factor is the ability of advocates of the reform to act quickly, while the "window of opportunity" is open. As one of the main authors of the Polish decentralization reforms—Michał Kulesza—stated:

The favorable moment during which the central bureaucracy (who is usually defending its position) is weak enough to allow any substantial changes, is usually very short. The question of timing is crucial. If the reformers are not ready to present their concepts and its particulars exactly when it is needed and possible (from the viewpoint of the political situation), then the proper time is probably over... young democracies do not like large structural reforms, which hit economic and political interests of many parties and groupings by destroying their positions and mechanisms present in the functioning of the state, economy, and politics... The main factor to guarantee the success is to maintain the high pace of work... (Kulesza 2002: 204–205).

The history of as yet unimplemented Ukrainian territorial reform planned after the Orange Revolution in 2004 is an excellent illustration of how the political opportunity to implement the reform may be missed (Swianiewicz 2006; see also chapter on Ukraine in this volume).

Territorial reforms are sometimes implemented in two stages. The first one includes the adoption of the criteria that should be fulfilled by each local government unit (such as the minimal population threshold, the existence of certain local institutions, etc.) and allowing for bottom-up reorganization of local governments based on these criteria. Usually these bottom-up initiatives are additionally stimulated by incentives in the form of funds or other privileges available for "front-runners." The Danish case, discussed at the beginning of this volume, is an excellent example of the successful application of such a mechanism. In the vast majority of cases, the reform was implemented in this phase, allowing local governments to choose their own specific way of new arrangements. But the Greek case suggests that this stage may also result in failure. The difference lies perhaps in consensual versus confrontational political culture, as well as in the belief of local governments that the central level is determined and eventually capable of imposing the reform.

Another option of the two-stage reform process is when, in the first stage, local governments are obliged to cooperate in a form of various local multi- or single-purpose associations (or communities). This helps to build links and trust among actors, before the second stage in which compulsory territorial consolidation is implemented.



## WHY CONSOLIDATION REFORMS, IF SMALL LOCAL GOVERNMENTS COULD ALSO COOPERATE ON A VOLUNTARY BASIS?

Some of the opponents of territorial consolidation reforms claim that the small-scale problems may be solved much easier through the voluntary cooperation of local governments. It is definitely an alternative, but the question is if it is a realistic and effective way to cope with the negatives of territorial fragmentation. A full discussion of issues related to intermunicipal cooperation would go well beyond the scope of this volume,<sup>10</sup> but it is perhaps useful to make a few related comments.

First, contrary to what advocates of such a solution suggest, bottom-up intermunicipal cooperation does not happen very often and is problematic. Actually, the political difficulty of entering voluntary cooperation is often similar to that raised by consolidation reforms. It requires compromises on the particular interests of the individual municipalities involved. Local leaders need to agree on a cooperation that will sometimes affect their personal ambitions. Among the involved actors, trust is necessary for the voluntary cooperation to function effectively (and as we know from social capital literature, trust is a scarce resource in most of Central and Eastern European countries). It is very telling that wherever we find good and plentiful examples of cooperation, they have been supported by a strong set of incentives provided by national or European policies. The nature of these incentives is such that sometimes it is open to debate as to whether cooperation is still bottom-up and voluntary or rather imposed by external actors. It has been so in France and Finland, the two European cases most often quoted as positive examples of intermunicipal cooperation. To some extent, it is the same with the recent development of Hungarian, Czech, or Slovak intermunicipal bodies, as described in chapters by E. Pfeil, M. Illner, and D. Klimovski. Swianiewicz and Lackowska (2007) convincingly prove that relying on bottom-up voluntary cooperation of local governments in Polish metropolitan areas was a failure, and resulted in a very poor, insufficient coordination of metropolitan functions, or (in some cases) no coordination at all.

But there are also potential organizational and democratic problems related to intermunicipal cooperation involvement. In some countries, establishing single-purpose local governmental associations is very difficult, or even illegal, and the favorable national legal framework is not always there.

The joint provision of functions, although frequently bringing financial benefits, requires transaction costs, which may be identified with a complicated organizational-managerial setting. Complex intercommunal arrangements, including the necessity of debating the issues by the councils of the involved local municipalities, may also slow down the pace of the decision-making process.

The negative side-effect is sometimes that cooperative arrangements make accountability towards local citizens and transparency of the decision-making process more

problematic. Decisions made by individual municipal councils and mayors have direct electoral legitimacy and are controlled through local civic society institutions (local media, NGOs, individual citizens having access to council meetings, and documents produced by local governments), even if this control is often far from being perfect. On the other hand, decision-making in local government associations, or other co-operative arrangements implies only indirect electoral legitimacy, and are less visible and less accessible to civic society.

Discussing one of the most frequently cited French examples, Wollmann (2008) identifies several shortcomings of intercommunal cooperation. He mentions among other things:

- A duplication of personnel in *communes* and *communautés*, which sometimes means additional costs instead of expected savings.
- An overlap of functions between communal and intercommunal bodies, contributing to service delivery problems instead of relieving them. Quoting French reports, Wollmann describes it as *chaotic system of partnerships... in which everybody seeks to seize the entirety of functions*.
- A deficit of democratic legitimacy that weakens control and increases the probability of corruption.

Also, describing German intermunicipal cooperation, Wollmann indicates the weak points, which render the territorial consolidation a still-discussed point in some German *Länders*, in spite of current intermunicipal cooperation arrangements (see also Wollmann's discussion of the German case later in this volume). The French case of intermunicipal cooperation is extensively discussed in a separate chapter in this volume. The wide acceptance of intermunicipal cooperation as an alternative for amalgamation reform starts with the failure of any attempts at territorial reforms in France. Part of the reason lies perhaps in the French tradition of *cumul des mandats*, in which a large group of mayors and local councilors also hold influential posts in central level politics (MPs or sometimes even at ministries). They form a very strong lobby opposing any changes to territorial boundaries and protect the territorial status quo. On the other hand, the successful delivery of local services in France would probably not be possible without the privatization of key network services (at least water and sewage) in the 1980s and 1990s (Lorrain 1997), that allows large public utility companies to serve many small municipalities.

This is all not to say that intermunicipal cooperation is a bad solution. It is just the opposite, in some cases, when political opposition to territorial reform is too strong: it is perhaps the only realistic option. But it should not be naively seen as a painless remedy with no negative side-effects.

## ABOUT THIS VOLUME

The first wave of European territorial consolidation reforms took place in the 1950s, 1960s, and 1970s, and was rooted in the economy-of-scale paradigm stressing that local services may be delivered cheaper and with better quality in larger local government units. This first wave involved several countries of Western Europe (Scandinavia, Netherlands, the United Kingdom, and Germany) but was also visible in Central and Eastern Europe, where it was implemented without any democratic debate (Poland, Czechoslovakia, and Hungary). However, we do not intend to look at such historical examples of the territorial reforms.

In this volume we try to present the experiences gained from all major territorial reforms of the municipal tier which were implemented in Europe during the last decade. Although our main focus is on the countries of Central and Eastern Europe, we also look at the experiences of West European countries. In following chapters describing the experiences of individual countries, we try to answer questions related to all stages of policy process: policymaking (debate preceding the decision), decision-making, policy implementation, and assessment of the outcome. More precisely, the questions that are addressed by the country chapters include:

- What were the most important arguments for and against the reform raised in the debate? Was the debate limited to a narrow group of politicians/experts or did it raise the interest of the general public (media, citizens group, etc.)?
- What was the process of their implementation (including consultations with local governments and the general public)?
- Were the goals of the reform achieved? Were there any negative “side-effects?”  
In particular:
  - Is there any evidence of the impact of the reform on the cost of service delivery?
  - What was the perception of the reform by the general public?
  - What are the changes in citizens’ interest in local public affairs and local government accountability towards the citizens?
  - Were there attempts (and were they successful) to protect the interests and feeling of identity in the small communities that lost their status of autonomous local governments?
  - Are there any provisions for submunicipal government units in individual local communities?

Here, the examples concern both reforms for which the starting point was a relatively consolidated system (first of all, England, with the largest European local governments

of the municipal level, but also Denmark, and perhaps Macedonia) as well as countries that, before the reform, were very much territorially fragmented (Greece, East Germany, and Georgia).

In addition to chapters discussing the reforms to redraw municipal boundaries, we also include a few shorter chapters describing the experience and debate in the Central and Eastern European countries, in which territorial fragmentation is seen as a problem, but which either are still considering different options of the territorial reform or have decided to deal with the problems in an alternate way. Reports on the Czech Republic, Slovakia, and Hungary describe an approach based on top-down stimulation of inter-municipal cooperation in service provision as an answer for fragmentation. Reports on Armenia and Ukraine summarize the state-of-art in countries in which the issue is debated but the decision on what to do has not yet been made.

There are also chapters which go beyond the issue of territorial reform itself, and discuss related issues. Robert Hertzog writes about voluntary cooperation of municipal governments, which is seen by some as an alternate solution to territorial consolidation. Kurt Houlberg looks deeper into the issue of the relationship between the population size of municipal government and various dimensions of its institutional performance. His arguments are very much rooted in the analysis of Danish data, but he also refers to theories and experiences of other countries.

## SUMMARY CONCLUSIONS FROM THE EMPIRICAL CHAPTERS

Although territorial fragmentation is often pointed out as a barrier to decentralized service provision, boundary reforms leading to the amalgamation of municipal units are rare. This is so due to frequent resistance from the political actors who might lose as a result of the reform, but also out of a fear of potential reformers regarding negative side-effects. It is important to also remember that on a level of theoretical debate, advocates of territorial consolidation meet counter-arguments of advocates of the fragmented systems, and thus, the debate is far from a definitive conclusion. Those who argue for consolidation usually refer to economic efficiency, while their opponents focus on political arguments related to local democracy. However, some of researchers and experts (Mouritzen 2008, Houlberg in this volume, and the classic study of Dahl and Tufte 1973) question this dichotomy and suggest that in some cases amalgamation may also have a positive impact on local democracy, or at least that potential positive economic effects of the reform would not be accompanied by negative social and political side-effects.

In already implemented boundary reforms (discussed in following chapters of this volume) arguments raised by initiators and advocates of the changes referred to the theoretical arguments brought up in the previous paragraph. The most frequent motive was an attempt to strengthen the capacity of local governments to effectively deliver a

broad scope of public function. This argument was present in each case analyzed in this volume. In Greece, the specific variant of this motive concentrated on the ability to absorb EU structural funds by local authorities. Macedonia is perhaps the only exception to this rule, since ethnic policy was a dominant driving force there (interestingly enough, a similar ethnic argumentation was on the agenda a few years ago, when fragmentation of over 30 large municipalities into over 120 smaller ones was introduced), although in official documents the capacity of municipal government units was mentioned as well. In Denmark, an additional (but important for the eventual decision to implement the reform) dimension of the debate was a conclusion from the report ordered by government, suggesting that territorial consolidation would not have negative consequences for the state of local democracy in the country.

It is very striking that during the last decade, in spite of vigorous discussions conducted in many countries, actual municipal boundary reforms were implemented in but a very few cases. The disproportion between the intensity of discussions and the actual implementation is very striking, especially in Central and Eastern Europe. Moreover, the only two implemented reforms—Georgia and Macedonia, raise some doubts as to whether they may be classified as typical territorial consolidation reforms. In the case of Macedonia, we witnessed not so much an amalgamation of municipalities, but rather (motivated mainly by ethnic policy) a partial reversal of the territorial fragmentation trend observed a few years earlier. Thirty large municipalities “inherited” by Macedonia after the collapse of Yugoslavia were first replaced by 120 smaller units, so it is questionable if the following reform introducing 84 municipalities may be called a typical consolidation reform. In Georgia, the position of local governments before 2006 was so weak that one may question if the recent reform should be interpreted as boundary restructuring or rather as a gentle attempt to create a real local self-government from scratch. One might also recall the case of Lithuania, where very large municipal government units (over 60,000 inhabitants on average) were created in the second half of 1990s. But it was an element of the creation of the new territorial system introduced instead of the extremely centralized Soviet structure, rather than a typical municipal boundary reform, similar to those implemented in Denmark, Greece, or some other countries.

In discussing the factors influencing the success or failure of territorial reforms, I want to indicate three additional elements, which are clearly displayed in several chapters of the volume. The first is the role of external forces, which may stimulate the change within the political system. These external forces may be of a varied nature. In Germany or Greece, they might be related to the discourse of international competitiveness within an integrating Europe and especially to the absorption capacity of EU structural funds. In Macedonia, the territorial reform was, to a large extent, a follow-up of conditions (or at least strong suggestions) made by foreign donors (especially of the International Monetary Fund). This is not in conflict with the thesis formulated in relevant chapters of this volume that, if we look within the details, we discover that the logic of the reform itself was primarily about ethnic politics, and had little to do with concerns for

efficiency or local democracy. In a weaker form, the territorial reform was also advocated by foreign donor organizations, as in Georgia.

Second, it is perhaps no accident that Nordic countries have adjusted their boundaries more easily (and, to some extent, more rationally) than others (the chapter on Denmark, in this volume, may provide an illustration of this claim, but earlier reforms in Sweden and Finland fall into the same category). It should be remembered that—as with anywhere else in Europe—local governments in these countries are financed primarily by local taxes imposed on local citizens (with no legal regulations imposing ceiling rates, but leaving tax rates entirely in hands of local councils). In such circumstances, the cost/tax arguments have a direct link to voters, so the political support for reforms bringing savings may be easier than in the countries where costs of service delivery is external to the national transfer or tax-sharing systems.

Third, prospects of the territorial reform very much depend on the way local government and its role are perceived in the country. France and England, both discussed in this volume, provide two contrasting, extreme cases of public discourse in this respect. In France, territorial amalgamation seems unimaginable, so it is necessary to look for alternate solutions (such as intermunicipal cooperation, perhaps combined with the privatization of many communal services). The situation in England is the opposite—territorial reforms are introduced “too easily”; technocratic discourse of service provision seems to totally dominate over democratic arguments, and the system which for so long has been by far the most territorially consolidated in Europe, seems to be unable to stop in further attempts to amalgamate territorial (no more “local”) units. In France, the idea of “liberty of communes” is non-negotiable. Any decision to change the territorial boundaries has to be accepted by the municipalities concerned. In England, the government may introduce any change relatively easily, even if it ignores the will of local community, as expressed in public consultations (see examples quoted by Copus in his chapter). It is fascinating how two opposite ideas (“amalgamation is impossible” and “amalgamation is easy and should be done”) have dominated their respective discourses and seem to leave no alternate solutions. Both of them are, of course, rooted in a different paradigm of what local government is about, though these are usually silent assumptions (unspoken in the public debate, and often not even consciously made by the involved parties). France and England provide extreme cases, but perhaps the same line of analysis may be successfully used to explain the variation among other countries. For example, in my earlier analysis (2003), I was trying to show how different territorial organization in Poland (territorial consolidation), as opposed to the Czech Republic, Slovakia, and Hungary (territorial fragmentation), are interrelated, with a different perception of the role of local governments in a contemporary state.

In the previous sections, we discussed potential negative side-effects of the territorial amalgamation reform. It is interesting to note that they were very rarely considered by the actual authors of the reforms. Or at least they rarely introduced this topic into the political agenda, demonstrating what measures might be adopted to minimize the

potential losses. Perhaps, the topic played an important role in the Danish reform only. The report suggesting that the reform would not have the typically expected negative impact on local democracy, strengthened the determination of the government to implement the planned change.

What was the role of public opinion in the described reforms? It was certainly diverse. In Georgia, the reform was simply ignored (or unnoticed) by local communities. In Macedonia, the citizens had an occasion to express their opinion in a national referendum over the reform. In Denmark, the role of public consultations was surprisingly low. The reform, introduced shortly after national elections in which territorial boundary restructuring was not an important issue, took everyone by surprise—a bit eye-opening in the Scandinavian consensual political culture. In England, Copus quotes examples of public consultations (even local referenda) in which results have been ignored by the government, forcing the change in spite of the will of local community. In Greece, the consultation stage led to a weakening of the plan for amalgamation (in spite of an initially planned reduction of the number of municipalities from over 5,000 to 500, eventually 1,033 new units were created), though local politicians rather than local public opinion played an active role in opposing more radical consolidation. Hlepas suggests that the relatively passive attitude of local communities was a result of the fact that the reform would strengthen capacity of local administration, and that goal was very much meeting citizens' expectations. Therefore, the local politicians who might have opposed the change had difficulties in mobilizing public opinion in their support. In general, taking into account the provisions of the European Charter of Local Self-Government, the importance of consultations, and open public debate has been astonishingly low. However, one should perhaps mention that in some of the failed reforms (such as the Ukrainian attempt in 2005) the negative reaction of the local communities expressed in the public consultations played an important role in maintaining the territorial *status quo*.

The picture presented in the individual chapters discussing territorial reforms suggests that the notions that we use in our descriptions are often fuzzy. One example is the distinction between voluntary and imposed change. The Danish case provides an excellent illustration of this. The first stage of the reform assumed bottom-up proposals of boundary changes made by local governments, though it was based on the criteria formulated in the top-down manner. Moreover, failure to formulate the bottom-up proposal was to be followed by top-down intervention. A similar semi-voluntary stage of the reform was attempted in Greece (where it was a failure) and in Germany (where it was a relative success in some *Länders*, such as Sachsen). Intermunicipal cooperation in the form of *communautés* in France, or microregions in Hungary, Czech Republic, or Slovakia provide more illustrations. Intermunicipal structures are supposed to enable the effective provision of services by very small municipalities and provide an alternative to territorial amalgamation. These intermunicipal institutions are created voluntarily, in the

bottom-up manner, though incentives or even pressures imposed by the central government are so strong that the change has a clear element of coercion. Interestingly enough, as the report prepared by Bucek (2008) notes, the increasing interest of local politicians in the creation of intermunicipal structures is often correlated with functional decentralization. As long as municipal functions in Slovakia were so narrowly defined, the readiness of municipalities to enter intermunicipal structures was rather low, in spite of centrally provided incentives. But taking over responsibility for a broader set of functions resulted in the difficulty of many small *obce* (villages) of fulfilling their statutory tasks, and was done in a way that forced them to look for a solution in cooperative arrangements.

Another diluted concept is a distinction between territorial boundary reform and the bottom-up cooperation among municipalities. Passing more and more functional responsibilities (sometimes together with the power of taxation) to intermunicipal institutions is occasionally a method to avoid the political problems related to territorial amalgamation reforms, but at the same time it means a marginalization of small municipal governments. *De facto*, the result of the process may be the creation of a new, larger, and stronger local government unit, while the “old, small municipalities” remain formally, though their role is mainly symbolic, with a minimal significance to service delivery. Thus, instead of politically risky amalgamation, one may marginalize a small municipality, passing real powers to the new, larger unit. It is one of the possible interpretations of the tendency observed in France, but the logic of changes may lead in the same direction the Czech Republic, Slovakia, or Hungary. One may expect that the current economic and fiscal crisis may rein in the discussion on territorial consolidation in these countries and strengthen the tendencies described above.

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## NOTES

- <sup>1</sup> I wish to thank Anthony Levitas for his valuable, critical comments to the first draft of his chapter. I have used his advice extensively while preparing the revised version of the manuscript. However, any possible mistakes or controversial claims remain solely my responsibility.
- <sup>2</sup> For a wider discussion of this process, see: Swianiewicz 2002.
- <sup>3</sup> Fragmentation in CEE countries has not gone as far as in France, where there are municipal jurisdictions that have no permanent residents at all.
- <sup>4</sup> An excellent overview of theoretical positions can be found in Lackowska 2008.
- <sup>5</sup> The United Kingdom, with municipality sizes incomparable to any other European country, has been excluded from the figures and related calculations.
- <sup>6</sup> An optimal size of a local unit has been an issue of debates for many ages. It is fascinating to note that the size indicated by the Polish study is reminiscent of the "ideal city" described by Plato (*The number of our citizens shall be 5,040—this will be a convenient number, and these shall be owners of the land and protectors of the allotment* [Plato, *Laws*, Book V, in translation of B.V. Jowett]. Plato was counting heads of households only. Thus, taking into account the size of their families and slaves, he means a city of around 30,000 inhabitants).
- <sup>7</sup> See, for example, the review of such studies in Swianiewicz 2002.
- <sup>8</sup> Subsidiarity is the proper term used most often on Europe. Formulated in the EU Maastricht Treaty and in the Council of Europe's Charter of Local Self-governments, the argument is usually read in a way that supports more functions allocated to lower levels. But we may also view this from another angle. The subsidiary principle states that functions should be kept as low as possible, supporting small communities in their provision and reallocating to the upper tier those functions which cannot be effectively implemented locally. Through territorial consolidation we make more space for the number of responsibilities that may be reasonably managed on a municipal level.
- <sup>9</sup> As Baldersheim and Rose (forthcoming) suggest: "Requirements from Brussels" may sometimes be a convenient excuse for national policymakers to rush through unpopular reforms." Similar observation on the reforms in Central Europe has been made by Hughes *et al.* (2003).
- <sup>10</sup> A further discussion and an alternate point of view is offered in Robert Hertzog's chapter later in this volume. Hertzog focuses mostly on the French experience in intermunicipal cooperation, seen as a way to deal with issues related to extreme territorial fragmentation of the municipal tier. For a discussion of intermunicipal cooperation in France, also see Borraz and Le Gales (2004).



Territorial Consolidation  
Reforms in  
'Old' EU Member States



# Structural Reform in Denmark: Central Reform Processes in a Decentralized Environment in 2007

*Karsten Vrangbæk*

## EXECUTIVE SUMMARY

In a surprise decision in 2004, more than 30 years since the last major reform of Danish government, Denmark agreed to reform and redesign the structure of its central, regional, and local governments and began to implement those reforms in 2007. More than halving the number of municipalities, creating five new regions, and redistributing the tasks among the municipal, regional, and national levels, this reform was accompanied by the intent to reduce the burden of local taxes on the Danish taxpayer by abolishing the right of regions to tax their residents. Likewise, the ability of municipalities and regions to generate revenues was also reformed to provide a sleeker and more efficient system. Responsibilities for education, healthcare, transport, and culture were all shifted among 98 new merged municipalities, five regions in place of 13 former counties, and five bodies of regional administration that replaced the former county governors.

The agreement to reform Denmark's government system in 2004 was the culmination of earlier attempts to redesign the responsibilities and institutions of government in Denmark. Already in 1998, the Public Sector Tasks Commission was working to find sectors that were the source of service-delivery problems. In tune with a declaration from the Confederation of Danish Industries in the leading conservative daily newspaper in the summer of 2002, Denmark's ruling coalition of Conservatives and Venstre favored such a restructuring. Though public opinion seemed to favor reform, all of Denmark's political parties could not come to an agreement, so a commission was formed to reconsider the reform. When the commission published its report in the spring of 2004, the government was ready with its own proposal to amalgamate Denmark's municipalities and counties and it was quickly passed by midsummer after the failure of the ruling coalition's opponents to intercede.

Thereafter, the government was busy preparing the large complex of legislation on structure, responsibilities, and financing mechanisms that had to be in place for the reform to take effect on January 1, 2007. The current phase of implementation is taking place inside the new regions and municipalities as they strive to rationalize

their administrative and service delivery structures, in order to reap the potential (and much hoped for) benefits from economies of scale, the outcome of which, in terms of efficiency and quality gains, is uncertain at this point in time. A wide evaluation of the reform has yet to be conducted though some results have begun to be reported in some sectors. Despite this sweeping reform to Danish government, the public has remained fairly uninterested in what is perceived as purely technical in nature.

From a democratic perspective, it can be argued that reform is based on a general shift in attitude from trust in the benefits of local democracy to a higher emphasis on efficiency criteria, and more limited acceptance of municipal and regional level differences due to democratic decisions. Yet, the municipal and regional democracies have been maintained within the new larger units. The tradition for decentralized decision-making in regards to delivery of welfare services has formally been maintained, though restricted, by the removal of taxation rights at the regional level; by the coordination of tax/expenditure levels via annual budget agreements between municipalities and the government; and by the development of alternative steering mechanisms in terms of general standards backed by controls and incentives.

Overall, the reform process can thus be explained as a combination of several different factors coming together. Central actors within government argued that the reform might lead to improvements in quality and efficiency, although there were only limited indications of poor performance that could not be addressed in the existing structure, except perhaps for waiting times in healthcare. The promises of a more streamlined public sector with fewer administrative levels were attractive to industry groups. Similarly, the reform was sold on the idea that elimination of regional rights to issue taxes would help in controlling taxes. But many municipal actors initially opposed the reform, as it would mean amalgamation. Yet the government won the support of municipalities by promising that they would gain more tasks and responsibilities at the expense of the counties (now regions). The strong position of the government made it possible to neglect the traditional normative pressure for broad consensus on major structural issues, and the personal ambitions of leading government officials further pushed the issue.

## INTRODUCTION

A major government structural reform was agreed upon in Denmark in 2004 and implemented on January 1, 2007. The reform reduced the number of municipalities (from 271 to 98) and created five new regions to replace what previously had been 13 counties (and three county/municipalities). Henceforth, the tasks and responsibilities changed, most dramatically in the counties (stripped of most of their previous tasks), leaving only healthcare and limited regional development functions for the new regions. Some of the county tasks were given to the amalgamated municipalities, while the task of financing regional activities was centralized to the state level (see Table 1).

*Table 1.*  
The Danish Structural Reform in Overview

	<b>Municipalities</b>	<b>Regions</b>	<b>The State</b>
Structural implications	By means of mergers, the number of municipalities is reduced from 271 to 98	5 new “regions” replace the existing 13 counties. The Greater Copenhagen Authority (HUR) and the Copenhagen Hospital Corporation (HS) are also abolished	The 14 offices of the county governors and the Prefects Office of Copenhagen are replaced by 5 bodies of regional state administration
Changes in responsibilities	<ul style="list-style-type: none"> <li>• Keeps existing portfolio of tasks except collection of taxes and debt of public authorities</li> <li>• Establish local health centers responsible for preventive treatment and rehabilitation</li> <li>• Establish new job centers run jointly with the state</li> <li>• Receive authority and total responsibility for financing social service and special education</li> <li>• Receive authority and control over nature and environmental protection</li> <li>• Charged with physical planning, public transport, roads, culture, local business services, airports, harbors, and ferry routes</li> </ul>	<ul style="list-style-type: none"> <li>• Hospital services (hospitals, psychiatry, general practitioners, specialists, and health insurance)</li> <li>• Regional development plans</li> <li>• Set up regional growth forums</li> <li>• Operate a number of institutions for exposed groups and groups with special needs for social services and special education</li> <li>• Coordinate the operation and development of a ranged of basic education programs</li> <li>• Responsibility for coordination on environmental issues and for soil pollution and raw materials mapping and planning</li> <li>• Establishment of transport companies throughout the country</li> </ul>	<ul style="list-style-type: none"> <li>• Assume full responsibility for the collection of taxes and debt to public authorities</li> <li>• A range of educational institutions are transferred from the counties</li> <li>• Assume general tasks in relation to nature and environmental protection from the counties</li> <li>• Establish 7 regional environmental centers</li> <li>• Establish a national knowledge and special counseling organization (VISO)</li> <li>• Assume responsibility for the general road network from the counties</li> <li>• Assume responsibility for subsidizing cultural institutions and events</li> </ul>

*Sources:* The Nordic Political Science Association (2007) *Scandinavian Political Studies* 30 (4); U. Bundgaard and K. Vrangbæk (2007).



The municipalities had, since the previous administrative reform in 1970, maintained responsibility for both delivering and financing important welfare state functions in terms of social care, primary education, care for the elderly, public health, child care, employment, etc. Indeed, the municipalities and regions together accounted for almost two-thirds of total public expenditures in 2007, and the municipalities financed about one-third of the total public expenditures via taxation. The average tax rate in the municipalities was 24.58 percent in 2007 (a gradual increase from 16.7 percent in 1977, reflecting more welfare tasks at the municipal level). This has meant that changes in the organization and the financing of municipalities and regions have an immediate and direct impact on citizens in Denmark. The 2007 reform also meant that municipalities gained additional tasks in regards to the more specialized social institutions, specialized education, outpatient rehabilitation, infrastructure, culture, environment, and planning. The reform also mandated a significant change of the financing of decentralized activities. The right to issue taxes was removed from the regional level, thus changing the long-established principle of dual responsibility for setting service levels and funding the service through taxation of the directly involved citizenry. Regions are instead funded by block grants from the state (almost 80 percent) and a new municipal co-financing (20 percent). The municipal co-financing is supposed to create incentives for the municipalities to undertake more prevention and health promotion activities, and to collaborate more closely with the regions for issues of long-term care, patient pathways, etc. Municipalities continue to be financed by a combination of municipal taxation (income and property taxes) (approximately 70 percent), block grants from the state, and intermunicipal compensation schemes (see Table 2).

*Table 2.*  
Changes in Financing after the 2007 Reform

State	Regions	Municipalities
Collection of general income taxes and a new specific "health contribution" of eight percent	<ul style="list-style-type: none"> <li>• Right to issue taxes removed.</li> <li>• Financed by block grants from the state 75 percent, state-activity based financing five percent and municipal co-financing of healthcare (20 percent)</li> </ul>	<ul style="list-style-type: none"> <li>• Financed by block grants and income taxation.</li> <li>• Pays co-payment to regions for hospital care</li> </ul>

What were the main reasons for this reform, what was the process of implementation, and what do we know about the results? This paper will address these issues in turn.

## WHAT WERE THE MAIN REASONS FOR THE REFORM?

Following John Kingdon's seminal work (1995) on policy development the process of agenda setting can be seen as the appearance of a window of opportunity as three streams—the “problem,” the “solutions,” and the “politics”—flowed together in 2002.

### Developments in the ‘Problem Stream’

In an instrumental perspective, one would expect a clear indication of the need for the reform to precede the initiative. However, there was very limited debate on structural reform prior to the summer of 2002, nor was the subject part of the general election campaign in 2001. Nor were there developments in the stream of problems pointing to an urgent and critical need for a general reform (Mouritzen 2004). In 1998, a Public Sector Tasks Commission (*Opgavekommissionen*), appointed by the previous government, concluded that the existing distribution of tasks in the Danish three-tier structure was generally satisfying and that it would also remain robust in the face of future challenges.

The overall picture in the problems stream is thus that there were limited indications of major structurally induced problems pertaining to the overall configuration of the Danish public sector. Yet, examples of “wicked problems” could be found in some sector areas. In particular, it here seemed to be persistent sentiments that the health sector needed intervention, particularly in order to solve issues of waiting-times, and other perceived implementation failures. Politicians at the national level were frustrated over being held responsible for the performance of the health sector, while the actual responsibility for managing healthcare rested with the counties. This led to calls for stronger steering control, and weakening of the county institution. There were also ongoing debates on the smaller municipalities’ capacity to meet appropriate levels of expertise, and the problems some of these had in financing more difficult social cases. There were thus some indications, or at least some debate on potential problems in the delivery of core welfare services. The articulation of such issues was facilitated by changes in the politics stream.

### Developments in the ‘Politics Stream’<sup>1</sup>

In the political stream, the “little brother” in the ruling coalition, the Conservative Party, and the Danish People’s Party—a regular support party for the government—had long been arguing for the abolition of the counties, although with the specific premise that a reform should maintain the decentralized municipal structure.<sup>2</sup> The primary arguments

concerned the administrative costs and the risk of increased taxation with three levels levying taxes. It should also be noted that neither of the two parties had enjoyed strong representation at the regional levels. The parties with the greatest representation in the regional councils and municipalities, Venstre and the Social Democrats, had rejected the idea of a reform on several previous occasions.

The changes in the political stream caused by the takeover of a new government consisting of Venstre and the Conservatives in November 2001 did not initially make a difference regarding a reform. The Conservatives worked to talk its government partner into abolishing the counties, but Venstre was not willing to proceed along this path. Nevertheless, the government set a rather confrontational tone towards the counties and the municipalities. Lars Løkke Rasmussen, Minister of Interior and Health, warned the counties that they were to be scrutinized; testing their ability to handle the problem of hospital care waiting-lists. Sanctions were not explicitly specified, but it appeared clear that the minister was ready to act decisively. Both municipalities and counties were threatened with economic sanctions if they were to exceed the agreed level of public-spending growth.

Despite the changing rhetoric in the spring of 2002, there were still no political indications that this would lead to a structural reform when the Danish Parliament began its summer break in June 2002.

In early June, the Confederation of Danish Industries, a powerful lobby organization, called for the counties to be abolished and the number of local governments to be reduced from 271 to 100. *Berlingske Tidende*, a major Danish daily newspaper, conveyed the position of Danish industry to the broader public on its front page. The Danish Economic Council, a government-sponsored but independent think tank, expressed similar points of view based on an analysis of the inability of small municipalities to maintain a high service level. It was at this point that Minister for the Interior and Health, Lars Løkke Rasmussen, strongly denied that the government had plans for any structural reform in a parliamentary debate. While he personally might have been in favor, the political climate and the party support in Venstre was not in place.

On July 14, *Berlingske Tidende*, which is traditionally linked to conservative and industry interests, published a poll on the front page revealing that a majority of the population was now in favor of abolishing the counties and reducing the number of municipalities.<sup>3</sup> The poll had been ready for a month, but was withheld for publication until the right moment.<sup>4</sup> July seemed to be a good time, as the media agenda is typically less crowded than during the regular political cycle.

The Vice President of the Venstre parliamentary group, Rikke Hvilshøj, together with political spokesman Jens Rohde, recognized the poll as a potential shift in the political stream. If so, it would represent an opportunity to advance their personal political interest in placing the issue of a structural reform on the political agenda.<sup>5</sup> In an editorial piece in *Berlingske Tidende* two days later, Hvilshøj used the poll to argue

for the need for debate concerning structural reform.<sup>6</sup> Hvilshøj made a discursive link between the current three-level structure and the high Danish tax burden. The underlying assumption was that a reduction in the number of levels would also ease the pressure for increased taxes. Structural reform was thus presented as a solution to the problem of the generally perceived high tax burden in Denmark.

With the national mood apparently positive regarding a structural reform and new signals from Venstre, an open window appeared in the political stream for placing the issue firmly on the agenda. In the following weeks there were two particular factors that kept the window open: firstly, *Berlingske Tidende* produced a number of reform-friendly articles—provoked by Jens Rohde, who let the journalists know that he intended to stick with the issue.<sup>7</sup> Secondly, no strong resistance was mobilized against the attempt to place the issue on the agenda. Neither the Minister for Interior and Health nor the lobby organizations for the counties and small municipalities were able (or willing) to close the debate. This was quite different from previous attempts to win support for the issue, e.g., at party conventions (Jørgensen and Vrangbæk 2004). Both the association of county councils, Danish regions (*Amtsrådsforeningen*), and the municipalities organization, Local Government Denmark (LGDK), were weakened by internal dispute on the topic. The LGDK Chairman, Ejgil W. Rasmussen, was the mayor of a small rural municipality threatened by any possible reform, whereas LGDK Vice President Anker Boye was mayor of Odense, the country's third largest city and a strong supporter of a reform.<sup>8</sup>

In August, at the end of the summer holidays, an attempt was made to close the window by some of the leading actors in Venstre. The presidency of the party's parliamentary group, which was chaired by Christian Mejdahl, a traditional supporter of the “decentralist” position in Venstre, held a meeting and agreed that the party members should end the debate as quickly as possible. This decision was endorsed by Prime Minister Anders Fogh Rasmussen, who also participated in the meeting.<sup>9</sup>

At this point, however, the process appears to have been too far advanced in the political stream to be stopped. The debate had demonstrated that the idea of a reform enjoyed support among several leading figures in Venstre, and despite the official signals, the Conservatives acquired the impression that the balance of power in Venstre was shifting towards support for a reform. In order to seize the initiative, the Conservative parliamentary group decided to demand that the counties should be abolished as soon as possible.

We were thus preparing this in the beginning of August—and there were still articles in the papers about the counties; that they were really going to be abolished—and then we had a feeling that a debate was starting to warm up internally within Venstre. And we had a feeling that maybe even the prime minister would make a statement and in some way make a positive mark. And then we thought that we might as well make our move....

—Former Conservative Spokesman for Municipal Affairs,  
Knud Erik Kirkegaard

The two parties most eager to dismantle the counties, the Conservative Party and the Danish People's Party, were also those with the least institutional interest in maintaining them. Both were poorly represented politically in Danish regions, and although a reform would also affect the municipal structure, it was deemed well worth supporting if their wish to have the counties abolished was fulfilled.<sup>10</sup> Moreover, the Conservative Party had voiced complaints for some time that the larger government coalition party was dominating the scene. A structural reform appeared to be an opportunity to strengthen its position and appease its constituents.

Venstre and the Social Democrats did not appear to have an immediate institutional interest in a reform. Together, the parties shared the vast majority of the seats in the municipal and county councils.<sup>11</sup> Venstre, in particular, was likely to lose as a result of a reform that would remove the smallest municipalities, as the party enjoys particularly strong representation there.<sup>12</sup> In this light, the decision to halt the debate made good sense; so why the shift in the party position?

One must consider ideas as an additional explanatory factor. Commentaries and interview data suggest that central actors in the party, including the prime minister himself, the Minister of the Interior and Health, as well as the political spokesman, Jens Rohde, regarded structural reform as an opportunity for increasing the efficiency of the public sector by harnessing benefits of scale and by providing a better infrastructure for competition- and incentive-based governance measures.

And there I think that Lars Løkke has been interested in getting this discussion going for two reasons: partly, Lars has been critical of the role of the counties on the basis of his past position as a county mayor; and partly because Lars is very engaged in reforming the public sector—and I think that you have to understand the entire involvement of the Venstre leaders in this matter as an involvement in rationalizing the public sector.

—Chairman of the Commission on Administrative Structure, Johannes Due

A structural reform was regarded as a means by which to enhance efficiency and attain the ideological goal of more market-based solutions in the public sector. At the same time, it provided opportunity to deal with the politically-sensitive health sector, where national politicians were increasingly frustrated by being held accountable for an activity area in which formal responsibility was relinquished to the county level.<sup>13</sup> Moreover, Venstre's younger and more ideologically-based faction had been strengthened in recent elections, which was reflected in ministerial posts, mayorships, and appointments as political spokespersons.

## The 'Policy Solution Stream'

The task of developing arguments for reform and pointing to possible solutions was given to an official government commission. The commission was made up of civil servants, appointed external experts, and representatives of the counties and municipalities. The government thus deliberately chose a model without political representation of the opposition parties. The commission chairman was Johannes Due, a former top civil servant who was also chairman of the Public Sector Tasks Commission established by the former government. Over the course of the work of the Commission, Mr. Due appeared to be on the side of the members who preferred a profound reform with larger municipalities acquiring greater responsibilities at the expense of the counties.<sup>14</sup> However, first and foremost, Due defined his own role as that of a civil servant who, along with the other members, was asked to provide the basis for a political decision within rather tight deadlines. He therefore focused on streamlining the working process towards the final product. Underway, Due and the secretariat, which consisted of civil servants from Lars Løkke Rasmussen's own ministry, had great influence via their control of the agenda, working methods, and timing of the meetings.<sup>15</sup>

Unlike the sidetracked opposition and the *Folketing* (Parliament), the government had its viewpoints represented in the Commission via the four civil servants it had appointed as commission members. The ministerial representatives provided an equal representation of each of the two government coalition parties. However, the representatives from the two ministries controlled by Venstre, the Ministry of the Interior and Health and the Ministry of Finance, came to have an influential role in the Commission.

An important argument in the general debate was that smaller, decentralized units performed better in terms of democratic awareness and participation. This argument had been very strong in the public debate since the structural reform of 1973, and had effectively sheltered the structure from change. The democracy argument was undermined by a research study published in the autumn of 2003 concerning municipalities and democracy. Contrary to the argument of many of the mayors of small municipalities, the study demonstrated that small-size municipal democracy does not demonstrate better performance than larger municipalities in terms of democratic participation. The head of the research group was one of the members of the Commission, independent professor Poul Erik Mouritzen.<sup>16</sup> The report investigated the dimensions of participation, knowledge, trust, satisfaction, etc., and concluded that differences between large and small municipalities in Denmark were insignificant, although there was a slight tendency for participation and satisfaction to be lowest in the very large municipalities. Access to politicians was not investigated directly in the study, but one of the authors has argued subsequently, that the immediate access to politicians is considerably easier

in smaller municipalities. The implications of this depend on your specific perception of democracy.

Another coincidence in the policy process, however, was that the study was published at this particular point in time. For the government representatives, this single report was taken as evidence that could tip the balance in favor of larger entities.

The Danish regions initially opposed a reduction in the number of regions; however, in a meeting during the autumn of 2003, the 14 county mayors agreed to recommend a reduction to seven to nine counties. This can be perceived as an attempt at accommodating the growing pressure for change and avoiding more radical solutions.

As both of the wings in the Commission proceeded along the same strategy of highlighting problems capable of justifying a reform in their respective favor and there was common ground in support of larger units, the Structural Commission conclusion was given: reform was necessary.

This meant that the option of *status quo* in terms of both structure and tasks was not seriously considered, although it could have been a perfectly feasible outcome if the interest configuration in the Commission had been different, and considering the fact that the identified problems did not appear urgent. The assessment of a need for reform was instead based on the arguments of the relative potential for improvement and references to (uncertain) future challenges.

The two models favored by the respective wings were the “broad county model” and “the broad municipality model.” Whereas the former operated with greater responsibilities for a reduced number of counties, the second operated with increased responsibilities for larger municipalities and only a handful of regions with limited tasks.

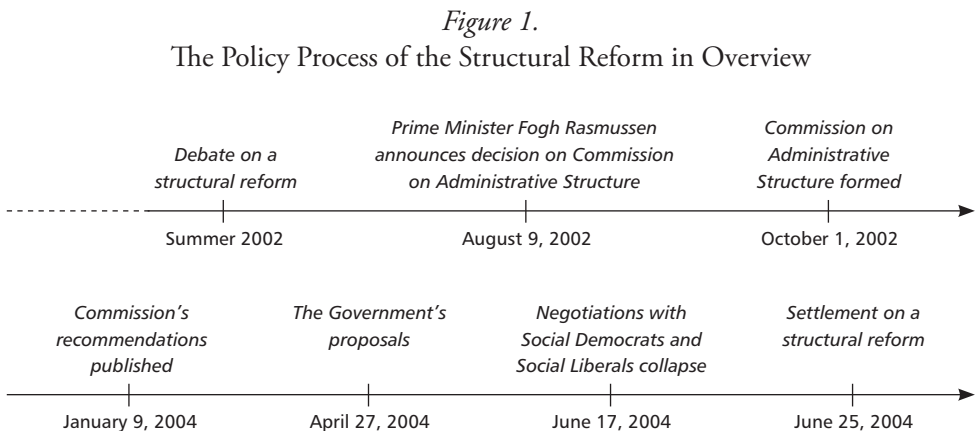
In addition to the different models, the chairman allowed LGDK to describe a secondary model for the placement of taxation administration. Although all of the other Commission members favored a complete takeover of this area by the state, it was held to be more important to keep LGDK from making a minority statement in the final Commission recommendation.

The chairman did not succeed in stopping all of the minority statements, however. In one of the last meetings, the three independent members announced their intention to place a minority statement in the recommendation. The three external experts were dissatisfied with the working processes and steering of the Commission, and they wanted clearer recommendations in the end.<sup>17</sup> The minority statement created serious discontent among the other members, who had worked hard to achieve a uniform basis for decision; however, their concerns were unnecessary. By this time, the process had proceeded too far for the experts’ rebellion to acquire any real importance.

## A DECISION IS REACHED

The government chose a more radical basis for negotiations than any of the models in the commission report. This may have been a tactical move, but may also indicate that establishing the Commission was partly a symbolic exercise. Its main purpose may have been to gain time and provide legitimacy for a reform, while the specific recommendations were less important. In any case, the swift acceptance of the government proposal by the Danish People's Party created a situation in which it was difficult to grant concessions to the opposition.

This altered the conditions for the political negotiation game and led to a departure from the usual norm of broad agreement for major reforms, as it was based on a narrow majority of the government and its regular supporter, "the Danish People's Party." The steering and speed of the entire process left relatively limited scope for public and political debate, and the attitudes of the main negotiators appear to have undermined the level of trust required to reach broad agreements. It is therefore thought-provoking that this major reform was decided by relatively few actors who were directly involved in decisive moments. The political party organizations and the Parliament had limited opportunity to participate and the general public was kept in the dark until the relatively brief hearing of the government proposal. This stands in contrast to a traditional picture of the deliberate rational policy planning, but may be a necessary means of side-stepping the many potential veto points, and thus securing momentum for such complicated and broadly impacting reforms (Andersen and Larsen 2004). The main stages from agenda setting to political agreement are summarized in Figure 1.



*Source:* U. Bundgaard and K. Vrangbæk (2007) "Reform by Coincidence? Explaining the Policy Process of Structural Reform in Denmark." *Scandinavian Political Studies*, 30(4): 491–520.



## THE IMPLEMENTATION OF THE REFORM

The implementation had an initial phase of “voluntary” amalgamations of municipalities. The parties behind the structural reform agreement recommended 30,000 inhabitants as the target size for the new municipalities. A firm demand of at least 20,000 was issued. Smaller municipalities were obliged to either amalgamate with other municipalities or join into intermunicipal cooperation structures covering a population of at least 30,000. Special provisions were made for island municipalities. All municipalities were asked to provide a plan for amalgamation before January 1, 2005. This led to a process of intermunicipal negotiations, and, in January 2005, it was clear that only four of the 271 municipalities had not found solutions that met the requirement of a minimum of 30,000 inhabitants. A political agreement between the government and the opposition in 2005 confirmed the main lines of the new structure. In some cases, local referendums were made on specific issues. A government envoy worked with the four remaining municipalities to find a solution. This led to additional local referendums and solutions for the four municipalities. The institutional conditions for the opt-out option of intermunicipal cooperation provided strong disincentives against choosing this solution, and in the end none of the municipalities chose that solution.

All in all, a new amalgamated municipal landscape was created rather quickly in a mostly voluntary process, but backed by threats of intervention and incentives.

In the meantime, the government was busy preparing the large complex of legislation that had to be in place for the reform to take effect on January 1, 2007. The legislation was to spell out the general reform agreement on changes in structure, responsibilities (tasks), and financing mechanisms. Different opposition parties supported different parts of the legislative proposals, thus creating a broader parliamentary basis for some of the changes. The results in terms of structural and functional changes were as described in Tables 1 and 2.

The current phase of implementation is taking place inside the new regions and municipalities as they strive to rationalize their administrative and service delivery structures, in order to reap the potential (and much hoped for) benefits of scale. A number of changes are thus currently taking place, and the outcome in terms of efficiency and quality gains is rather uncertain at this point in time. The exercise of administrative amalgamation has been costly in terms of manpower resources and in terms of stress among personnel, although the government cleverly issued a guarantee that all regional and municipal employees would be guaranteed a job after the reform. The favorable economic situation in the period has made it easy to keep this promise.

The government itself has not commissioned any large-scale evaluation of the reform, though it tracks developments in different sector areas. An evaluation of the entire reform would be very difficult due to the high degree of complexity and the many simultaneous intervening parameters. Yet, we can expect to see sector-based assessments over the

coming years. It is highly unlikely that evaluations will lead to attempts to roll back the overall reform components, but ongoing adjustments are feasible in some sector areas. It is still too early to assess the results both overall and in sector areas. Yet, it can be concluded that no major problems have surfaced after the reform.

The public in general has taken a relatively limited interest in the reform, both during the decision phases and after the implementation. This can partially be explained by the technical character of the reform, and partly by the fact that no major problems have surfaced yet.

It is still unclear to what extent citizens are comfortable in identifying themselves with the new and larger regions. In most cases, the transition appears to have been rather smooth. One reason may be, that the Danish municipalities already have a long tradition for involvement in local area networks through management boards with user representatives at public (and private) schools, day-care institutions, etc., and through various local area and housing-estate councils. Most Danes are also members of several civil society associations with democratic leadership structures (interest organizations, sports associations, cultural associations, etc.). This density of local participatory arenas has led some observers to argue that the Danish case can be characterized by a bottom-up network democratic structure that interacts with the more formal democratic structures and serves as the most important venues for political participation outside elections (Sørensen 2002).

A more formal experiment with submunicipal government forms have been conducted in the Copenhagen areas but with limited success. The experiments were abandoned after a general referendum in 2000. In 2005, the Copenhagen City Council decided to introduce 13 local area councils for the period 2006–2009. The councils are to act as mediators between local area interests and the Copenhagen City Council. The boards cooperate with the city on planning issues, and also have independent tasks in terms of culture and network development. The local area councils consist of 23 members. Seven are politically appointed by the City Council and 16 are elected by local associations, etc. This experiment has not yet been evaluated.

## CONCLUDING REMARKS

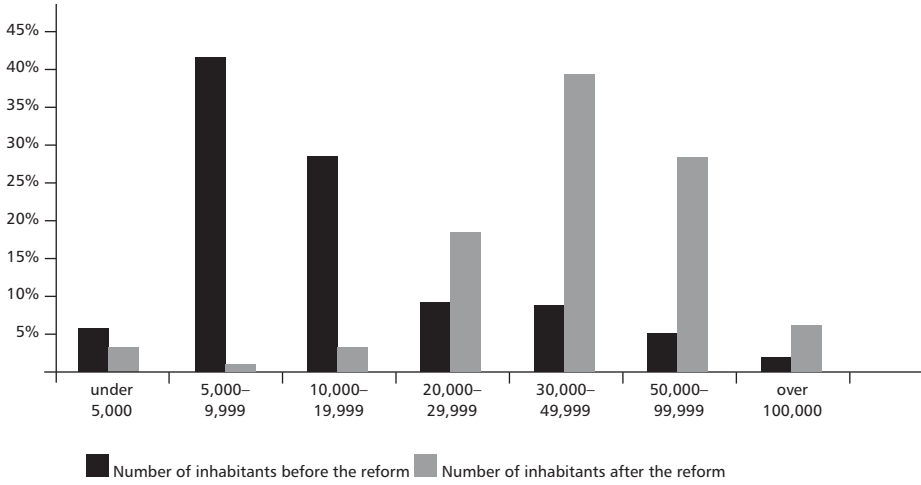
A major structural reform took place in January 2007 in Denmark. It established larger decentralized units based on aspirations and hopes of getting benefits of scale and specialization. The process leading to the reform decision was rather tightly controlled by the government. This facilitated the reform as potential opposition had limited opportunity to muster resistance. The voting population has been relatively indifferent, as the change has largely been seen as a complicated administrative exercise, but was sold on promises of better quality and higher efficiency due to benefits of scale. The

(larger) municipalities came to support the reform, as at an early stage they were given promises of gaining additional tasks at the expense of the regions. The likely resistance from public-sector employees has not manifested itself strongly either. One reason is the assurance that jobs would not be lost. Another likely reason is the general positive state of economic affairs at the time. The administrative costs and the costs in terms of poorer performance in the transition phase have probably been high, though no detailed assessment has been made. The long-term assessment of the reform will depend on the ability of the new municipalities and regions to deliver high-level services, along with controlling expenditures. Yet, a reversal of the overall features is highly unlikely regardless of the results, at least in the short to medium term.

From a democratic perspective, it can be argued that reform is based on a general shift in attitude from trust in the benefits of local democracy to a higher emphasis on efficiency criteria, and more limited acceptance of municipal and regional level differences due to democratic decisions. Yet, the municipal and regional democracies have been maintained within the new larger units. The tradition for decentralized decision-making in regards to delivery of welfare services (education, care for elderly, healthcare, child care, social care, etc.) has formally been maintained, though restricted, by the removal of taxation rights at the regional level; by the coordination of tax/expenditure levels via annual budget agreements between municipalities and the government; and by the development of alternative steering mechanisms in terms of general standards backed by control and incentives. Overall, the reform process can thus be explained as a combination of several different factors coming together at a particular point in history. Central actors within government argued that the reform might lead to improvements in quality and efficiency, although there were only limited indications of poor performance that could not be addressed in the existing structure, except perhaps for waiting times in healthcare, which remains an issue. The promises of a more streamlined public sector with fewer administrative levels were attractive to industry groups, which played a key role in putting the issue on the agenda. Similarly, the reform was sold on the idea that elimination of regional rights to issue taxes would help in controlling tax rises. This is perhaps intuitively convincing, but evidence from Norway suggests that centralization of health financing opens up new political games at this level. Many municipal actors initially opposed the reform, as it would mean amalgamation and, thus, a reduction in the number of mayors etc. Yet the government won the support of municipalities by promising that they would gain more tasks and responsibilities at the expense of the counties (now regions). The strong position of the government with majority support made it possible to neglect the traditional normative pressure for broad consensus on major structural issues. The personal ambitions of leading government officials further pushed the issue.

APPENDIX

*Figure A1.*  
 Percentage of Municipalities by Number of Inhabitants



Source: Statistics Denmark.

*Figure A2.*  
 The Five New Regions (Population in 2005)



Source: Statistics Denmark.

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## NOTES

- <sup>1</sup> This section is based on Bundgård and Vrangbæk 2007.
- <sup>2</sup> *Berlingske Tidende*: K frygter tvungne kommune-fusioner, November 17, 1999. *Jyllands-Posten*: Udspil: K: Farvel til amterne, April 29, 2001. *Jyllands-Posten*: Ledende artikel: Kommunal stor-drift, March 30, 2000.
- <sup>3</sup> *Berlingske Tidende*: Flertal for færre kommuner, July 14, 2002.
- <sup>4</sup> *Mandag Morgen*: Amterne fik dødsstødet ved et tilfælde. No. 28, August 26, 2002.
- <sup>5</sup> *Mandag Morgen*: Amterne fik dødsstødet ved et tilfælde. No. 28, August 26, 2002.
- <sup>6</sup> Rikke Hvilshøj: *En skatteskrue*. In *Berlingske Tidende*, July 16, 2002.
- <sup>7</sup> *Mandag Morgen*: Amterne fik dødsstødet ved et tilfælde. No. 28, August 26, 2002.
- <sup>8</sup> *Jyllands-Posten*: KL-formand kræver afklaring, July 27, 2002. *Berlingske Tidende*: Borgmestre kræver indgreb, August 2, 2002.
- <sup>9</sup> Interview with Christian Mejdahl.

- <sup>10</sup> *Jyllands-Posten*: Amter: K. Kræver amterne nedlagt straks. August 8, 2002, *Jyllands-Posten*: Struktur: Politikere i vildrede om amter, August 9, 2002. *Danske Kommuner*: Reformtanker deler konservative. No. 29, 2003.
- <sup>11</sup> In the municipal and county elections in 2001, the Social Democrats and the Liberal Party together won 3,217 of a total of 4,667 seats in the 271 municipal councils, corresponding to approximately 70 percent. They won 268 of 374 seats in the county councils, corresponding to approximately 72 percent. After the constitution of the new municipal boards and county councils, the Liberal Party had 136 mayors, while the Social Democrats had 84. Source: Statistics Denmark and *Danske Kommuner*: Kommunalpolitisk landkort 2002, August 16, 2002.
- <sup>12</sup> *Weekendavisen*: "Bagslag for Venstre," January 9, 2004.
- <sup>13</sup> That the regulation of the health sector is a motivation for the efforts to place a reform on the political agenda is also expressed by Jens Rohde in *Weekendavisen*, the Danish weekly: "Region-skrigen," August 2, 2002.
- <sup>14</sup> Interview with Johannes Due.
- <sup>15</sup> Lecture by Johannes Due, Department of Political Science, University of Copenhagen, March 16, 2005.
- <sup>16</sup> Ulrik Kjær and Poul Erik Mouritzen (eds.) (2003) *Kommunestørrelse og lokalt demokrati*. Odense: Syddansk Universitetsforlag.
- <sup>17</sup> *Mandag Morgen*: Strukturkommissionens eksperter: Mindretalsudtalelse var uundgåelig. No. 29, September 6, 2004. Interview with Poul Erik Mouritzen.

# Incomplete Greek Territorial Consolidation: Two Waves of Reforms

*Nikolaus K. Hlepas*

## EXECUTIVE SUMMARY

The modern Greek state has been consolidated through the imposition of centralism and the abandonment of the former autonomist tradition which characterized the kind of “fragmented” society that was typical for the many countries that experienced long-lasting Ottoman rule. Like other Southern European states, Greece experienced periods of civil war, authoritarian state practices, and dictatorship, before the establishment of a stabilized “Third Republic” in 1974.

The Greek parliamentary system remained a typical example of the “Westminster model,” following a 150-year-old tradition: elected representatives form a majority within Parliament that strongly supports the national government. A two-party system was established by the late nineteenth century and bipolarity, with rotating actors, characterized Greek political life. The ruling majority exercises power in a unilateral way, excluding opposition and dissidents. Central governments tend to support “friendly” local governments and ignore local needs expressed by opponents like local leaders or party dissidents, while municipalities are held down by rigid regulations and manipulation of funds and resources. On the other hand, national politicians do depend on the support of local networks and localism “behind the scenes” remains an important criterion for the distribution of power and resources.

The cohesion of local societies is mainly based on a strong sense of local identity and symbolism, personified through the directly elected mayors that represent their voters and cities, often in cooperation/antagonism with local MPs, at higher (mainly central) levels of government. Demands of local societies and local governments are expressed through these strong local leaders, who maintain bonds and channels of easy access to decision-makers at the central state level.

By the beginning of the 1980s, an overwhelming majority believed that public administration would become friendlier to the average citizen if a great number of responsibilities would be delegated to the municipalities. Socialist governments (1981–1989) undertook several decentralization reforms, but hesitated in promoting



obligatory amalgamations, although demographic changes and urban pull caused an ongoing depopulation of rural areas, while small municipalities were even unable to fulfill residual tasks.

The need for efficiency was the main argument for the “Capodistrias Plan” of amalgamations (1997) that intended to restructure the first tier and create new, stronger municipalities that would be able to cope with new tasks, promote local development, and offer “modern social services” to their citizens, especially in rural areas. The majority of public opinion and political personnel seemed to approve, according to several polls, the option of territorial reforms. By 2007, former opponents of the reform, namely conservative leaders, initiated a debate on a second wave of amalgamations, thus implicitly acknowledging the success of territorial reform or at least the positive dynamics of a transformation that had to be completed.

A main assumption of this paper is that the organization of subnational levels of government and governance is the outcome of a political process where the politics of territorial choice are influenced by societal arrangements and dynamics with the balance between different interests being intermediated through political processes. Territorial rescaling, moreover, is exposed to pressures coming from supranational (European and global) as well as national levels, the outcome being an open game depending on the main features of the socio-economic and political systems in each country.

Indeed, the dominant reasons that invoked amalgamations during the 1990s were Europeanization combined with efficiency prerogatives. Territorial consolidation responded, furthermore, to emerging needs for complying with new articulations of entrepreneurial and sectoral interests. Nowadays, rescaling is obviously combined to managerialist approach and *etatism* that demand creating fewer and bigger structures that are expected to be more efficient and less costly.

## INTRODUCTION

The mandatory amalgamation of Greek municipalities in 1998 gives us a unique, up-to-date, example of a drastic territorial consolidation reform in Southern European local government. In a country still characterized by extreme centralism, a low percentage of municipal expenses compared to total GDP (less than three percent), and few municipal responsibilities for social services, it seems, at first glance, remarkable that the central government carried out such an extensive restructuring of local government units. Moreover, the question of a “second wave of amalgamations” that would lead to an even more radical restructuring is currently being hotly debated, and promoted by the exact party that had strongly opposed the “first wave” in the late 1990s, namely the liberal-conservative “Nea-Demokratia” party. This may appear paradoxical, but can easily be explained if a “convincing success story” of the previous reform is assumed.

Has the territorial reform of the 1990s indeed been so successful that it persuaded even its former opponents so much so that they are now imitating the major territorial policy options of their rivals? Are, on the contrary, precisely the failures of territorial consolidation reform currently forcing central government to complete what the previous governments left uncompleted?

There is no universal recipe in explaining territorial structure and change independent of political relations and socio-economic development. This paper starts from the assumption that the organization of subnational levels of government and governance is the outcome of a political process where the politics of territorial choice are influenced by societal arrangements and dynamics with the balance between different interests being intermediated through political processes. Territorial rescaling, moreover, is exposed to pressures coming from supranational (European and global) as well as national levels, the outcome being an open game depending on the main features of the socio-economic and political systems in each country.

This paper consists of five parts and a conclusion. In the first part, origins of local government and state tradition are revealed. In the second part, an overview of several reform efforts since the early 1980s is presented. The third part focuses on framing, strategies, procedures, and outcomes of territorial consolidation reform during the late 1990s. The fourth part highlights the dominant pattern of a previous unitary, municipality, in the fifth part, current demands for rescaling are interpreted. Finally, conclusions attempt to bring to light the driving forces of territorial consolidation in Greece.

## THE ORIGINS

The modern Greek state has been consolidated through the imposition of centralism and the abandonment of the former autonomist tradition which characterized the kind of “fragmented” society that was typical for the many countries that experienced a long-lasting Ottoman rule (Clogg 1983, Koliopoulos and Veremis 2002). The Bavarian Regents of the “Kingdom of Greece” established (in 1833) a comprehensive territorial structure, abolishing the former village communities and drawing relatively large and strong municipalities with modern legal status. Right after the victory of Constitutionalism (in 1844 and, finally, in 1863), local self-government was established as an important arena of party competition and an indispensable source of democratic legitimacy.

By the early twentieth century, the strong influence of the approximately 440 mayors over approximately 340 Greek MPs had been perceived as a main obstacle hindering modernization efforts. Liberal politicians that came into power opted for the fragmentation of local government into thousands of small rural communities (in 1912)

in order to “emancipate” parliamentarianism and central power from obsolete manipulation through localism and traditionalism. Important tasks of local administration in rural areas were to be, henceforth, fulfilled either by deconcentrated state administration or by intermunicipal cooperation (“syndicates,” “municipal associations,” etc., according to the French model). The latter proved, however, to be unsuccessful in Greece, while deconcentrated state administration and state-controlled entities gradually overtook several municipal responsibilities, such as primary education, local police, local tax collection, supervision of small enterprises, tourism, production of gas, and electricity.

Like other Southern European states, Greece experienced periods of civil war, authoritarian state practices, and dictatorship, before the establishment of a stabilized “Third Republic” in 1974 (Diamandouros and Gunther 2001). Among the three young Southern European democracies, Greece has been the only one that could easily bring back a political elite that had been “suspended for seven years.”<sup>1</sup> But that is not the full picture: an important part of public opinion had been radicalized, while, at the same time, authoritarian attitudes were widely discredited. The political parties could not simply lean upon their traditional personalized networks. Following the example of the rising Socialist Party (1974–1981), even liberal conservatives had been forced to build up a strong party organization (1985–), so that all the main political parties had been transformed into “mass parties” with many cadres (Spourdalakis and Tassis 2006).

While party structures radically changed in the “Third Republic,” the Greek parliamentary system remained a typical example of the “Westminster model,” following a 150-year-old tradition: elected representatives form a majority within Parliament that strongly support the national government. A two-party system was established by the late nineteenth century and bipolarity, with rotating actors, characterized Greek political life. The role of the two competing party leaders, each one gathering a complex alliance of influential political personalities, has been crucial for the political landscape of the country (Koliopoulos and Veremis 2002). The ruling majority exercises power in a unilateral way, excluding opposition and dissidents (“winner takes all”). Central governments tend to support “friendly” local governments and ignore local needs expressed through opponent local leaders or party dissidents, while municipalities are put down through rigid regulations and manipulation of funds and resources. On the other hand, national politicians do depend on the support of local networks. This context is important for the kind of “backstage localism” that characterizes Greek politics and rounds off the majoritarian, the polarized and strictly representative political system of the country (Hlepas 2003).

## DEMOCRATIZATION THROUGH DECENTRALIZATION? TWO DECADES OF REFORMS

During the 1970s, public opinion associated centralism with the authoritarian and paternalistic attributes of the post-civil war Greek state (1950–1974) (Christofilopoulou 1991). The dominating claim for “democratization” (Manassis 1985) had placed the overcoming of centralism among the top issues of its reform agenda. Furthermore, a widespread populist fiction blamed the “Athens-centric-state” for the plight of the provinces. The victory of the Socialists, in combination with the accession to the European Communities (1981), further stabilized the young democracy, as well as the incorporation (Rigos 1997) of the left and of the so-called “less-privileged” classes.<sup>2</sup> There was a spectacular extension of state activities, while the public sector, as a whole, increased from about 40 percent (1980) to nearly 60 percent (1990) of GDP. Political legitimacy was a major issue, whereas public administration was put under the informal control of party cadres, becoming an integral part of a machinery of “bureaucratic clientelism” (Lyrintzis 1984, Mavrogordatos 1997).

For Greek local government, there was some kind of ambiguity: the municipalities also could make a profit out of the extension of public responsibilities and public spending, while the “decentralization-ideology” of the Socialists initiated several decentralization reforms. On the other hand, extreme party politicization, combined with a new centralist system for the recruitment of employees (Mavrogordatos 1997) were challenging formal and—especially—informal local autonomy.

Then again, local government seemed to attract a great deal of public sympathy and trust during the 1980s: State administration was notorious for its ineffectiveness and instability, lack of cohesion, and lack of transparency. Extreme party politicization, unreasonable procedures that strained the public trust, the dubious ethics of public servants, and growing corruption were disappointing to the citizenry. An overwhelming majority believed<sup>3</sup> that public administration would become friendlier to ordinary citizens if a greater number of responsibilities would be delegated to the municipalities. On the other hand, central governments had a vital interest in getting rid of cost- and public-intensive responsibilities. Furthermore, the Socialists could take advantage of several remaining cleavage systems that characterized the country since the civil war (1946–1949). Indeed, the excluded left-wing, neglected rural areas, underrepresented lower and middle classes, and demoralized civil/municipal servants, as well as several local politicians joined the reform procedures, expecting more influence in the decision-making processes.

The Socialist governments undertook several reform efforts. The municipalities were represented as institutions intending to promote local development, while new forms of participation were introduced. During the early 1980s (it was the so-called “first wave of reforms”), local authorities were empowered to provide social services

and were encouraged to promote sporting and cultural activities. The local protection of the environment, urban development, as well as issuing permits and the supervision of responsibilities for local businesses and trade were some of the duties delegated to local government. Several functions (urban transportation, nurseries, maintenance of schools) were transferred from the central state to the local government; new institutions for intermunicipal cooperation were introduced; and the discretionary power of municipalities was enlarged through abolition of *a priori* state controls. Furthermore, a growing number of municipalities were becoming familiar with the opportunities offered by European initiatives and programs, international networking, and public-private-partnerships. Nonetheless, the revenues of the municipalities remained inadequate for their tasks, and thus, they still depended on grants from the state.

During this period, the traditional political attitude in local government was also supposed to be transformed through new institutions that would promote citizen participation in municipal affairs. In the big cities, neighborhood or "departmental" directly-elected councils were established. In municipalities with less than 10,000 inhabitants, the mayor was now able to convoke a local citizen's assembly in order to discuss serious local problems. In many smaller municipalities, this local assembly was also convoked annually in May, and the mayor reported in front of the citizens' assembly about his work during the previous months. In some cases, local referenda have been practiced *de facto* during this period. Soon, these institutions turned into a kind of forum for party members and well-organized minorities, while most of the citizens simply kept away. In many cases, people's assemblies and local referenda were used in order to express local disappointment about state decisions. By the end of the 1980s, such institutions and practices seemed, in terms of public interest and mobilization, ready to decline.

There was more success with some other special laws that organized public deliberation, further enhancing local citizens' rights to be informed about (or even appeal against) new building projects, urban development and planning, environmental impact assessments, and environmental projects concerning their respective districts. These new procedures and possibilities, however, unfortunately encountered (and still encounter), in many cases, the negative aspects of an individualistic and preferential political culture that misused new procedures and possibilities in order to block several development or planning projects. In other cases, some charismatic local political leaders (mainly mayors) took full advantage of the new windows of opportunity, thus articulating inclusive local policies that incorporated broader citizen participation and enacted local development. For these reasons, the reform landscape was a diverse one: While in some cases, impressive performance could be registered, in other cases, failure and stagnation created the impression that "nothing had changed."

In fact, attempts to challenge the dominating centralist patterns culminated in 1994, when long-lasting efforts to "municipalize" the state-controlled prefectures ("*nomarchies*") succeeded, mainly thanks to the strength of the ruling Socialist major-

ity. In the near past, such efforts had already failed twice—both in 1986 and 1990. In 1986, a law that foresaw the creation of a second tier of local government was initiated by the ruling Socialist Party, thus promoting an important part of its reform agenda, aiming at enhancing democratic legitimacy and participation. However, due to the strong resistance of local MPs, high-rank party cadres, and state hierarchies, this law has not been enforced in practice. In 1990, a multiparty coalition, heeding pressure from local governments' lobbying, as well as of left and Socialist parties, adopted a new law, promoting an even stronger second tier. But the rise of the Conservative Party, six months later, cancelled this reform. The new government denied the empowerment of local government, and since then, the political influence of Conservatives within local government remained weak.

This landscape changed again after the comeback of the Socialists (1993), just a few months after the government change. In 1994, the 161-year-old state institution of the *nomarchia* (prefecture) was finally transformed into a second tier of local government (so-called "Prefectural Local Government" or PSG). While left parties supported the reform, the Conservatives highlighted the eventual risks concerning state unity and efficiency in order to oppose the reform. But efforts towards a new blockade failed this time: the Socialist party enjoyed political strength derived from a recent electoral triumph, state prefectures were declining, while state administration gradually focused on regions, neglecting the prefecture level. Under these circumstances, political and administrative resistance to change was restrained. Another final factor favoring this reform should not be neglected: while competition for succession to the leadership of the governing Socialist Party smoldered backstage, this new institution promised new chances to unsatisfied party cadres and local societies. More than 1,500 prefecture councilors and 56 prefects and subprefects were to be directly elected, while local societies overtook fields of power traditionally reserved for the state (Hlepas 2003). The long tradition of "behind the scenes" localism (distribution of resources responding to local claims, occupation of posts responding to unspoken local quota) could not cope with the rising demands of the new, self-confident Greek provinces that were seeking institutionalization of local power. Within this scenario, deconcentrated state administration seemed to lose ground, and was thus obliged to withdraw and reformulate at higher levels. At the second tier of local government, however, reformers did not use the opportunities offered by their unchallenged political strength, in order to promote rational territorial structuring of the new local governments. On the contrary, they simply overtook geographical divisions of the former state prefectures, thus creating a relatively large number of "Prefectural Local Governments" (PSG) that greatly differ in local resources, population size, and density. Furthermore, one should not put aside visible divergences among PSGs in island, metropolitan, and continental regions. All these different PSGs had, from that point on, to carry the same heavy burden of numerous residual tasks they inherited from the former state prefectures.

*Table 1.*  
Distribution of Second Tier Local Governments by Population

Population	Prefectural Local Governments	Percent	Total Population	Percent
Up to 30,000	2	4.0	45,418	0.44
Up to 50,000	5	10.0	190,199	1.85
Up to 75,000	6	12.0	358,018	3.49
Up to 100,000	6	12.0	539,833	5.27
Up to 150,000	13	26.0	1,617,313	15.77
Up to 200,000	9	18.0	1,566,701	15.27
Up to 300,000	5	10.0	1,268,369	12.36
Up to 500,000	2	4.0	623,622	6.08
Greater than 500,000	2	4.0	4,048,831	39.47
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>10,258,364</b>	<b>100.00</b>

*Source:* National Statistical Service. Statistical Yearbook 2000.

The newly established second tier of local government did not meet initial expectations and faced difficulties right from the beginning. Many public servants in the former state prefectures mistrusted elected officials and feared a downgrade in terms of their career opportunities, salaries, and pensions. Most of the old staff was, therefore, not willing to move to these new local governments, and tried by all means to return to state administrative agencies. MPs in the provinces, on the other hand, perceived the emergence of new directly elected players (especially the directly elected prefects or “*nomarchs*”) within their own constituency as a threat for their position within the system of political clientele. Furthermore, corporate interests and larger businesses were afraid that their influence on locally elected politicians would not be as strong as it used to be within the hierarchical centralist structures of the state. Central bureaucracy and even an important part of the judiciary anticipated trends of paralyzing disintegration and the emergence of new local powers that would not be loyal to state hierarchies and order.

In short order, an uncoordinated but convergent antireformist alliance attacked the new institutions. There were long-lasting controversies and litigations, while in several cases the courts decided that “major state responsibilities” (i.e., physical planning, but also appointment of teachers in public schools, etc.) could not be transferred to local government. Thus, the second tier lost, bit by bit, important fields of competence. The new local leaders of the second tier gradually realized that most of their funds were coming from state grants, many of which were simply financing concrete administrative tasks

that the PSGs were obliged to carry out on behalf of the state. Supervising and control responsibilities, routine duties, and a lot of red tape constituted most of the workload, while the regions, the ministries, and several state-controlled entities took on crucial policy decisions directly affecting the prefectures. Apart from protesting and litigating, directly elected prefects tried to claim “their” part in the local political arena, not only by means of extensive use of the strong, historically-rooted symbolism of their office, but also through unscrupulous clientelistic practices, sometimes even by breaking the law. Being locally elected leaders, maintaining strong and direct informal relations to citizens, the prefects (“*Nomarchs*”) could accumulate the kind of local political “capital” that was necessary for their own access to decision-makers at the central level, each one on behalf of his local followers. In this respect, the evolution of “prefectural” local government in Greece seems to provide a good example of how local political representation degenerates with limited funds and policy options of its own (Hlepas 2003).

## THE LONG AND WINDING ROAD TO TERRITORIAL CONSOLIDATION REFORM

Up to the 1990s, the country’s single-tier system of local government was suffering from extreme fragmentation (more than 80 percent of the 5,774 rural municipalities had less than 1,000 inhabitants). These municipalities could not overtake an important part of public responsibilities. Furthermore, demographic changes, geographical mobility, and urban pull caused an ongoing depopulation of rural areas and communities.

*Table 2.*  
The Decline of Rural Municipalities from 1940 until 1991

	Up to 200 Inhabitants	Up to 500	Up to 1,000	Up to 2,000	Up to 5,000	> 5,000	Total Number of Rural Municipalities	Total Population (in thousands)	Percentage in Total Population of the Country
1940	226	2,086	2,114	906	267	19	5,618	4,971	67.7%
1951	495	2,121	1,931	906	281	23	5,757	4,310	56.5%
1961	587	2,063	1,879	924	286	34	5,776	4,525	54%
1971	1,157	2,115	1,596	685	212	40	5,805	3,621	41.3%
1981	1,289	2,091	1,438	686	233	37	5,774	3,560	36.6%
1991	1,688	2,005	1,180	496	173	18	5,560	3,453	33.5%

Source: National Statistics Service.



Long-established Greek centralism and top-down hierarchical policymaking had tried to cope with local problems in rural areas through field offices of the responsible ministries, which were gathered in each one of the country's 54 prefectures. The mobilization of this overstretched, undercoordinated, and sector-oriented machinery could only be stimulated through informal, clientelistic, localist, sectional, or personal networks (Spanou 2000). Keeping in touch with these networks in favor of their villages and their citizens used to be a major task of rural mayors, while the local MPs acted as the necessary links to the decision-makers of the central state (Hlepas 1999). This situation scarcely changed through the "municipalization" of deconcentrated state prefectures in 1994, and the creation of a second tier of local government, the so-called "Prefectural Self-governments."

Amalgamation of small rural municipalities had already been a subject of public debate during the late 1940s. During the early postwar period, even the board of the US-led aid ("Truman Doctrine") in Greece deemed it necessary to plainly advocate for territorial consolidation, because that "would facilitate regional development in rural areas" (Hlepas 1999). In fact, Greek governments did not seriously attempt to initiate such a reform, mainly because they were afraid of local reactions that could strongly influence the outcome of parliamentary elections. Even during the seven years of military dictatorship (1967–1974), the central government did not dare to push through the merging of small municipalities. On the contrary, territorial fragmentation had been further practiced up to the late seventies, especially in the suburbia of metropolitan areas, where dozens of new municipalities had been created, following demands of new settlements and prospects of real-estate speculation.

During the 1980s, the ruling Socialists quickly promoted functional and participatory reforms (see above) but seemed to hesitate in contemplating territorial reforms. The necessity of such reforms, however, became more evident over time: New duties, additional funds, and new modes of participation could not substantially affect the overwhelming majority of local authorities, since smaller municipalities were not able to carry out the new duties assigned to them. By 1984, it was decided to deal with this problem in two ways: by encouraging voluntary amalgamations of smaller communes through grants and other incentives, and by creating new, "stronger" types of municipal syndicates (358 centrally planned "development syndicates" in 1984, replaced by 492 obligatory "district councils" in 1994). But the results of these efforts were not considered satisfactory. Some years later, only 367 small municipalities (less than 10 percent of the target group) had responded to the state incentives, voluntarily merging into 108 units. Nor did the new types of syndicates live up to expectations. This failure especially affected rural municipalities that were extremely understaffed and deprived of any possibility to fulfill their tasks.

*Table 3.*  
Employees in Urban and Rural Municipalities (1996)

Region	Number of Urban Municipalities	Employees	Employees/ Municipality	Rural Municipalities	Employees	Employees / Rural Municipality
E. Macedonia/Thrace	22	1,181	53.68	275	494	1.80
C. Macedonia	58	5,579	96.19	562	1,025	1.82
W. Macedonia	20	510	25.50	336	361	1.07
Epirus	16	630	39.38	547	586	1.07
Thessaly	25	1,590	63.60	499	699	1.40
Ionian Islands	12	559	46.58	248	249	1.00
W. Greece	32	1,406	43.94	642	658	1.02
C. Greece	44	1,189	27.02	550	755	1.37
Peloponnese	41	1,092	26.63	823	915	1.11
N. Aegean	24	412	17.17	165	213	1.29
S. Aegean	27	1,261	46.70	164	355	2.16
Crete	28	1,392	49.71	515	680	1.32
Attica	88	18,136	208.14	62	325	5.24
<b>Total</b>	<b>437</b>	<b>35,117</b>	<b>80.36</b>	<b>5,388</b>	<b>7,315</b>	<b>1.36</b>

*Source:* Ministry of Interior (1996).

The need for efficiency was the main argument for the most remarkable reform of the 1990s, namely the “Capodistrias Plan” of amalgamations that intended to restructure the first tier and create new, stronger municipalities that would be able to cope with new tasks, promote local development, and offer “modern social services” to their citizens, especially in rural areas. In fact, the mandatory unification of municipalities in 1998 gives us what is, up to now, a unique example of a radical reform through amalgamations in southern Europe. It was the cornerstone of a new, efficiency-oriented local government policy of the pro-European “modernizing” Socialists, whose party wing overtook the main governing Socialist Party in 1996, under the leadership of Kostas Simitis, the main antagonist of the populist ex-leader Andreas Papandreou. Simitis had chosen a strong and efficient minister of the interior. His well-known steadfastness left no doubt that

he would rather quit politics than withdraw this reform. Obviously, strong leadership of the responsible minister and the prime minister himself, restrained possibilities of reform opponents.

In 1997, the general principles of a government plan for the reorganization of the first tier of local government was approved by an extraordinary congress of the single National Union of Municipalities, although the strongest parties of the opposition (Conservatives, Communists) resisted it. The Ministry of the Interior used the map of previous units of intermunicipal cooperation (some 500 units, mainly corresponding to the former “district councils”) as an official proposal to local associations of municipalities. After a controversial bargaining process that included local media and local societies, the number of the new units climbed to nearly 900, since the government adopted many alternative proposals officially elaborated by municipal associations at the prefecture level (the so-called “TEDK” associations), or simply gave in to informal pressures of influential local leaders. In pursuing a reformist strategy, the government avoided the procedure foreseen for amalgamations in the Municipal Code, namely the issuing of presidential decrees. The reason was that such legal acts could be attacked with legal remedies and finally be annulled by the Supreme Administrative Court (*Conseil d'Etat*). The government opted instead for a parliamentary law, implementing a procedure that would bring into plan the dynamics of party loyalty. The official plan of amalgamations was thus approved by the ruling majority of the Parliament. This law was quite detailed, since it included the names, the capital towns, and the concrete new borders of the new municipalities. At the same time, the law foresaw future changes of municipal borders through presidential decrees, thus showing a kind of promising and “appeasing” flexibility.

The so-called “Capodistrias-Plan” was not just a plan to merge municipalities; it was also a plan for national and regional development with a time scope of five years (1997–2001), and a total budget of EUR one billion. The new local authorities would obtain the financial resources and qualified staff (more than 2,000 new, specially trained employees were hired) they needed in order to set up a “modern and effective” unit of local administration that would act as an “instrument and a pole of development” for its territory, thereby more easily taking advantage of EU funds. In this way, the citizen would have more influence on local politics (a “participatory effect” of amalgamations), since the new municipalities would undertake a much wider range of activities. At the same time, continued representation of the old rural municipalities would be provided through local, directly-elected community councils explicitly foreseen by the “Capodistrias” law of amalgamations (Act 2539/1997).

Table 4.

Distribution of Municipalities by Order of Magnitude before (1996) and after (1999) the Implementation of the 'Capodistrias' Plan of Amalgamations

Population	Municipalities 1996	Percent	Municipalities 1999	Percent
Up to 300	2,043	35.10	33	3.20
Up to 500	1,180	20.20	14	1.30
Up to 1,000	1,357	23.30	46	4.50
Up to 2,000	672	11.50	93	9.00
Up to 5,000	337	5.80	380	36.80
Up to 10,000	102	1.80	281	27.20
Up to 20,000	48	0.90	95	9.20
Up to 50,000	54	0.90	56	5.40
Up to 100,000	24	0.40	27	2.60
Up to 200,000	6	0.10	6	0.60
Greater than 200,00	2	0.03	2	0.02
<b>Total</b>	<b>5,825</b>	<b>100.00</b>	<b>1,033</b>	<b>100.00</b>

Source: Ministry of Interior, Public Administration and Decentralization.

By virtue of this act, the total number of municipalities has been cut by 80 percent (see Table 4), a percentage that would be even higher if the metropolitan areas of Athens and Thessaloniki, which were exempted from the amalgamations plan and included more than 160 municipalities (and half of the country's total population), were not taken into account. The average population of the municipalities climbed from about 1,600 to more than 11,000, while the average number of municipalities in each prefecture fell from roughly 115 to a little more than 20 units. From this viewpoint, the corresponding "prefectural local governments" seemed to be too small to function as a complementary and balancing higher tier of local governance. At the same time, quite a few of the new municipalities still seemed to be too small (still nine percent below populations of 1,000) to exercise several additional responsibilities (local police, minor harbors, environmental protection, child and elderly care, etc.) that were transferred to the first tier of local government. Partly in response to this situation, a new law subsequently provided for the establishment, on a voluntary basis, of single- or multi-purpose local associations (called "*sympoliteia*") of municipalities that could carry out "demanding" tasks, such as local police, logistics, and public works, while new types of contracting were introduced.

But most of these innovative forms of intermunicipal cooperation failed because they had not been used by the new municipalities. The lack of a corresponding tradition of successful intermunicipal cooperation, a political culture of polarization, combined with strong localism, and the fact that the state finally did not provide the necessary financial and knowledge assistance, have been some of the main causes for this failure. Furthermore, the new municipalities gradually lost a large portion of their best staff, who tried by any means possible to move to bigger cities (sometimes encouraged by the unfriendly attitude of conservative local societies and their patrons).

Despite many difficulties and quite a few failures, there is no doubt that this major reform has already changed the landscape of local government in Greece. Within the new, larger municipalities, a new type of “more professional” mayor emerged, reflecting the deep changes in demography, economy, communication, and culture during the last decades that tended to “urbanize” styles and views of life in the Greek countryside. Local peculiarities seem to fade, even the so-called “geographic differentiation of political and voting behavior,” that used to be so strong, declining in this small, homogenizing country. Today, local communities in “rural” areas would expect much more from public administration than they used to in the past. Consequently, the amalgamations of the 1990s were not simply the achievement of “radical modernizers” or the outcome of “socialist dogmatism,” they were also responding to a transforming social environment. This could also explain why resistance against amalgamations has been (with few exceptions) less strong than expected, although the strongest political parties of the opposition resisted this territorial reform and tried to mobilize their supporters. Furthermore, it should be noted that many small villages were simply depopulated due to the urban pull of the previous decades. Their few, mostly older inhabitants had no capacity to resist the amalgamations.

In an overall assessment of this territorial consolidation reform it is easy to conclude that the dominant reasons that invoked the reforms during this period were Europeanization combined with efficiency prerogatives. Adaptation pressures through Europeanization (the structural and cohesion policy of the EU) and the dominant objectives for efficiency influenced by the Lisbon strategy (competitiveness, entrepreneurship, innovation) were the main driving forces. New, stronger municipalities are expected to more efficiently absorb European funds, offer a wider range of qualitative social services to their citizens, and create a more competitive environment for local entrepreneurship and innovation. Furthermore, territorial consolidation responded to emerging needs for complying new articulations (aggregation) of entrepreneurial and sectoral interests. The reform strategy included comprehensive top-down policies imposed by the national government, including nearly all the municipalities of the whole country (excepting the two major metropolitan areas and some historical municipalities) in a one-off procedure. Furthermore, a strengthened democratic capacity through larger municipalities and new local participatory institutions (local councils in villages) were highlighted by

the reformers, while possible losses in local identity and traditional cohesion of local society were stressed by the opponents. The attention of local organizations and media seemed, however, to focus on disputes about the new borderlines and the capital towns of new municipalities.

Patterns of conflict emerged, just like in the beginning of the 1980s, in response to the existing cleavage systems. Modernist forces, encouraged through the processes of Europeanization, could overcome traditionalist resistance to territorial restructuring mainly formed within the lines of Conservative and Communist Parties, but also existing inside the ruling Socialist Party. Furthermore, opposition from the center-periphery has been expressed through the attitude of its political personnel: while the strongest opposition parties were against the reform, the great majority of local authority leaders accepted the reform because they were aware of the weak efficiency within the existing structures. Moreover, many of these local leaders had strong expectations for new political career paths within local government and beyond. The two major metropolitan areas (Athens and Thessaloniki) have been excluded from territorial reform, since neither local leaders nor the country's central political elite were willing to lose influence, favoring persistent and irrational fragmentation (more than 130 municipalities in Athens and 45 in Thessaloniki), despite the well-documented lack of efficiency (Getimis and Hlepas 2007).

The lack of efficient administrative structures, especially in the rural areas, had been the background for several clientelistic networks dominated by local MPs and patrons. This was a main reason why several MPs strongly opposed both territorial reforms in the 1990s (the establishment of second tier, amalgamation of small municipalities). The main arguments raised against amalgamations were historical, traditionalist, and symbolic claims, combined with fears that small villages losing the status of municipality would be further neglected and depopulated. Losses of thousands of elected posts in local government would be only partly balanced through the new submunicipal bodies. Resistance to change can be traced through party lines, within traditionally positioned political personnel. Several MPs constructed an antireformist alliance that ultimately did not succeed in stopping the territorial reform procedures. Nevertheless, the target number of approximately 400–500 units presented by the ministry at the beginning of the territorial reform procedure has gradually climbed up to more than 1,000.

Although local reactions against amalgamations were present (but less than expected) and, in few cases, quite furious, the majority of public opinion and political personnel seemed to approve, according to several polls, the option of territorial reforms.

It is also worth mentioning that Greek mayors (of municipalities over 10,000 inhabitants) seem to favor territorial reforms more than their counterparts in other European countries, according to an international survey on local political leadership ("POLLEADER") that was conducted by a correspondent research network (see Table 6).

*Table 5.*  
Public Opinion and Politicians Approving Territorial Consolidation  
(‘Capodistrias’ Plan of Amalgamations) in Percent

Target Group	MPs (1999) <sup>4</sup>	Prefects (1999) <sup>5</sup>	“Local Leaders” (1999) <sup>6</sup>	Citizens (2001) <sup>7</sup>	Mayors (2002) <sup>8</sup>	Citizens (2002) <sup>9</sup>	Mayors (2003) <sup>10</sup>
Approving reform	87.5%	83%	56.6%	50%	74.2%	52%	85%

*Source:* Opinion polls and surveys 1999–2003.

*Table 6.*  
Views of European Mayors Concerning Some Reform Options

Country	Small municipalities should be merged, in order to increase efficient administration	The need for changes and reorganization of the local government sector has been greatly exaggerated	Decentralization of local government is necessary to involve citizens in public affairs
Italy	3.76	2.65	3.75
Germany	3.60	2.73	3.42
Belgium	2.89	3.07	3.47
Switzerland	3.94	2.61	3.07
Czech Republic	3.63	3.22	3.40
Greece	4.35	3.26	4.26
Poland	3.28	2.83	3.79
Sweden	2.72	2.54	3.66
Hungary	3.59	2.29	2.85
England	3.03	3.52	3.96
Netherlands	3.18	3.70	2.93
France	3.04	2.95	3.77
Denmark	2.92	2.88	3.88
Portugal	3.49	2.85	4.39
Spain	3.52	2.56	4.08
Austria	3.62	2.98	3.05
Ireland	3.33	3.00	4.55
<b>Total</b>	<b>3.42</b>	<b>2.91</b>	<b>3.59</b>

*Note:* Mean opinions in 1–5 scale, where 5 means “I totally support” and 1 “I totally disagree.”

*Source:* POLLEADER Survey (2002–2003).<sup>11</sup>

The wide acceptance of amalgamations (among mayors, obviously more than any other kind of local government reform) in Greece seems astonishing, given the fact that the new municipalities obviously did not fulfill the initial expectations of heightened efficiency. On the other hand, one could also argue that these opinion polls reflect perceived necessity of further consolidation, while results could have been different, if only citizens and politicians of smaller municipalities had been asked for their opinion.

Anyhow, the starting point of the former rural municipalities was causing such deficiencies that even these new, still problematic, major municipalities seemed to mark a great progress, although this impression cannot be supported by reliable empirical data. Then again, it is remarkable that these exact mayors who declared their support for submunicipal structures and internal decentralization, in fact tried to block delegation of tasks and resources to the submunicipal councils that were established by law in villages that used to be independent municipalities (now called “local districts”), thus promoting the pattern of a strictly unitary municipality under their own control.

## A NEW LANDSCAPE IN LOCAL GOVERNMENT?

Today’s 1,034 municipalities include 924 urban (*demoi*) and 100 rural (*koinotites*) units. They differ in internal organization, but hardly in formal responsibilities. In fact, Greek municipalities offer a mosaic of resources and possibilities, while their size both in terms of population and territory can be extremely diverse.

*Table 7.*  
Competencies of Local Government in Greece

First Tier	Second Tier
<p><b>1. Housing, infrastructure, and community amenities</b></p> <ul style="list-style-type: none"> <li>• Construction, maintenance, and management of municipal roads, parks, and public spaces</li> <li>• Urban planning and housing, building licensing, and control</li> <li>• Traffic regulation and planning</li> <li>• Public parking</li> </ul>	<p><b>1. Housing, infrastructure, and community amenities</b></p> <ul style="list-style-type: none"> <li>• Construction, maintenance, and management of provincial roads</li> <li>• Urban planning and building inspection</li> <li>• Planning, licensing, and control of transportation (buses, trucks, vehicles)</li> </ul>
<p><b>2. Environmental protection</b></p> <ul style="list-style-type: none"> <li>• Waste management,</li> <li>• Water supply, irrigation, and sewage systems</li> <li>• Protected areas,</li> <li>• Renewable energy</li> </ul>	<p><b>2. Environmental protection</b></p> <ul style="list-style-type: none"> <li>• Environmental impact assessment</li> <li>• Waste management permits</li> <li>• Coastal management</li> <li>• Environmental controls and fines/penalties</li> </ul>



*Table 7. (continued)*  
Competencies of Local Government in Greece

First Tier	Second Tier
<b>3. Education</b> <ul style="list-style-type: none"> <li>• Maintenance and management of school buildings and facilities</li> <li>• Adult education</li> <li>• Vocational training</li> </ul>	<b>3. Education</b> <ul style="list-style-type: none"> <li>• Construction of school buildings</li> <li>• Transportation of public school pupils</li> <li>• Vocational training</li> </ul>
<b>4. Recreation/Culture</b> <ul style="list-style-type: none"> <li>• Municipal cultural centers, museums, and galleries</li> <li>• Cultural and sporting facilities</li> </ul>	<b>4. Recreation/Culture</b> <ul style="list-style-type: none"> <li>• Cultural centers and institutions</li> <li>• Cultural and sporting facilities</li> <li>• Licensing and control of cultural activities and institutions</li> </ul>
<b>5. Social protection</b> <ul style="list-style-type: none"> <li>• Nurseries and kindergartens,</li> <li>• Centers for aged and disabled people</li> <li>• Social inclusion programs</li> </ul>	<b>5. Social protection</b> <ul style="list-style-type: none"> <li>• Application of social programs, establishment of centers of social services,</li> <li>• Licensing and control of private welfare institutions and private care units.</li> </ul>
<b>6. Health</b> <ul style="list-style-type: none"> <li>• Local medical assistance centers</li> </ul>	<b>6. Health</b> <ul style="list-style-type: none"> <li>• Public health protection and controls</li> <li>• Permits and control of public and private health/medical institutions</li> </ul>
<b>7. Economic Affairs/Development</b> <ul style="list-style-type: none"> <li>• Licensing and control of local shops and small enterprises (tertiary sector)</li> <li>• Municipal enterprises and development agencies</li> </ul>	<b>7. Economic Affairs/Development</b> <ul style="list-style-type: none"> <li>• Licensing and control of local economic activities and professions,</li> <li>• Implementation of development programs,</li> <li>• Prefectural enterprises and development agencies</li> </ul>
<b>8. Public Order and Safety</b> <ul style="list-style-type: none"> <li>• Municipal police</li> </ul>	<b>8. Public Order and Safety</b> <ul style="list-style-type: none"> <li>• Emergency planning and coordination</li> </ul>
<b>9. General Public Services</b> <ul style="list-style-type: none"> <li>• Registration, Certification on civil status</li> <li>• One-stop shops of public administration</li> </ul>	<b>9. General Public Services</b> <ul style="list-style-type: none"> <li>• Registration, certification on civil status</li> <li>• Local, national, and European elections</li> <li>• One-stop shops of public administration</li> <li>• Aliens and immigration</li> </ul>

*Source:* Legal Framework.

Compared to the municipalities of many European countries, Greek municipalities are short of competence in fields that are particularly important for local society and development, such as urban planning, environmental protection, and educational and health services. This situation did not significantly change after the territorial reforms in the 1990s.

Local government at both tiers depends on state grants (see Table 8). The second tier, established in 1994, is almost totally dependent on state aid (97 percent of total revenue), since it lacks the kind of services which can be financed by fees and charges (e.g., waste collection, water supply, etc.). Taxation autonomy of both tiers remains limited. Furthermore, their total share of public expenditure is one of the lowest in Europe (less than four percent of GDP) (Heinelt and Hlepas 2007).

*Table 8.*

Revenues and Expenditures of Local Government (in EUR Millions, 2004)

	First Tier			Second Tier		
	State Grants	Own Taxes, Fees, Charges, etc.) <sup>12</sup>	Total	State Grants	Own Taxes, Fees, Charges, etc.) <sup>13</sup>	Total
Revenue	3,957 (68%)	1,862 (32%)	5,819	1,242 (97%)	43 (3%)	1,285
Expenditure	First Tier			Second Tier		
	Capital	Current	Total	Capital	Current	Total
	887 (17%)	4,298 (83%)	5,185	474 (37%)	797 (63%)	1,271

*Source:* National Statistics Service, National Association of Local Governments (Second Tier).

While competence and taxation autonomy remained reduced, the political authority of local government became more important. Directly elected mayors are influential advocates of local interests, and their performance is often related to abilities of informal access to decision-making processes at higher levels of governance. These days, this access has become easier for mayors of new, consolidated municipalities. This local political authority often crosscuts party lines, following personal and localist networks. However, it should be stressed that, at the same time, local government is an integrated component of the Greek party system. The latter has constantly been characterized through polarization and populism. Given the electoral system, single-party central governments prevailed over the last three decades (with a brief exception of few months in 1989–90), while other parties (mainly left) have had a strong influence on syndicalism, civil society, and a significant influence within municipalities. This influence becomes weaker at the second tier, given the bigger sizes and the stronger party politicization.

First- and second-tier local governments seem to reproduce the patterns of central state and party hierarchies at the local level: That means unilateral populist rule over municipal options and resources, polarization in local politics, and subordination of local bureaucracy. Furthermore, national politics prevailed over subnational politics through the party system and administrative centralism.

Unlike other countries, the electoral system and internal relations and balances did not change, even after the amalgamation reforms. The electoral norms still provide for “governmental stability” over the course of four years (which is the term of office of

the elected persons), not only in the municipalities, but, since 1994, also in the newly established "Prefectural Self-governments" (PSGs), where the reformers opted for a time-honored majoritarian electoral system: by which victory in the elections was achieved only by the absolute majority of all the valid ballot papers, even in the second "run-off" between the two lists that received the most votes during the first round. In 2006, a new act limited the threshold for victory during the first "round" from 50 percent-plus-one down to 42 percent. This was an option that obviously favored the two major parties of the Greek political system, which became less motivated to foster coalitions with minor parties at the local level. In fact, during the last municipal elections in 2006, candidatures of party coalitions were obviously less common than in previous elections. The dominance of "two-party" system and "pendulum democracy" at the local level (Hendriks 2006) were thus further enhanced.

The electoral system in municipalities seems to culminate the majoritarian option, combined with a dominant role for mayors: every candidate for the post of mayor leads a list of candidates for all the seats of the municipal council, while the law explicitly prohibits candidates who are not on such a list from standing. Officially, national political parties are not allowed to stand for local elections but, in fact, they nominate local lists, usually through decisions taken by their central organs. Municipalities consist of unitary constituencies, while three-fifths of all seats in the council belong to the list obtaining the majority and only two-fifths from the opposition lists. While ensuring "governmental stability" and a strong majority, the law promotes fragmentation of opposition, since the remaining two-fifths of council seats are proportionally distributed to the opposition lists. This electoral system, taken in conjunction with the fact that the mayor, elected for a four-year term, cannot be voted on by the council, nor can he/she be removed ("recalled") by way of a local referendum, gives rise to the conditions for a "monocracy" of the mayor in the municipality (quasi-"presidential" system), particularly in cases where he/she is a strong personality. Although there are a large number of elected persons in each municipality (councilors, members of submunicipal district councils, etc.), the fact that the mayor heads and defines his own list of candidates for elected posts is decisive for the balance of local political capital and democratic legitimacy.

Executive power is mainly concentrated in the hands of the mayor, who also appoints the CEO and, in practice, selects the chiefs of administrative departments, while hiring influential technocrats ("advisers," etc.) on a contract basis. The mayor (or the prefect) can, moreover, instrumentalize the distribution of several executive posts, such as the ones of "deputy mayors" (receiving powers and considerable allowances), in order to ensure loyalty of the governing party list to his person. The mayoral-affiliated majority of the council concentrates regulatory powers and most of formal decision-making, since devolution to council committees was not foreseen by law and related bureaucracies of local government are subordinated to the elected executive. The only standing committee foreseen by law is the so-called "mayoral committee" chaired by the mayor

(or by the vice mayor appointed by him/her) and including members of the council, under which a small number (only one to three, according to the size of the committee, see below) comes from the opposition. This “mayoral committee” is responsible for the annual budget proposal, legal and judicial remedies, public procurement and works, taking decisions on a simple majority basis. The mayor-affiliated majority also appoints boards and chief executives of municipal companies/enterprises and municipal public legal entities (units of kindergartens, elderly clubs, museums, etc.). The mayor is *ex officio*, according to law, the chairman of the board in all municipal public legal entities (Article 240 of the Municipal Code). It is obvious that executive dominance in monistic relations between local council and government prevails in Greek local government, thus reflecting the strength of the prime minister, the executive, and the governmental majority at the central level of the Greek political system.

*Table 9.*

Elected Persons in Municipalities and Local Districts (2006)

Regions	Councilors	Mayors	Elected in Municipalities	Elected in Local Districts
E. Macedonia/Thrace	927	55	982	364
C. Macedonia	2,398	134	2,532	645
W. Macedonia	853	61	914	387
Epirus	1,022	76	1,098	781
Thessaly	1,547	105	1,652	535
Ionian Islands	565	39	604	279
W. Greece	1,232	74	1,306	705
C. Greece	1,423	95	1,518	599
Attica	2,514	122	2,636	150
Peloponnese	1,579	107	1,686	898
N. Aegean	530	36	565	214
S. Aegean	828	58	886	194
Crete	1,164	72	1,236	578
<b>Total</b>	<b>16,582</b>	<b>1,034</b>	<b>17,615</b>	<b>6,129</b>

The size of municipal councils depends on the population of the municipality (see previous table). This means that the number of councilors that belong to the opposition

is extremely low, given the distribution of only two-fifths of the council seats among the opposition lists in small municipalities. Proportional distribution of opposition posts in the council can have the effect that the major opposition list holds only two to three seats, facing a majority group that is four or even five times bigger. Furthermore, municipal councilors receive extremely low allowances (approximately EUR 30 per session), so that only ambitious politicians of the opposition and/or committed party members have strong motives for remaining dedicated to their tasks and roles. The fact that national political parties are not formally allowed to participate in municipal affairs and many local lists are based on “occasional local alliances” impedes continuity and cohesion of opposition groups. Right after failure in elections, many opposition groups follow the path of disintegration, just like a “totally defeated, demoralized army.”

*Table 10.*  
Size and Numbers of Basic Municipal Organs

Population	Council Seats	Mayoral Committee	Vice Mayors	Number of City/ Local Boards <sup>14</sup>
Up to 2,000	13	5	1	Depending on the number of merged ex-municipalities
< 5,000	13	5	2	<
< 10,000	17	5	2	<
< 20,000	17	5	3	<
< 30,000	21	7 <sup>15</sup>	4	<
< 40,000	21	7	4	<
< 60,000	27	7	5	<
< 100,000	33	7	5	<
< 150,000	37	9	5–7	2–4 <sup>16</sup>
< 500,000	41	9	5–8	2–5
Larger	45	9	8–10	5–7

Recent changes in municipal law were aimed at coping with these phenomena of disintegration and of the extreme weakness of opposition. More specifically, all opposition lists are now recognized as “Council Groups” (Article 94 of the Municipal Code), while in the past, only the governing list implicitly had a similar status. Furthermore, while the presidium of the council (chairman, vice chairman, secretary) belonged to the majority, nowadays the post of the vice chairman goes to an opposition councilor selected by the minority. The new Municipal Code introduced control instruments that were even

available to single councilors, such as questions, interpellation, inquiry, and information rights (Article 86, paragraph 1 and 215 of the Municipal Code). Furthermore, the opposition (the total number of its councilors) can enforce extraordinary sessions of the council, also dictating the specific issues to be discussed (Article 95, paragraph 2 of the Municipal Code). Only the absolute majority of the council members can, however, add “urgent” issues to the agenda of a beginning (or ongoing) session (Article 95, paragraph 6). Only in very few cases is the approval of (a part of) the opposition necessary, i.e., when decisions for important loans are to be taken (a two-thirds majority of the total number of councilors is foreseen (Article 176 of the Municipal Code)).<sup>17</sup> On the other hand, even a decision for merging the municipality with another (Article 4, paragraph 1 of the Municipal Code) can be taken through absolute majority (cooperation with opposition is not necessary).

Despite recent efforts to strengthen municipal opposition, Greek local governments can, therefore, be characterized as strictly unitary, internally consolidated, centralized entities, thus reproducing, once more, the patterns of central state at the local level. As a matter of fact, sub-local institutions, both in urban areas (city districts) and in amalgamated municipalities (local districts) despair important responsibilities, discretion and resources. Local governments act as consolidated corporations, “one and undivided” institutions.

Interest group systems at the local level are characterized through extreme fragmentation, segregated sectoralization, uneven access and influence to the policy and decision-making, *ad hoc* mobilization, and a lack of open pluralism (Getimis and Hlepas 2007). The latter is the outcome of a deeply-rooted individualistic and non-consensual, competitive culture. Local businessmen (especially the constructors and providers of goods and services to local government), local media, local associations, and particularly local church dignitaries, seem to be particularly influential through informal networks, according to empirical surveys (Getimis and Hlepas 2006). Cohesion of local societies is mainly based on a strong sense of local identity and symbolism, personified through the directly elected mayors who represent their voters and cities, often in cooperation/antagonism with local MPs, at higher (mainly central) levels of government. Demands of local societies and local governments are expressed through these strong local leaders, who maintain bonds and channels of easy access to decision-makers at the central state level. It should be clarified, however, that this kind of vertical intermediation of local interest is constructed along informal, occasional, and instable networks (Adam and Kriesi 2007) exposed to political and personal contingencies and contexts. In other words, the informal power of Greek localism remains occasional and unstable, while it cannot seriously challenge the dominating centralist patterns.

Co-government is weakly institutionalized, both in vertical (among levels of government) and in horizontal (among local governments and different administrative sectors) relations. In fact, co-government can hardly be operated, since fragmentation

prevails. However, local actors seem to foster alliances and accept consensus when it comes to the question of local economic development and claims for European and national funding (Psychopaidis and Getimis 1989). Indeed, Europeanization promoted strategic regional planning and policies, encouraging local societies to consensual decision-making in order to strengthen their own position within the respective processes of bargaining and distribution.

## NEW DEMANDS FOR RESCALING TERRITORIAL POLITICS

The political landscape in Greece drastically changed after the victory of the center-right party (April 2004) that put an end to a long period of socialist dominance (1981–1989, 1993–2004). Until 2007, the new government seemed to be quite cautious, as it had opposed all territorial reforms promoted by socialist governments during the 1990s. There have been few cases where an *ad hoc* response to antireformist pressures was expressed and local disputes were resolved through separation and revival of old “historical” communities that were re-founded by law as independent municipalities. Within the governing party, neoconservative elements seemed to convince even the liberal faction to return to the good old practices that characterized conservative administration policy during the 1950s and the 1960s, inasmuch as nearly all important posts were given as spoils to cadres and friends of the governing party. Several other minor changes have been promoted, following a legalistic and “proper-household” approach. Legal controls on local government have been enlarged and stressed, while emphasis was put on “accurate administration” and the role of local politicians in personalizing and expressing “local society and local tradition.”

Party politics and the political culture of the new right in Greece is based on a symbolic perception of tradition as the backbone of social cohesion, while it has neglected (if not denied) aspects of redistribution and active citizen participation. Rigid rules, furthermore, have been introduced in order to constrain activities of municipal enterprises, many of which had created deficits and/or were mainly used in order to hire additional personnel. On the other hand, the government promoted public/private partnerships and supported privatization. Some important pending reforms have been postponed. Metropolitan reform, for instance, which used to be a subject of public debate after the Athens Olympics in 2004, was obviously not a matter of priority for the current government (Getimis and Hlepas 2007).

After the new victory of the center-right party in September 2007, things seem to have changed. It seems that some leaders of the governing party are now convinced that territorial reform is necessary, first and foremost in order to respond to prerogatives set by European Policies during the Fourth Programmatic period, and the need to “absorb” the available funds faster and in a much more efficient way. After all, the enlargement of

the European Union and strong growth of the Greek economy during the last decade mean that it will probably be the “last chance” for Greece to take advantage of a generous European “Support Framework.” In the face of these perspectives, the creation of six major “Programmatic Supra-Regions” has been promoted and an even more centralistic and technocratic system for the management of the corresponding European funds is being created. Cutting down the number of first- and second-tier local government by 50 percent is being discussed. Pressures for territorial rescaling can also be related to greater business interests and some other influential social or/and political actors that prefer to act in large-scale spaces. Small-scale and multilevel structures are considered to create an extremely complex territorial environment where political intermediation, political decision, and policy implementation are too slow and too costly. Citizen participation is often perceived as a factor that increases costs and leads to heavy and irrational procedures. In quite a few cases, a common and strong argument against smaller scale is not simply the demand of efficiency, but also concrete negative experiences with local communities, mayors, prefects, and other local patrons who impeded or even blocked important development projects and strategic investments. Last, but not least, it is a fact that newly constructed networks of transport and communication, combined to rapidly growing use of new IT-technologies, have deeply changed the social and economic geography of the country.

Right after its second victory in parliamentary elections (September 2007), the center-right government seems to have moved towards a reform-friendlier attitude. Territorial reform has emerged quite suddenly on top of the agenda. The central government was not willing to initiate an open public debate procedure before the parliamentary elections. Furthermore, many neoconservatives, who regard local government mainly as an institution of socio-cultural identity and cohesion, opposed the idea of rescaling. It is obvious that they are, once more, going to resist any territorial reform, even if they will have to depend upon backstage blockades because of formal party loyalties. At the present time, a top-down reform procedure has nonetheless begun. During this process, a focus on efficiency becomes strengthened and legitimacy is neglected, while citizen participation is discredited. A rescaling of territorial politics is, once again, considered to be an appropriate answer to existing and easily perceivable deficits of effectiveness and responsiveness. Territorial rescaling is two-fold: the first aspect concerns state-controlled territorial structures, whereas the second refers to both tiers of local government. The reduction of the number of regions (from 13 to six) is expected to catch up with new objectives imposed by the Lisbon Strategy referring to effectiveness, competitiveness, and entrepreneurship. Amalgamation of municipalities (from 1,034 down to 400) and prefectural local governments (from 50 down to 16) will purportedly overcome existing fragmentation and meet the strategic goals of the European Cohesion Policy.

The emphasis given to effectiveness, entrepreneurship, and competitiveness in this fourth programmatic period of European funding, combined with the dominance of



a technocratic rationale and spirit of expertise underestimates important aspects of the legitimacy, participation, and the empowerment of civil society. There is a risk that the prevailing trend (new hierarchies, market-oriented regional institutions) reduces and narrows the existing forms of legitimacy and neglects consensus. Furthermore, there is no evidence that rescaling will necessarily lead to greater efficiency. Even the effects of the amalgamations during the 1990s have not been assessed properly and systematically. Given the fact the local government in Greece is extremely poor (expenditures for both tiers representing less than six percent of GDP), lacks important taxing possibilities, and remains highly dependent on state and European aid, rescaling *per se* without a combined radical fiscal reform will not keep pace with the new objectives.

A clear, but not verbally expressed policy, is the option of the ruling majority to restrain local government from entering into partnerships that are important for development policymaking. State and centralized hierarchies seek to become the privileged partners of professional and entrepreneurial interests, while local government action should be reduced within small-scale capacities. This option corresponds to traditional attitudes of conservative forces that prevailed during the 1950s and 1960s, which imposed a regime of rigid centralization combined with sectoralization. This is a trend that is boosted by the fact that currently local government is discredited in the wider public, due to revelations of mismanagement, maladministration, and corruption.

## CONCLUSIONS

- There is no universal recipe explaining territorial structure and change independent of political relations and socio-economic development. This paper starts from the assumption that the organization of subnational levels of government and governance is the outcome of a political process where the politics of territorial choice are influenced by societal arrangements and dynamics with the balance between different interests being intermediated through political processes.
- By the beginning of the 1980s, an overwhelming majority believed that public administration would become friendlier to the average citizen if a great number of responsibilities would be delegated to the municipalities. Socialist governments undertook several decentralization reforms but hesitated in promoting obligatory amalgamations.
- Local government was suffering from extreme fragmentation (more than 80 percent of the 5,774 rural municipalities had less than 1,000 inhabitants). These municipalities could not take on an important part of public responsibilities. Furthermore, demographic changes, geographical mobility, and urban pull caused an ongoing depopulation of rural areas and communities.

- The need for efficiency was the main argument for the “Capodistrias Plan” of amalgamations that intended to restructure the first tier and create new, stronger municipalities that would be able to cope with new tasks, promote local development, and offer “modern social services” to their citizens, especially in rural areas.
- Although local reactions against amalgamations were present (but less than expected) and, in a few cases, quite furious, the majority of public opinion and political personnel seemed to approve, according to several polls, of the option of territorial reforms.
- Despite many difficulties and quite a few failures, there is no doubt that this major reform has already changed the landscape of local government in Greece. Within the new, larger municipalities, a new type of “more professional” mayor emerged that reflects the deep changes in demography, economy, communication, and culture during the last decades, that tend to “urbanize” styles and views of life in the Greek countryside.
- In an overall assessment of this territorial consolidation reform, one can easily come to the conclusion that the dominant reasons that invoked the reforms during this period were Europeanization combined with efficiency prerogatives. Territorial consolidation responded, furthermore, to emerging needs for complying with new articulations (aggregation) of entrepreneurial and sectoral interests.
- Despite recent efforts to strengthen municipal opposition, Greek local governments can be characterized as strictly unitary, centralized entities, thus reproducing, once more, the patterns of central state at the local level. As a matter of fact, sub-local institutions, both in urban areas (city districts) and in amalgamated municipalities (local districts) despair important responsibilities, discretion, and resources. Local governments act as consolidated corporations, “one and undivided” institutions.
- The cohesion of local societies is mainly based on a strong sense of local identity and symbolism, personified through the directly elected mayors that represent their voters and cities, often in cooperation/antagonism with local MPs, at higher (mainly central) levels of government. Demands of local societies and local governments are expressed through these strong local leaders, who maintain bonds and channels of easy access to decision-makers at the central state level.
- Instead of territorial reforms, the conservative governments originally seemed to adopt a legalistic approach in order to dominate and arrange a public administration that should be restrained in its traditional tasks, while results should mainly be produced either through hierarchical command and control or through public/private partnerships and privatization. Local government has rather been perceived as a factor of identity and social cohesion, while a strictly representative view of political procedures that mistrusted citizen participation prevailed.

- The need, however, to respond to efficiency standards imposed by European funds and policies, combined with wider entrepreneurial and socio-political interests, has put, once again, territorial change on the reform agenda. Rescaling is obviously combined to managerialist approach and *etatism* that demand creating fewer and larger structures that are expected to be more efficient (consolidation). On the other hand, there are visible tendencies towards a recentralization of power, while traditional hierarchies show, for the time being, an ambivalent attitude and neoconservative elements within the government, and seem to prefer a territorial reform that would be “as cautious as possible.” For these reasons, the final output of the current reform debate is hard to estimate.

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## NOTES

- <sup>1</sup> Right after their *coup d'état*, the colonels often used similar expressions, referring to the country's politicians. Later on, they demonstrated their will to create a new, "non-corrupted" political elite.
- <sup>2</sup> The extremely successful term of the "less-privileged" classes had been introduced by the populist vocabulary of the socialist leader Andreas Papandreou (Mavrogordatos 1997).
- <sup>3</sup> University of Athens, Department of Political Science and Public Administration, Survey on Island Administration, 1997–1999.
- <sup>4</sup> The respective survey was conducted by ISTAME, the scientific foundation of the Socialist Party.
- <sup>5</sup> ISTAME.
- <sup>6</sup> Survey of the University of Thessaly. "Local leaders" included secretary generals of regions, prefects, mayors, municipal councilors, CEOs of public services and public enterprises, bishops, etc.
- <sup>7</sup> The survey was made by the National Association of Municipalities ("KEDKE" or <http://www.kwdkw.gr>).
- <sup>8</sup> According to an opinion poll that was made by "Kappa Research AC."
- <sup>9</sup> "Kappa Research AC."
- <sup>10</sup> University of Athens. Department of Political Science and Public Administration. The difference of the results compared to the survey of 2002 (85 percent compared to 74 percent) can easily be explained through the fact that the two surveys included different population, since in October 2002 new mayors were elected in municipal elections.
- <sup>11</sup> See Henry Back, Hubert Heinelt, and Annick Magnier (eds.) (2006) *The European Mayor. Political Leaders in the Changing Context of Local Democracy*. VS Wiesbaden.
- <sup>12</sup> Including new loans (EUR 312 million in 2004).
- <sup>13</sup> Including new loans (only EUR one million in 2004).
- <sup>14</sup> Number of seats in local boards depends on the size of local population. Local boards have three members when the local population includes 500 inhabitants or less, five members when the population includes 2,000 inhabitants or less and seven members in larger populations (Article 22, Municipal Code).

- <sup>15</sup> The law foresees seven members (including the chairman) also for mayoral committees in municipalities which are seats of prefectures (Article 103, paragraph 1 of the MC).
- <sup>16</sup> City boards include 15 members (Article 21, paragraph 2 of the Municipal Code).
- <sup>17</sup> The law escalates the sum over which such a decision is necessary according to the population of the municipality. More specifically, in municipalities with a population up to 50,000 inhabitants, such a decision is necessary for loans over EUR 1.5 million, in municipalities up to 80,000 inhabitants for loans over three million and in bigger municipalities for loans over five million (Article 176, paragraph 4 of the Municipal Code).

# Territorial Local Level Reforms in East German *Länder*: Phases, Patterns, and Dynamics

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## EXECUTIVE SUMMARY

The article deals with the territorial reforms which, following the collapse of the Communist system and German Unification in 1990, were carried out in the (five) newly (re-) established regional states (*Länder*) regarding both local government levels (counties and municipalities). It shows that the reform strategies embarked upon by the *Länder* governments typically provided for a “participatory” and “voluntary phase” to allow the local government units concerned to voice their concerns and to relate to the proposed reform schemes. It also highlights that, in line with Germany’s federal constitution and setting, it lies in the power of the *Länder* parliaments to impose a new territorial structure, in the last resort, “top-down,” by binding legislation if local authorities are not ready to go along with the reform schemes proposed by *Land* government and parliament.

With regard to the territorial reform of the municipal level the article puts forward that, in the early phase of the territorial reforms, immediately after 1990, most *Länder* refrained from redrawing the (very small size) territorial structure of the municipalities in order not to interfere with newly revived “small local democracies.” Instead, following the example of some West German *Länder*, intermunicipal bodies (*Ämter*, etc.) were introduced that were meant to provide an institutional frame for the cooperation between (very) small municipalities. More recently some *Länder* have opened a new phase of territorial reforms as they have turned to “amalgamate” (“fuse”) existing small municipalities and, at the same time, to reduce the number of intercommunal bodies. A major reason for this “reform of the reform” has been that the intercommunal bodies have been increasingly criticized for serious functional shortcomings (coordination problems, “transaction costs,” etc.).

## INTRODUCTORY NOTE: EAST GERMANY, A 'SPECIAL CASE' OF A POST-SOCIALIST TRANSFORMATION

East Germany is a “special” case of post-communist transformation, including local government and local-level territorial and organizational reforms that, on one hand, underwent, after 1990, like other post-communist countries in Central Eastern Europe, the transformation from a centralist one-party rule regime to a democratic constitutional government. On the other hand, in addition to sharing the pre-Nazi democratic and constitutional tradition with the other parts of Germany, the post-1990 build-up of East Germany’s “new” *Länder* and local government has been largely shaped by the institutional blueprints and experience of West Germany’s “old” *Länder* (see Wollmann 2003: 29 ff. with references).

### Common Departure Point: The Centralist ('Stalinist') State Model

East Germany was, from 1945 until 1990, an integral part of the (Stalinist and post-Stalinist) Soviet system and, not to mention, a staunch, pertinacious adherent to dictatorial Communist Party rule until its very last days.

The German Democratic Republic, established in 1949 on the territorial basis of the Soviet Occupational Zone, politically and organizationally experienced a wholesale “Sovietization,” with the imposition of the Soviet (“Stalinist”) state model to ensure a centralist Communist Party rule.

- Whereas the traditional two-tier local government structure, consisting of counties (*Kreise*) and municipalities (*Gemeinden, Städte*), was formally retained, it was also turned into local level units that were designed to serve as local agencies and cogs of centralist state and Party rule. While the multitude of small municipalities, altogether 7,564 (with an average of 2,200 inhabitants), were left territorially unchanged, the county level underwent a sweeping territorial revamp due to the enlargement of the number of counties from 90 to 189 (averaging 60,000 inhabitants) in order to make them more amenable as the local operational basis of centralist administration.
- The (five) *Länder*, the establishment of which was, after 1945, temporarily readmitted by the Soviet Occupational Force, were suspended in 1952, and finally abolished in 1956. Instead (14) meso-regional level administrative districts (*Bezirke*) were put in place to serve as the regional backbone of centralist state and Party rule in line with the *oblasti* of the Soviet State model (see Wollmann 2003: 21, Wollmann 1997: 260 ff.).

## East Germany's 'Integration' in the 'Old' Federal Republic

Epitomizing its exceptionality among the ex-Communist countries, East Germany's transformation was shaped by its political, economic, as well as institutional "integration" into the (West German) Federal Republic by way of its so-called "accession" (*Beitritt*) to the latter: At midnight on October 3, 1990, in a historically and internationally unprecedented event, the German Democratic Republic's entire legal and institutional order ceased to exist, while, literally in the same second, the whole constitutional, legal, institutional (as well as economic and social) system of the "old" Federal Republic and its "ready-made state" was extended onto East Germany's territory. In the political science debate, this historically unparalleled event and process has been labeled "institution transfer," *Institutionentransfer* (see Lehmbuch 1994). It was accompanied and buttressed, in its early crucial formative stage, by a massive personnel transfer as thousands of West German administrative experts and "aides" (*Verwaltungshelfer*) commuted or moved to East Germany to involve themselves in the transformation process. Another crucial transformation lever was the momentous financial transfers. Hence, East Germany's transformation has been essentially shaped and driven by a powerful triad of institution, personnel, and finance transfers that glaringly distinguish it from the other post-socialist countries (see Wollmann 2003: 154).

### Some Core Elements of the Institution Transfer in a Nutshell

To get a better grasp of the impact that the institution transfer has had on local-level institution building in the East German *Länder*, including territorial reforms, some key features of the "West German model" should, in brevity, be delineated.

In Germany's two-tier federal system, which is made up of the Federation (*Bund*) and the regional states, it falls solely to the latter to regulate, by *Land* legislation, local government, including its territorial structure. This exclusive legislative power of the individual *Länder* accounts for the significant variance of local government schemes that exist from *Land* to *Land* and which has, over the years, forced the federalist plurality of local government forms to act almost as a kind of "experimental laboratory" of institutional variants.

Local self-government (*kommunale Selbstverwaltung*) has laid down, in which within the constitutional doctrine and jurisprudence, is interpreted as an "institutional guarantee," in the Federal Constitution (of 1949),<sup>1</sup> as well as in the constitution of each of the (13) *Länder*. Both in the federal and the *Land* constitutions, the municipalities are given the right to lodge a "constitutional complaint" (*Verfassungsbeschwerde*) with the (federal, respectively *Land*) Constitutional Court in defense of their "local self-government," for instance, against *Land* legislation regulating local-level territorial reforms.



Traditionally, Germany's (two-tier) local government system is made up of the counties (*Kreise*) and the municipalities (*Gemeinden, Städte*). Additionally, particularly in urban and metropolitan areas, ("single-tier") county boroughs (*kreisfreie Städte*) combine county and municipal functions and play a significant political and functional role on the local level.<sup>2</sup>

The (multi-) functional profile of German local government is traditionally characterized by a "dual task" model (see Wollmann 2004b: 650 ff.), according to which the local authorities, in addition to attending to the "genuine" local self-government tasks that stem from the "general competence clause," are in charge of carrying out functions that are "delegated" to them by the state (for details, see Wollmann 2008b: 17 ff.).

During the 1960s and 1970s, similar to moves pursued particularly in Great Britain and Sweden (see Norton 1994: 40 ff.), the *Länder* individually embarked on territorial and organizational reforms of their county and municipal levels. In the German *Länder*, too, the territorial reform strategies were typically marked by a duality of aims of enhancing the planning, administrative, capacity, and efficiency of local government units, while also ensuring and strengthening their local democracy potential (see Wollmann 2004a for details and references). Whereas all *Länder* agreed on demographically and territorially enlarging the counties, they also designed different strategies with regard to the municipalities. In view of the inherent conflicts and possible contradictions between the administrative efficiency and local democracy goals, the concrete reform strategies for which the individual *Länder* opted varied in the way the two goals were "weighed" and given priority against each other. A few *Länder*, in emphasizing enhanced administrative efficiency, chose "radical" amalgamation and the creation of comparatively large-scale "integrated" municipalities, *Einheitsgemeinden* (for instance, the *Land* of Nordrhein-Westfalen arriving at municipalities averaging 45,000 inhabitants). By contrast, most *Länder*, seeking an institutional compromise between local democracy and administrative efficiency goals, opted for "softer" "double-barreled" strategies in retaining most of the existing (prevalently small) municipalities as self-standing political, local government units and, at the same time, opted for introducing a new layer of intercommunal bodies (labeled *Verwaltungsgemeinschaften, Ämter*) of which the (small) municipalities became members, and which had the task of providing operational support to the latter. The intercommunal bodies are run by boards and directors that are indirectly elected/appointed by the member municipalities.<sup>3</sup>

For the policy design and implementation of local level territorial reforms, the *Länder* developed strategies in which a compromise was sought between the principle that the decision on the territorial structure should lie with the *Land* Parliament, in the last resort by a binding parliamentary majority decision, on the one hand, and the principle that the local political stakeholders and local citizens should be given as much say as possible in the decision-making and implementation process, on the other. As a result, the *Länder* pursued somewhat "mixed" ("carrot and stick") strategies in which,

on the one side, it was clear that, the political will of the *Land* Parliament would prevail by way of (“hierarchical”) majority decision (“stick”). On the other side, a broad repertoire of preparatory (establishing advisory commissions) and participatory steps (conducting public hearings to give voice and advocacy to local stakeholders, especially local government associations, citizen groups, etc.) was provided for. Furthermore, the *Land* governments and parliaments made it a point to open up the implementation of the reform scheme with a “voluntary phase” (*Freiwilligkeitsphase*) during which the municipalities and counties concerned could “voluntarily” decide whether and how to adapt to, and implement, the governmental and legislative reform scheme, most often “lured” by financial incentives (“carrots”). At the legislatively fixed (“deadlined”) end of the implementation process, however, for the local authorities that failed to comply “voluntarily,” the “stick” came down in the guise of binding legislation that applied, without exception, to the small municipalities concerned. It should be emphasized that, although binding local referendums have been introduced, particularly since the early 1990s, in almost all *Länder*, for an array of important local matters, the local citizenry have been assigned only a participatory and advisory role in such a politically crucial and sensible local issues as the territorial boundary and identity of their existing municipality or county. Furthermore, it should be stressed that, once the territorial format and organization has been finally laid down by *Land* legislation, the municipalities are not allowed to “opt out” of and, as it were, to “secede” from that territorial structure.

The local-level territorial reforms, once legislatively finalized and implemented, have often been challenged in “constitutional complaints” (*Verfassungsbeschwerden*), by way of which the municipalities and counties may appeal to the respective *Land* Constitutional Court, claiming violation of their constitutionally guaranteed right to local government (see Werner 2002). While it is accepted constitutional doctrine that the individual municipalities do not possess a constitutionally defensible right to their concrete territorial integrity or identity, the Constitutional Courts have spelt out a number of procedural (“due process”) criteria to which the *Land* parliaments are held in deciding on territorial reforms. Under these “due process” criteria the parliaments are particularly obliged to embark on a “weighing” process in which the “public good” (*öffentliches Wohl*)—such as enhanced administrative efficiency, possibly fostered by territorial enlargement, on the one hand, and democratic values (such as “proximity” for and to the citizen, possibly fomented by small-size local arenas), on the other—are taken into account and “weighed” against each other. Although most of the “constitutional complaints” that were filed by local authorities in (West German) *Länder* during the 1960s and 1970s were dismissed by the Constitutional Courts (which did not identify any judicially pertinent “procedural” violations), the fact that the “constitutional complaint” is in the books serves as a kind of “Diocletian Sword” pending over, and possibly politically disciplining, the political decision-making on local-level territorial reforms.

## Territorial Reforms in East German *Länder* during the 'Founding Period' Since the Early 1990s

In East Germany, the "foundation period" of institutional transformation was marked and shaped by a constellation of factors, especially those that were transformation-specific. For one, "endogenous" transformation-specific factors pertaining to East Germany's "internal" situation can be seen in the urgency and time-pressure under which the relevant decision-makers were forced to act in order to put viable structures in place as fast as possible. The view that local-level civic groups were instrumental in toppling the Communist regime was another "endogenous" given, to be taken into account when building up democracy-conducive, local-level institutions. Among the transformation-specific "exogenous" factors impinging on institution building, the import of the "West German model," needless to say, had great influence transported and translated by West German "aides" (for a more detailed discussion of "endogenous" versus "exogenous," see Wollmann 2003).

Table 1.  
Municipalities Territorial/Organizational Reforms in East German *Länder*

Data  <i>Länder</i>	Population (in millions)	Population Density/km <sup>2</sup> (in 1990)	Municipalities				
			Total Number (in 1990)	Founding Period (during the 1990s)	Consolidation Period (during the 2000s)	Average Size	Percentage of Municipalities Being Members of Inter- Communal Bodies
Brandenburg	2.5	88	1,739	1,739	421 (after 2003 reform)	5,900 (after 2003 reform) 1,500 (before 2003 reform)	64 (after 2003 reform) 96.6 (before 2003 reform)
Mecklenburg- Vorpommern	1.7	77	1,149	1,149		1,560	95.4
Sachsen	4.4	241	1,626	547	547	8,100 (currently)	62

Table 1. (continued)

Data  <i>Länder</i>	Population (in millions)	Population Density/km <sup>2</sup> (in 1990)	Municipalities				
			Total Number (in 1990)	Founding Period (during the 1990s)	Consolidation Period (during the 2000s)	Average Size	Percentage of Municipalities Being Members of Inter- Communal Bodies
Sachsen- Anhalt	2.6	129	1,270		420 (estimated after 2009 reform)	5,000 (estimated after 2009 reform)	Less than 50 (estimated after 2009 reform) 83.5 (before 2009 reform)
Thüringen	2.4	151	1,025	1,025		2,300	85.7
East German <i>Länder</i>			7,564			2,200 (in 1990)	

Sources: Wollmann 1997: 291; Laux 1999; own-data update.

## TERRITORIAL REFORMS OF THE MUNICIPAL LEVEL DURING THE 'FOUNDING PERIOD'

### Prevalent Strategy: Preservation of Small Municipalities Plus Creation of Intercommunal Bodies

Although the multitude of municipalities in the East German *Länder* had an extremely small population size (for instance, averaging 1,500 in the *Land* of Brandenburg and 1,560 in the *Land* of Mecklenburg-Vorpommern, see Table 1), and although urgent need was seen to create functionally viable local level structures, four out of five *Länder* (with the exception of the Land of Sachsen), drawing on the reform concepts and practice in West German *Länder* during the 1960s and 1970s, opted for a “soft” “double-barreled” reform strategy in which small-size municipalities with elected local councils were retained while, at the same time, a new layer of intercommunal bodies was introduced.

The main motive not to change the territorially highly-fragmented and small-scale structure, as inherited from the Communist era, was primarily political. It was a widely shared consensus among the post-communist East German politicians that leaving the host of small-scale municipalities territorially unimpaired in political recognition of and homage to the role which local level civic groups played in bringing down the Communist regime (see Wollmann 2004a).

The newly created layer of intercommunal bodies (called, in line with West German examples, *Ämter* or *Verwaltungsgemeinschaften*) were meant to provide the local government level with an operational and administrative capacity on two counts.

For one, they are meant to support the member municipalities in the conduct of their local self-government tasks, including, e.g., the preparation of the annual budgets. The basic idea is that the intercommunal bodies and their member communities make for a kind of interorganizational symbiosis in which the former provide the latter with administrative capacity and administrative “muscle,” while the municipalities are the local arena for democratically-elected and politically-accountable local government.

Second, the intercommunal bodies are in charge of matters that are “delegated” to them by the state, such as the maintenance of school facilities, of local roads, and waste management.

In their intraorganizational arrangement, the intercommunal bodies have decision-making councils of which the members are not directly elected, but indirectly elected/appointed to the executive function, and have an administrative head (“director”) who is appointed by the intercommunal council. For their operations, they have their own personnel and budgets that are financed from the budgets of the member communities or through state grants.

In their strategy to introduce and implement intercommunal bodies, the East German *Länder* essentially followed the pattern set by their West German counterparts, by combining a “carrot and stick” approach: after putting forward guidelines (*Leitlinien*) on the envisaged minimal size of self-standing municipalities (and of intercommunal bodies), and after public hearings and participation of local stakeholders, the *Land* government ushered in a (“deadline”) “voluntary phase” to have the municipalities “voluntarily” decide on the formation of intercommunal bodies, encouraged and persuaded by financial incentives (“carrots”). Following the elapse of the deadline, the reform was finalized by way of binding legislation (“the stick”).

In the four *Länder* in question, the new schemes of intercommunal bodies went into effect at the beginning of the second electoral term of the municipal councils, that is, in December 1993 and June 1994, respectively. As a result, the share of municipalities that became members of an intercommunal body ranged between 96.8 percent (in *Land* of Brandenburg) and 83.3 percent (in *Land* of Sachsen-Anhalt) (see Table 1).

## Deviant Strategy in *Land* of Sachsen Accentuating Mergers

The *Land* of Saxony settled upon, after 1990, a distinctly different strategy in that, from the outset, it was the *Land* government’s declared policy to give preference to the amalgamation and merger of existing municipalities over preserving them in their present territorial format. The underlying reform ratio and expectation was to enhance the

administrative capacity of local level government by having territorially enlarged “integrated” municipalities (*Einheitsgemeinden*) instead of betting on intercommunal bodies. A primary reason for Saxony’s unique course probably lay in its settlement structure, which is the most highly urbanized among East German *Länder*. Although “voluntariness” in local government decision-making on forming larger local government units was also prominent in Saxony’s implementation strategy, the *Land* government’s stated resolve—to achieve amalgamation in combination with shrewdly designed incentives, including “marriage premiums” (see Schnabel 2001: 394)—resulted in “voluntarily” reducing the number of municipalities, by the beginning of 1999, from 1,600 to 547 with 60 percent of the remaining municipalities continuing to be members of an intercommunal body (see Table 1).

### Territorial County Reforms in the ‘Founding Period’

The political determination with which the newly elected East German *Land* governments, without exception, tackled the territorial reform of the counties starkly contrasts with the restraint they showed, with the exception of Saxony, in their redrawing of the municipal boundaries, however small. The reasons for this unanimous resolve of all *Länder* governments, from the outset, to tackle territorial county reform were political, functional, and organizational. Politically, the counties which, under the Communist regime in 1952, had been cut into an average size of 60,000 inhabitants, and were thus regarded as an organizational heritage of the Communist era that needed to be undone. Functionally and organizationally, the counties in their “inherited” small size were deemed entirely unfit to administratively shoulder the multiple tasks assigned to them under the new model of decentralized administration and local government. Lastly, guidance was also taken from West German experience where, during the reform period of the 1960s and 1970s, the average size of counties was brought up to 150,000 and 200,000 people (see Wollmann 2004a).

As a result, a remarkably swift reform process, which the *Länder* governments individually initiated soon after 1990, was brought to a close by the end of the first electoral term of the county councils. By 1994, the “inherited” territorial structure of the counties was fundamentally remolded as the total number of counties was reduced from 189 to 86, raising the population average from 60,000 to some 150,000, comparable to the average size of West German counties.

Table 2.  
Counties in East German *Länder*

Data  <i>Länder</i>	Population (in millions)	Population Density/km <sup>2</sup> (in 1990)	Counties			
			Total Number (in 1990)	Founding Period (Reforms in 1993/1994)	Consolidation Period (during the 2000s)	Population Size
Brandenburg	2.5	88	38	14		Average 143,000
Mecklenburg- Vorpommern	1.7	77	31	12	5 (failed 2007 reform)	Average 375,000 (failed 2007 reform)
Sachsen	4.4	241	48	23	10 (after reform 2008)	Ranging between 216,000 and 356,000 (after 2008 reform)
Sachsen-Anhalt	2.6	129	37	21	11 (reform 2007)	
Thüringen	2.4	151	35	17		
East Germany			189	86 (1994)		

Sources: Wollmann 1997: 291; Laux 1999; own data compilation.

## NEW ROUND OF TERRITORIAL REFORMS DURING THE 'CONSOLIDATION PHASE' SINCE THE EARLY 2000s

After the new local government structure was put in place in the early 1990s and underwent an institutional, functional, and political “practice test,” a political debate flared up and gained momentum in some *Länder* in the 2000s, calling for a new round of territorial and organizational reforms of local government levels.

### Territorial Municipal Reforms

The call for a new round of municipal territorial and organizational reforms has been largely ignited and fuelled by an increasingly sober assessment of the institutional and functional “symbiosis” of intercommunal bodies and their member municipalities. The

originally expected mutual complementary aspects of the two components of that symbiosis (with the municipalities fostering local democracy and the intercommunal bodies providing administrative efficiency) has, in the light of experience, been significantly questioned with regard to both components.

With regard to the small municipalities, there appears to be growing evidence that the local democracy potential has thinned out and dwindled in the very small municipalities. For example, it is becoming more and more difficult to attract a sufficient number of candidates to maintain a proper local council, not to mention mayoral elections. It has been reported that in small municipalities council elections had to be called off and the mayoral position was unfilled due to a lack of candidates (see Mier 2005: 6, BLPB 2008: 1).<sup>4</sup> Furthermore, due to changing demographics (younger people relocating), with the aging population left behind, small municipalities are “bleeding” demographically and socially.

Instead of the efficiency and capacity gains that were originally expected to be the crucial advantages and merits of the introduction of the intercommunal bodies as pivotal components of the functional “symbiosis,” operational problems and lacks, on the contrary, have surfaced. For one, the interactions between the member municipalities and intercommunal bodies are often marred by fragmented decision-making in the interface between elected municipal councils, boards of intercommunal bodies, and possibly other cooperative formations, such as the *Zweckverbände* (see Mier 2005: 5). Second, built-in tensions and conflicts appear to exist between the intercommunal body, particularly its executive director and the municipal council and its (often directly elected) mayor when it comes to the decision-making of the municipal actor and possible intervention by the intercommunal body; or, when it comes to the conduct of “delegated” tasks by the intercommunal body’s director and the attempt of the municipal actors to intermingle. Third, as both the municipal level and the intercommunal level are mandated to perform functions, there are functional overlaps and ensuing duplication of personnel and personnel costs (see Mier 2005: 6). Fourth, the “transaction costs” in operating the “symbiosis” (in terms of conflicts costs, coordination costs, etc.) have turned out to be (unexpectedly) high. Finally, as the layer of intercommunal bodies has been added to the existing two-tier local government structures, forms of “institutional overcrowding” have been observed, by which coordination and cooperation problems have increased instead of decreased.

In recent years in some *Länder*, a new round of municipal reforms have aimed at addressing and redressing the early rejection of amalgamating the existing small municipalities and the ensuing priority and primacy of intercommunal bodies.

The East German *Land* of Brandenburg conspicuously retracted from its earlier political pledge to retain the (however small) existing municipalities and to turn to a territorial reform strategy in which more emphasis, if not priority, is placed on amalgamation. Obviously, much of the above-mentioned criticism of the “symbiosis” of



(very small) municipalities and intercommunal bodies has motivated and promoted this strategy reversal.

Setting off the reform drive in 2002, the *Land* government put forward a reform guideline (*Leitbild*) which set the minimum size of municipalities at 5,000 inhabitants and that of intercommunal bodies (*Ämter*) also at about 5,000. The reform strategy followed the usual “carrot and stick” approach of holding public hearings (involving local stakeholders and local citizens), of entering in a “voluntary phase” for “voluntary” implementation and adaptation by the municipalities concerned, and finally, of finalizing the reform project by binding legislation. The reform, which went into effect in 2004, drastically reduced the number of municipalities from 1,729 to 421, raising the average size from 1,500 to 5,900 inhabitants, while the number of intercommunal bodies (*Ämter*) was slashed from 152 to 54, with 56 percent of the municipalities (after the previous 95 percent!) still being members of intercommunal bodies (see Table 1).

Similarly, the government of the *Land* of Sachsen-Anhalt, in August 2007, submitted guidelines (*Leitbild*) according to which in the future, self-standing (“integrated”) municipalities (*Einheitsgemeinden*) should not have less than 10,000 inhabitants, while the smaller municipalities should be grouped in so-called “union communities” (*Verbandsgemeinden*), conceptually borrowed from the West German *Land* of Rheinland-Pfalz.<sup>5</sup> By and large, Sachsen-Anhalt’s government, too, employed a “carrot and stick” strategy (public hearings, “voluntary phase,” “deadlined” until June 30, 2009). The concluding (binding) legislation was to follow suit in late 2009. It is expected that the existing number of municipalities will be cut from 1,270 by some 850 to some 420.

The recent rounds of territorial municipal reforms have been seriously conflict-ridden in both *Länder* as evinced in the general public debates, as well as in the public hearings during the preparatory and legislative processes. The phalanx of local-level stakeholders has been composed of local position-holders from municipalities whose self-standing status was at stake, as well as from intercommunal bodies that faced reduction in numbers and ensuing organizational and staff repercussions. In *Land* Sachsen-Anhalt, citizens made use of the “popular petition” (*Volksbegehren*) procedure through which, via a type of advisory referendum, the *Land* Parliament can be requested to put certain issues on its agenda and deal with them. The popular petition was signed by 40,000 citizens challenging the legality of the territorial reform act. The petition was dismissed by the *Land* Parliament on July 13, 2007.

Both *Länder* have also seen a spree of constitutional complaints that were lodged by municipalities with the respective *Land* Constitutional Court, and in which the constitutionality of the pertinent legislative acts was challenged. In the *Land* of Brandenburg, some 530 constitutional complaints were filed with that *Land*’s Constitutional Court in 2003, but were, without exception, dismissed by the same court (see BLPB 2008: 3).

In the *Land* of Sachsen-Anhalt, in April 2008, a detailed constitutional complaint, signed by almost 180 (out of 1,270) municipalities, was filed with Sachsen-Anhalt’s

Constitutional Court. The ruling by the Court cannot be expected prior to mid-2009. The plaintiffs' hope for positive ruling by the Court has been heightened by a ruling the Mecklenburg-Vorpommern's Constitutional Court handed down in 2007 (see below).

## Territorial Reform of the Counties during the 'Consolidation Phase'

As was stated earlier, all East German *Länder* were unanimous, immediately after 1990, in their will to carry out sweeping territorial county reforms that, taking effect in 1994, cut the total number of counties from 189 to 86 (see Table 2).

Since the early 2000s, in some *Länder*, a political discussion has arisen and gained momentum, in which a new round of territorial county reforms has been advocated. Voiced and promoted particularly by politicians of the *Land* government and *Land* parliament level, the argument has been made (analogous to the aforementioned discussions waged on territorial municipal reforms) that, because of socio-economic changes (ongoing emigration, especially of younger people, declining birth rates, economic depletion, etc.), rural areas are demographically and economically decaying and that, in order to secure the future provision of adequate social, cultural, infrastructural, and other services, the territorial and organizational structure of the counties need to be readjusted. In the face of a chronic budgetary squeeze, territorial county reform, moreover, has been seen as a crucial remedy to cut administrative costs and, furthermore, to pave the way for more comprehensive territorial and functional reforms, including the meso level of *Land* administration and the municipal level.

In the subsequent public debates, protest and opposition came primarily from stakeholders of the county level, particularly from the "heads of counties" (*Landräte*), county government associations, and also from (single-tier) county boroughs (*kreisfreie Städte*) that, in some reform schemes, were singled out to be "downgraded" to the status of "ordinary" (two-tier) municipalities (*kreisangehörige Städte*).

The *Land* of Sachsen-Anhalt was the first East German *Land* to open a new round of territorial county reforms. Entering into force on July 1, 2007, the reform reduced the number of counties from 21 to 11 with a size between 96,000 and 247,000 inhabitants. The county reform was seen as a precondition for tackling the territorial and organizational reform of existing system of the municipalities and intercommunal bodies.

The *Land* of Sachsen followed suit in embarking upon a new round of territorial county reform. Becoming effective on August 1, 2008, the number of counties was drastically reduced from 22 to 10. Taking into account that, in the "founding period" of the early 1990s, the number of counties was already slashed from 48 to 22, this amounts, between 1990 and 2008, to a "county reduction-rate" of about 80 percent. With sizes of between 216,000 and 356,000 inhabitants, Saxony's newly created coun-

ties are (for the time being) by population, the largest among East German *Länder*. At the same time, the number of (single-tier) county boroughs (*kreisfreie Städte*) was cut from seven to three, which proved particularly controversial in the public and political debate, in view of the pride such municipalities take in their “county-free” status. Only three municipalities managed to “survive” as county boroughs, among them Leipzig, Saxony’s capital city, with some 500,000 inhabitants.

A similarly far-reaching, if not more radical territorial county reform was initiated by the Mecklenburg-Vorpommern *Land* government. In December 2003, it put forward a reform scheme which aimed at creating five “macro-counties” (*Grosskreise*) by amalgamating the existing 12 counties and by also including five county boroughs (*kreisfreie Städte*), that is, “downgrading” them from their (single-tier) “county-free” to an ordinary (two-tier) municipal status. The population size of the newly drawn “mega-counties” would have risen to between 230,000 and 490,000.

In public hearings and political debate, the reform scheme encountered strong opposition, particularly from the counties, their associations, and county boroughs, among which the cities of Rostock, Wismar, and Stralsund, against their historic background as time-honored Hanse cities, were particularly outraged by the prospect of losing their “county-free” status. Notwithstanding the extended local-level opposition, the *Land* government’s reform scheme was adopted by the *Land* Parliament on April 5, 2006, and was envisaged to be implemented by October 1, 2009.

A number of counties and county boroughs took the law on territorial county reform, by way of constitutional complaint, to the Constitutional Court of the *Land* of Mecklenburg-Vorpommern, claiming that the intended county reform, both in procedure and in substance, violated their constitutional right to local self-government. In a conspicuous, widely-noted and publicized ruling handed down on July 26, 2007, the Mecklenburg-Vorpommern’s Constitutional Court found that the reform law was unconstitutional and thus invalid (see Büchner *et al.* 2008). While, in principle, acknowledging the right of the *Land* to redraw the existing territorial boundaries of local government (which, as was already stated earlier, are not protected, in their concrete delineation, by the “constitutional guarantee” of local self-government), the Court stipulated, in line with the accepted constitutional doctrine and constitutional jurisprudence, that the *Land* was bound to comply, in its pertinent political and parliamentary decision-making, with the “due-process” principles laid down in constitutional jurisprudence on territorial reform matters. Among these loom large the obligation to “weigh” between the “public interest” (*öffentliches Interesse*) which may, for administrative efficiency and economy reasons, justify (possibly large-scale) amalgamation, on one hand,<sup>6</sup> and the insurance and strengthening of democratic local decision-making, on the other.<sup>7</sup> The Court held that the *Land* government and *Land* Parliament did not adequately comply with the procedural (“due-process,” “weighing”) requirements which become more demanding the more incisive the reform measures are. Besides focusing, and basing its decision, on

procedural reasoning, the Court also leaned on a remarkable “substantive” argument regarding the maximum size of counties that could be acceptable under constitutional (that is: guarantee of local self-government) criteria. On this, the Court’s basic argument was that, in order to exercise and ensure its (quasi-parliamentary) “representative” function and operational responsibility, the elected councils and its committees must be geographically accessible for its members and citizens within a reasonable and viable geographic distance. The Court implicitly indicated its opinion that the size of “macro-counties,” as envisaged in the challenged territorial reform legislation, would not provide such geographic “accessibility.”

In reaction to the Court ruling, the *Land* government, in June 2008, came out with a revised reform scheme in which the formation of six or seven counties (instead of five, as envisaged in the earlier abortive version) has been proposed and, in lieu of “downgrading” all five existing county boroughs, *kreisfreie Städte*, the (historic Hanse) city of Rostock as well as of the city of Schwerin (Mecklenburg-Vorpommern’s capital city) are envisaged to keep their “county-free” status. At the time of writing (December 2008) the parliamentary process is still pending.

In the meantime, in *Land* of Brandenburg, whose government also considered turning to territorial county reform as a follow-up to the recent territorial municipal reform, such plans have stalled—apparently not least in response to the verdict of *Mecklenburg-Vorpommern*’s Constitutional Court, which does not bode well for territorial reforms, at least “radical” ones.<sup>8</sup>

## SUMMARY, PERSPECTIVE

The territorial reforms of the local government levels are basically guided by two distinct principles and goals: on the one hand, they are meant to improve the administrative effectiveness and efficiency of the local administration; on the other hand, to ensure their democratic and political viability. As this duality of goals is often not mutually complementary but conflicting and contradictory to each other, territorial reform strategies and measures can be interpreted as compromises and “trade-offs” in putting a different accent and weight on one goal or the other.

In analyzing the territorial and organizational reforms of the local government levels undertaken in the East German *Länder* since the early 1990s, that is, since the collapse of the Communist regime and the reintroduction of democratic decentralized and local government in the newly established East German *Länder*, it is analytically useful to distinguish, for one, the founding period and the consolidation period, the former commencing, following 1990, with the reintroduction of democratic local government and marked by the specific features and determinants of the immediate transformation phase, while the latter, since about the early 2000s, is shaped by the “practice test” and

experience to which the institutions and the local actors have, in the meantime, been exposed. Second, the distinction needs to be made between the municipal and the county level, as each level of the two-tier local government structures follow different organizational “logics.”

When, following the secular “system change” from the Communist regime to constitutional democratic government and the “institution transfer” of West Germany’s “ready-made state” to East Germany, new political and administrative institutions were built in East Germany’s municipalities and counties, so much so that an unprecedented institution process took place in 1990, on the territorial blueprint “inherited” from the Communist era. During the first transformation years, legislation on territorial and organizational reforms was elaborated and adopted in each of the five *Länder*, which went into effect in 1994, at the beginning of second term of office of the elected local councils.

As to the municipal government level, all *Länder*, except Saxony, opted for a “soft” territorial reform strategy in which the municipalities, however small, were retained, while a new layer of intercommunal bodies was introduced and to which most municipalities were members. A specific compromise, “mix,” and “trade-off” between the administrative efficiency and local democracy goal was sought in preserving the municipalities, regardless of size, as an arena and haven of local democracy and in installing intercommunal bodies to provide administrative and operational capacity for their (small) member municipalities. The reason for the preference given to (small) local democracy was political, as it was explicitly purported to recognize the value attributed to local civic engagement and the role it was seen to have played in bringing about the “political turnover.” By contrast, in *Land* of Saxony, stronger emphasis was placed, from the very beginning, on administrative efficiency, from which followed a stronger early accentuation of amalgamating and merging small municipalities.

Regarding the county level, all East German *Länder* agreed, from the outset, on having large-scale territorial reforms. Besides aiming at achieving enhanced administrative capacity to operationally shoulder the new demanding task model, the reason was also political, as the multiplication of counties was intended to undo that which was imposed by the Communist regime in 1952 as an element of its centralist (“Stalinist”) state model.

During the “consolidation phase,” since the early 2000s, the territorial and organizational reform of the municipal level (with its symbiosis-type combination of retaining the small municipalities as havens for local democracy while adding intercommunal bodies as administrative “muscle”) came to be critically assessed in some *Länder*, as the democratic potential and merits of small-scale municipalities as well as the operational and coordination capacity of the intercommunal bodies was questioned. As a result, *Land* of Brandenburg was the first to switch gears in turning to a “mixed” strategy in which the amalgamation of municipalities, in order to enhance their administrative

viability, was given preference, and intercommunal bodies were scaled down. Similar motives drove the territorial and organizational reform in *Land* of Sachsen-Anhalt where, besides prioritizing the amalgamation of municipalities, the previous variant of intercommunal bodies (*Verwaltungsgemeinschaften*) was replaced with “community unions” (*Verbandsgemeinden*) that, because of their internal “double-decker” architecture, were expected to strengthen their democratic potential.

On the county level, in some *Länder*, all but dramatic changes have taken place in the “consolidation period” since the mid-1990s. The new wave of territorial county reforms was motivated and driven by socio-economic (economic “bleeding”) and demographic shifts (“outmigration,” “demographic bleeding”) which prompted policymakers on the *Land* government level to turn to territorial county reforms as a means to achieve a readjustment and improvement of administrative structures. The reform measure in the *Land* of Sachsen-Anhalt was first, entering to effect in 2007, and was followed by the territorial county reform in Saxony, entering into force in August 2008, and outpacing, in the population size of the redrawn counties (between 216,000 and 356,000), of all other East German *Länder*. The territorial county reform which *Land* of Mecklenburg-Vorpommern initiated in 2003 was intended on enlarging the population size of the counties even further by cutting the number of counties to five “macro-counties” (between 230,000 and 490,000 inhabitants). This reform project came to a halt, however, when Mecklenburg-Vorpommern’s Constitutional Court declared the territorial reform legislation unconstitutional both for procedural (disregard of “due-process”) and for substantive (“oversize” of would-be counties) reasons.

The territorial reform initiatives taken by the *Land* governments for the municipal as well as for the county levels have, in the course of the 2000s, increasingly generated protests and controversies that were evinced in the public debates and public hearings on the reform measures, with strong involvement, particularly of local government stakeholders and their associations, as well as in the frequency with which local governments have made use of the legal instrument of “constitutional complaint” to challenge the constitutionality of territorial reforms before the respective *Land’s* constitutional court. It can be plausibly assumed (and it is evidenced by the constitutional complaint recently lodged against the municipal territorial reform in Sachsen-Anhalt) that the disposition and readiness to seek judicial remedy against territorial reforms has been heightened by the conspicuous ruling of Mecklenburg-Vorpommern’s Constitutional Court in July 2007.

In sum, the changes in the territorial and inter-organizational setting of the local government levels that have taken place in East German *Länder* since the early 1990s, within a mere 20 years, has been truly remarkable.

This applies to the municipal level which, varying between the *Länder*, has clearly moved from a fragmented multitude of small municipalities towards a profile of (territori-

ally enlarged multifunctional) “integrated” municipalities (*Einheitsgemeinden*), yet with intercommunal bodies still playing a significant, albeit decreasing, functional role.

This holds particularly true for the county level which in three of the five *Länder* has, since the mid-2000s, seen a second round of massive county amalgamation (in Mecklenburg-Vorpommern, thus far, abortive) through which the counties have been greatly enlarged to a population size that surpasses their West German counterparts and which, hence, may, by German standards, be called even “radical.” Imagining the concrete organization ruptures that have taken place in the political and administrative structures of the individual counties and municipalities, the picture becomes even more dramatic, as the individual organizational units and their personnel have, in the case of territorial and organizational county reforms, undergone such rupture (including reshuffling, dislocation, etc., of administrative units and staff) at least once (in 1994) and possibly even twice (during the second round of reforms in the 2000s), in connection with the second reform wave. This also occurred in the municipalities and intercommunal bodies when they underwent territorial reforms or an interorganizational regrouping.

Finally, it should be pointed that, while territorial and interorganizational setting of both local government levels have, since the early 1990s, experienced remarkable, in part sweeping changes in the East German *Länder*, by contrast, in the West German *Länder* hardly any such shifts have occurred since the massive reform wave of the 1960s and 1970s. The reason for this striking difference in reform dynamics is arguably that in the East German *Länder* the socio-economic and socio-demographic problem has been more pressing and acute than in the “old” *Länder*. Furthermore, for East German institutions and actors that have lived through dramatic ruptures, once, twice, or even three times, since 1990, the disposition and readiness to turn to, perhaps experiment with, and cope with institutional change, may have become culturally and mentally rooted, whereas in the West German *Länder*, in the face of a pattern of institutional continuity, gradualism, and even stasis, such culturally and mentally grounded openness and disposition for institutional shifts, experimentation, and innovation may be less pronounced.

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## NOTES

- <sup>1</sup> In Article 28 of the Federal Constitution, local self-government is described as the "right of the municipalities to settle (*regeln*) all matters of the local community (*örtliche Gemeinschaft*), within the frame of the law, in their own responsibility."
- <sup>2</sup> About 33 percent of the total number of local government personnel are employed by *kreisfreie Städte* as compared to 37 percent by "normal" ("two-tier") municipalities and 26 percent by counties, figures for 1994, from Wollmann 2008a: 59.
- <sup>3</sup> As an exception in *Land* of Rheinland-Pfalz, the so-called "community unions" (*Verbandsgemeinden*) have been "invented" as an (innovative) type of intercommunal body that is a kind of "double-decker" municipality with an elected council and an elected mayor on both "decks."
- <sup>4</sup> See BLPB 2008: 1. For instance, in the local elections held in *Land* of Brandenburg in 1998 in one-third of the municipalities there were just as many councilors candidates as there were seats. In 11 (small) municipalities (out of 1,474), no council could be elected. In a similar vein in 152 (small) municipalities, no mayor could be elected for lack of candidates.



- <sup>5</sup> See above footnote
- <sup>6</sup> In the wording of the Constitutional Court ruling at hand: “rational task fulfilment,” *rationale Aufgabenerfüllung*.
- <sup>7</sup> In the formulation of the Constitutional Court ruling: “civic democratic decision-making,” *bürgerschaftlich-demokratische Entscheidungsfindung*.
- <sup>8</sup> See “Abschied von der Gebietsreform” (Farewell to territorial reform). Available online: [http://www.tagesspiegel.de/berlin/brandenburg; art128,2347524](http://www.tagesspiegel.de/berlin/brandenburg;art128,2347524).

# English Local Government: Neither Local Nor Government

*Colin Copus*

## EXECUTIVE SUMMARY

The chapter explores for English, rather than British local government, those tensions which have resulted in continual increases in the size of English councils. The focus is on England alone because the Anglo-Saxon roots of English local government and Anglo-Saxon notions of local-self government, as opposed to representative government, have a separate history and genesis to local government in the Celtic nations of the United Kingdom. The English focus is also taken because, for the success of the supranational project that was Britain to be assured, the largest nation—England—had to sacrifice the most in terms of cultural, historical and traditional distinctiveness. That enforced sacrifice, in turn, affected the development of English local government shifting it away from self-government and common law to representative government and statute law. England, rather than Britain is explored, because the Blair government's devolution program, which formed parliaments, of one sort or another, in the Celtic nations of the United Kingdom, excluded the largest country from any Parliament of its own, making the position of English local government unique in Britain, having still to deal directly with the United Kingdom parliament and government—with Scottish, Welsh and Northern Ireland MPs included. Finally, devolution has made it next to impossible to speak of “British” policy on much other than broad economic issues and foreign affairs.

Local government in England is a creature of statute with no independent or constitutionally protected right to exist. Moreover, central government within the British unitary state can and does alter the shape, size, boundaries, powers, responsibilities, taxation ability, and financial status; and central government decides on the number of tiers of local government: everything rests with the center. The top-down power relationship enables central government to cast local government in such a fashion that suits the needs of the center. Recognizably democratic local government came to England with the passing of the 1835 Municipal Corporations Act that did not create a uniform system of elected local government across England; rather, it gave local citizens the power to petition Parliament for the formation of an elected council for their areas. Thus, the advent of democratic local government in England was an entirely voluntary affair and only made possible because of central government legislation. Councils come into being

and are abolished by government legislation passed in exactly the same way as another piece of legislation, and since 1835 successive Acts of Parliament have gradually reduced the number of councils and increased the size of the remaining ones.

The question left to answer is why has English local government been allowed to grow so large and to such an extent that it can no longer, in many cases, be seen as local and, moreover, lacks the powers to be seen as government at all. English local government is a dual-purpose institution. It provides an additional layer of democracy, political representation, and engagement to that offered by parliamentary politics. But it is also responsible for the provision of public services vital to nations where the state has taken the major responsibility for welfare and social cohesion. That dual role generates a tension as these roles are not necessarily mutually compatible or respond to the same stimuli. Nor can it be assumed that political representation and decision-making, or the expression of local values and views can be achieved through a set of institutions designed, primarily, to run and provide public services. It is the assumption that local government is about the provision of services, almost to the exclusion of its wider political role, and that the latter is less important than the former that within a unitary state has seen factors external to localities driving the shape and size of local councils.

The size that English local government has reached is a result of a continual competition between the competing factors of technocracy and democracy. The democratic factors are those associated with the need for citizen engagement in local politics, trust in councilors and officials, identification with the council as the legitimate community representative institution, and governor and councils reflecting the needs of local communities. The technocratic factors are concerned with the managerial criteria identified as necessary for the efficient and effective management and provision of public services and the quality of their delivery. The tension between these two competing factors pull in different directions: the democratic towards smaller, cohesive and clearly identifiable communities; the technocratic towards bigger units of local government based on largely unfounded notions of the superiority of efficiency and effectiveness found in big councils and from economies of scale. In central government inspired reorganizations of English local government the democratic criteria has consistently lost out to the technocratic criteria—despite a recognition of the importance of the democratic part of local democracy.

The consistent pattern of technocratic criteria winning out over democratic criteria in decisions about the scale of English local government comes not only from a preference for seeing local government as primarily a service provider through which central government public policy is implemented. The increasing size of English local government also results from the compliance of local political *elites* with the center's desire for easy communication and control over the localities: the fewer units of local government to deal with, the easier it is for central government to impress its policies over the localities. Added to this mix is the domination of English local government by

the three main national (British) political parties. The political parties' domination of local government has served to see councils as extensions of the central state and merely part of the process by which a governing party implements its policies. Although, it is fair to say that this broad generalization does break down in places—with parties seeking to negotiate with government to ease aspects of its policy agenda—such negotiations however, are easier when the party controlling the council is the same as the one controlling central government.

The chapter concludes by setting out a new approach to English local government by proposing a federal United Kingdom. The federation would consist of single parliaments—with the same powers—for all of the nations of the United Kingdom, including England. Local government would be multi-tiered and seen as a political and governing institution before a service provider. Local government would have legislative powers within its own boundaries and thus completely shatter the notion of a centralized unitary state. It is proposed as a deliberate antithesis to the existing structure of United Kingdom government and English local government to provide a contrast to the way things are in England. It is a model that, given Celtic separatism and the growing English awareness of the imbalance and unfairness in the current system, is not beyond the bounds of possibility, but a model which the British (rather than the nations that make up Britain) would fight to prevent emerging.

## INTRODUCTION

As a clear subordinate level of government to the center, local government in Britain lacks even the most basic constitutional protection, including the right to continued existence. While this is not unusual in a unitary state (with or without a written constitution), it is not a necessary corollary of such constitutional arrangements.<sup>1</sup> But, in Britain, it is central government that decides the shape, population size, responsibilities, powers, and functions of councils, and the number of elected members a council will have. It is central government that can, and does, abolish individual councils, or entire layers of local government. While central government will consult with councils and local communities about the nature of local government, it is not bound by the outcomes of such consultation, nor are citizens given the final say over what happens to their councils via a referendum. The British unitary system is based on top-down parliamentary sovereignty, not bottom-up citizen democracy.

Stewart (1983) described the relationship between local and central government in Britain as “hierarchical” and “asymmetrical,” in that the relationship rests on a single direction of authority and control: from the center to the localities. Indeed, English councils are not units of local self-government, which have emerged from, and represent, identifiable communities of place, acting as powerful mechanisms for local self-deter-

mination. Rather, they are often artificially created administrative conveniences, with boundaries that reflect the technocratic criteria of population numbers required for efficient service delivery, and designed to ensure that central government has easy communication with, and control over, local government. If council boundaries often do not reflect real communities, the public governed by such artificial constructs will not mourn their passing should government decide to change their boundaries or abolish them altogether. That, in England, a number of councils do reflect defined geographical communities with strong local loyalties and identities attaching to them, does not detract, by the government's own admission, from the general pattern of public disengagement from local government (Detr 1998a, 1998b, and 1999).

The gradual decline in power and freedom of British local government has been well-charted (Jones and Stewart 1985; Young and Rao 1997, 1999). But, when that decline began, local government was, compared to much local government overseas, already at a low point (Reynaert, *et al.* 2005; Denters and Rose 2005). Two factors must be disentangled here, first local government's role as a public service provider; and, second, its position as a politically representative institution. Prior to the advent of the Conservative government lead by Margaret Thatcher, in 1979, the position of local government as a service provider had been secure. Finances may have been at the control of central government, to one degree or another, but British local government was synonymous with the provision of public services; it was the key vehicle through which the modern public sector operated, and by which the public provision of services was largely maintained. A casual glance at the development of British local government indicates that, at key points, it was seen first and foremost by central government, as a mechanism for public provision—a role in which councils have been able to find some space for the expression of local party political differences, if not for the expression of local policy differences and preferences from that of the center (Hennock 1973; Fraser, 1979; Owen 1982).

By contrast to its service-providing role, local government's position as a politically representative institution, or as an independent governing and political voice for localities, has been far less secure. Governments prior to the 1979–1997 Conservative government may have been more—or less—inclined to negotiate, compromise, and bargain with local government over specific policy or the general constitutional position of local government, but, it was always from a position of strength and in the knowledge that, when required, central government could be assured of its own way. So, the political role of local government as a governing institution has been less well-articulated than its role within the provision and management of public services. There are, of course, notable exceptions to this, with earlier thinkers such as Bentham and J.S. Mill laying the foundations, at least in theory, for local government to develop as powerful centers of alternative political loyalty, and government to that of the center. Palmeston and Gladstone both expressed some sympathy with the view that local government should be left, as far as possible, alone (Chandler 2007: 109). Yet they did so set against the firm

understanding that while local government could be left alone, it could not compete with the center as a source of political authority.

A defining characteristic of local government in Britain is its geographical and population size, having the largest units of local government in Europe on these counts. Despite this fact, there continues to be a continual favoring by central government of even larger units of local government. The other chapters in this volume show that countries contemplating local amalgamations, whether voluntarily so—encouraged by central government—or under central direction to amalgamate, often start, as a general pattern, from a much lower size base than local government in England. Yet, the question of how to maintain an independent political voice and identity for those communities, merged with others, to form new councils, remains the same. The answer, in England, has been largely to ignore the question, and to thus extinguish smaller community identities in the hope that feelings of local loyalty as may exist, will be transferred to the new, larger, councils.

It is local government in England, not Britain, which is the focus of this chapter. The devolved institutions of Scotland and Wales have created a democratic intermediary body between local and central government; an intermediary democratic level which is lacking in England, left out as it was of the devolved constitutional arrangements, with no parliament or government of its own. Indeed, these arrangements make it increasingly difficult to refer to “British” education policy, “British” health policy, “British” transport policy, or “British” policy on local government. Thus, this chapter explores, in the English context, the factors and debate that influence the size and number of councils and the consequences of the political choice made about council size in England. The chapter also sets out a case for an entirely new constitutional settlement for the United Kingdom; one which develops from the localities upwards and which sees political power and notions of democracy, governance, and representation, emanating not from the decree of Parliament—but from the localities and the citizens within them.

The first section of the chapter explores the competing pressures that require different responses in the design of a local–central settlement: those of technocracy and democracy. The second section will consider the vexed question of the size of English local government and how the notion of size is often used as a surrogate for the technocracy and democracy debate. The third section proposes a new approach to local government emerging from this debate, but resting on a federal, rather than unitary United Kingdom, with politically powerful localities. The fourth, explores how and to whom, these new politically powerful localities should be accountable. The chapter concludes by drawing out the lessons for local government from the English obsession with ever increasing size. It does this by suggesting that political preference and ideology about the role of central and local government and the citizenry within a political system are the determinants of council size and that technocratic arguments are simply a cover for part of that political preference.

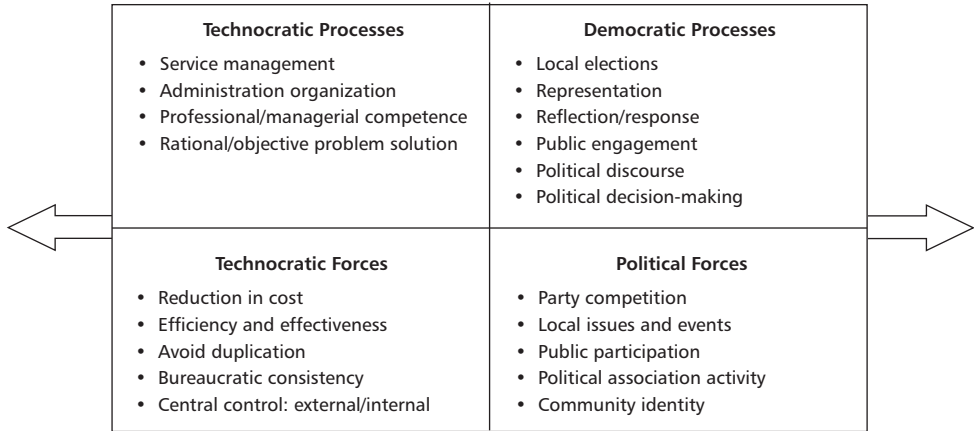
## TECHNOCRACY AND DEMOCRACY: A MARRIAGE MADE IN HEAVEN OR TIME FOR DIVORCE?

English local government is a dual-purpose institution. First, it provides an additional layer of democracy, political representation, and engagement to parliamentary politics. Secondly, it is responsible for the provision of public services vital to nations where the state has taken the major responsibility for welfare and social cohesion. Yet that dual role generates a tension, as it cannot be assumed that the roles are mutually compatible or that they respond to the same stimuli. Nor can it be assumed that political representation and decision-making, or the expression of local values and views can be achieved through a set of institutions designed, primarily, to run and provide public services. It is the assumption that local government is about the provision of services, almost to the exclusion of its wider political role, and that the latter is less important than, or indeed only possible because of, the former, that is itself the cause of a deeper public malaise about local government. Moreover, it is such assumptions that are responsible for hindering the development of politically powerful local centers of government that are meaningful to local communities.

A tension exists in any local government system, between the democratic and the technocratic. That is, between the elected representatives and the political processes they operate within, and the political forces they must reconcile, and the permanent officials and their use of expert and technical opinion employed to solve problems and the organizational resources at their disposal to do so. The term “bureaucracy” has been avoided here, because of the pejorative connotations that the word now holds for many. In distinguishing between technocracy and bureaucracy, however, a Weberian characterization of bureaucracy may assist. If we take bureaucracy to mean a rational-legal approach to decision-making, with decision-making ability resting on status within a hierarchy, and by the employment of rules guiding the decision-making process, we can view bureaucracy as part of a wider technocratic set of processes and forces, which themselves encompass the bureaucratic. The technocrat, while also a bureaucrat, can be defined, for the purposes of this chapter as concerned with the externalities of the governing process, rather than only the running of an administrative machine. Here, bureaucracy is an inward-facing process; technocracy is part of the wider governing dynamic, and hence, places into sharper relief the tensions that exist with the processes and forces that concern the politician.

Figure 1 displays the constituent elements of the technocracy-democracy tension and how they pull against each other.

*Figure 1.*  
Technocracy and Democracy in English Local Government



Both representative and technocrat are concerned with the governing process but, as the figure shows, from different perspectives. Ironically, the English councilor has also entered the field of the technocrat, in that they seek to govern the bureaucracy and often concern themselves with administrative detail. Moreover, the councilor and what he or she is able to do and achieve, is constrained and shaped by the victory of technocratic reasoning over democratic concerns in decisions that have been taken by government about the shape, size, and structure of English local government.

## The Structure and Shifting Size of English Local Government

Local government has its roots in Anglo–Saxon England with the use of fortified “burhs” (eventually, boroughs) as a defensive mechanism, shires (a West Saxon institution), and smaller hundreds and tithings—which together formed the basic governing units of the country bound to and by the common law. Each of these bodies was charged with dispensing certain royal commands and dealing with legal matters but, in addition, they formed the basis of local self-government in England. They were not, of course, elected representative bodies, but rather a coming together of the freemen of the area and which provided for regular, fixed, and accessible settings where the local common interest could be debated and decided upon—often by a vote of those present. The early Anglo-Saxon system, while not representing local government as it would now be understood, did lay the foundations of a common-law system of local self-government which could act as a counterbalance to central authority. It was for this reason that the



Norman–French ruthlessly set about destroying any vestige of Anglo–Saxon England after the invasion and conquest of 1066. The centralizing tendencies of British government can be traced to the Norman despotism and has its roots in the need to control a conquered nation from the center.

The focus on England here is adopted so as to address a common misconception that the development of Britain as an imperial power relied on British parliamentary democracy, or rather, the supremacy of Parliament, to prevent Scottish, Welsh, and Irish localism fraying the Union at the edges. The success of Britain as a supranational state, however, rested on subjugating England and Englishness to the British project and in preventing English distinctiveness from developing, rather than a fear of Celtic separatism undermining the Union. The continued existence of a separate Scottish legal system and the development of Scottish local government through separate Acts of Parliament to those dealing with England and Wales, if anything, ensured Scottish localism, while at the same time, Englishness was submerged under the cloak of Britain and Britishness. The gradual enlargement of local government (see below) and the undermining of Anglo-Saxon statute law based on local self-government through the use of centralizing statute law, served to diminish the localities as meaningful political institutions, and as any form of government. Indeed, the development of representative local government undermined and replaced Anglo–Saxon principles of local self-government, further removing any form of English distinctiveness.

Yet painting too romantic a vision of local government would be a mistake—local self-government had been extinguished long before the arrival of what may be seen as representative local democracy. Corporations often degenerated into self-serving clubs of the local landed or commercial elite with little, or no, useful local purpose and with no democratic pretensions (Chandler 2007). Recognizably, representative local government began in England with the 1835 Municipal Corporations Act. Yet, the Act did not introduce elected councils across England. Rather, it gave towns the right to petition Parliament to be allowed to apply the conditions of the Act; the Act did, however, apply to those existing borough councils. Prior to the 1835 Act, much of what passed for local government was a self-selecting and perpetuating, Tory Anglican elite, which was largely replaced by a Liberal nonconformist elite, after incorporation. An Act of 1888 democratized the county councils, with a London reorganization following in 1899.

The local government franchise as it developed throughout the nineteenth century did not usher in a golden age of representative local democracy. Rather, the way in which the local franchise was fashioned, ensured that those exercising the vote, and also the candidates from whom they could select, fulfilled some local property based qualification (Keith-Lucas 1952). Thus, the franchise and the office of councilor were restricted to certain sections of the community and even radical candidates “tended to be small masters, shopkeepers or publicans” (Hennock 1973: 10). Young (1989) goes as far as to refer to mid-nineteenth century attempts to reform county government as

not a search for “representative democracy” but the development of a “form of ratepayer democracy.” Indeed, Gyford (1986: 128) notes that “the bodies which emerged from the 1835 Municipal Corporations Act were seen first and foremost as owners of corporate property.” He comments that “councilors as members of the corporation were trustees in a fiduciary relationship to the ratepayers within a system based upon the rights of property.” Thus, councils were, first and foremost, the protectors of the public purse, not governing or political institutions.

Throughout much of the development of local government, councils operated alongside a range of other bodies with which they shared responsibility for governance and services. Street-improvement commissions, poor law guardians, public health boards, and education boards (some directly elected, others not) operated alongside municipal councils in a patchwork governance arrangement. Thus, what existed was often a competition between public authorities for dominance over the provision of services—or the reduction of cost for such services—within particular localities. As such, the loyalties of local elites were divided between different institutions providing different services and with different purposes, and of course were also divided party politically. Such divided loyalties meant that at crucial points in the development of local government, elite support to defend it against any reorganization or to protect the boundaries of given localities, was missing, or, that elites were pursuing party political advantage through change to the local governing arrangements. Indeed, a form of municipal imperialism arose with local government organizations seeking to supplant or take over other competing institutions—a process which continues to this day, acting as part of the driving force towards larger local government.

While the Acts of 1835, 1888, and 1899 democratized local government, they far from settled the question of its size. Table 1 sets out the Acts since 1835 that significantly affected the scale and number of English councils. The table must be read with caution, however, as other Acts of Parliament altered boundaries and numbers of councils throughout this period, but, were substantively dealing with other matters. Moreover, the creation of councils, shown in the table, does not always result in an addition to the overall total of councils. Rather, amalgamations were forged, which had the effect of reducing the number of councils or that the population sizes required for councils changing status were altered.

*Table 1.*  
The Legislative Journey of English Local Government

Act	Effect of the Act
Municipal Corporations 1835	The right to petition for an elected council
Local Government Act 1888	51 county councils; 62 county boroughs (and the London County Council)
London Government Act 1899	28 metropolitan boroughs within the LCC
Local Government Act 1894	688 urban district councils; 692 rural district councils
Local Government Act 1926	83 county boroughs; by 1927, 785 urban district councils and 787 rural district councils created
Local Government Act 1929	206 urban districts abolished and 49 created (a net decrease of 159); 236 rural districts abolished and 67 created (a net decrease of 169)
London Government Act 1963	Greater London Council (GLC) and 32 London boroughs
Local Government Act 1972	46 counties and 296 districts (excludes London)
Local Government Act 1985	Abolishes 6 metropolitan councils and the GLC
Local Government Act 1992	34 county councils; 36 metropolitan borough councils; 238 districts; 46 unitary councils
Local Government and Public Involvement in Health Act 2007	Loss of 44 councils to be replaced by 9 new unitary councils; current proposals for 4 new unitary councils to replace 23 councils

The number of councils increased to a high-point around the 1920s, with over 1,700 existing, but gradually declined to the current low-point of some 354 English councils. The average size of an English council is approximately 128,000 people. Averages, however, often mask an interesting story; Table 2 sets out, by type of English council, the largest and the smallest population size.<sup>2</sup>

Birmingham City Council holds the distinction of being the unitary council with the largest population, of some 1,329,700. Birmingham, however, is not referred to as a unitary council, but it, along with metropolitan and London boroughs (also not referred to as unitary), and 46 of those councils that are referred to as unitaries, provide all local government services. The Greater London Authority, which is not a traditional English council, but is a local government administrative area with its own elected authority, dwarfs Birmingham's population, with over seven million souls.

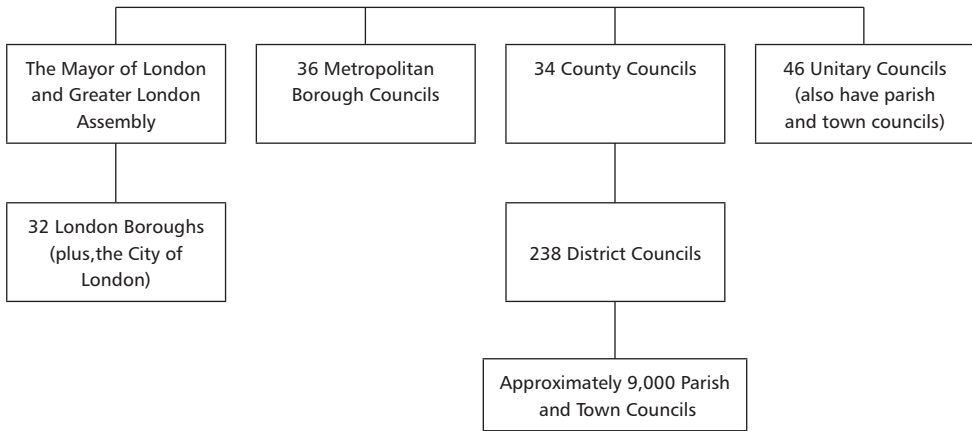
*Table 2.*  
Largest and Smallest English Council Populations, by Council Type, 2009

Council Type	Largest Population	Smallest Population
County	Kent: 1,382,700	Dorset: 406,800
District	Northampton: 202,800	Christchurch Borough: 45,400
Unitary (excluding Birmingham)	Cornwall: 529,500	Rutland: 38,400 (next largest, Hartlepool: 91,400)
London Boroughs	Croydon: 339,000	Kingston upon Thames: 157,900
Metropolitan Boroughs	Leeds: 761,100	Knowsley: 150,900

The current shape of local government in England was introduced by the Local Government Act 1972, which reduced the number of county councils in England (and Wales) from 58 to 47, and the number of district councils from 1,249 to 333. Subsequent legislation has further reduced the number of county councils to 34 and the number of district councils to 238. The Act also created six metropolitan counties with 36 metropolitan districts amongst them to cover the major conurbations of the country; these metropolitan counties—along with the Greater London Council (GLC)—though not the metropolitan districts, were abolished by the Local Government Act, 1985. The GLC was replaced by the 25-member London Assembly and the directly elected mayor of London, by the Greater London Act 1999. These new bodies exist alongside 32 London boroughs, created in 1965, at the same time as the Greater London Council. In addition to the two-tier structure of local government which covers most of England (after the abolition of the metropolitan counties and Greater London Council, the metropolitan and London Boroughs became *de facto* unitary councils) there are 46 unitary authorities created under the Local Government Act 1992. Unitary councils can be created by a statutory instrument, that is by the Secretary of State and without the employment of the full process of parliamentary legislation—they are, however, powerful councils, providing a full range of local services.

The current structure of English local government is displayed in Figure 2.

Figure 2.  
The Structure of Local Government in England



The Blair government's modernization of local government was predicated on a set of assumptions that reflect concerns about a disengaged and apathetic citizenry faced with a remote governing institution through which it is difficult to navigate, and which politically and managerially, lack visibility, openness, and transparency (Detr 1998a, 1998b, and 1999). The solution to these problems was found in institutional reforms; any notion of a fundamental rethink of the role local government has within the state, was absent. (ODPM 2004, 2005). Yet the Blair government is far from the only source of failure to think beyond the current confines of the long-standing constitutional settlement between the center and the localities. Indeed, past reforms of London government were concerned with how to constrain the political and economic might of the capital to ensure it could not compete with central government for political dominance (Rhodes 1970; Saint 1989; Travers 2004). While local government outside of London was never likely to pose a serious challenge to the dominance of the center, either collectively or individually, expressions of local political independence were never what the center expected of English local government. Rather, it was to provide, administer, and oversee a range of responsibilities granted to it by Parliament, and increasingly to do that in ways prescribed and monitored by government.

Government-inspired investigations into local government have far from ignored the politically representative role that rests with councils. The Herbert Commission and the Maud and Widdicombe Committees, confronted the politics of local government, as well as questions of service delivery and management. Maud was sufficiently robust to warn of the increasing danger of local authority initiative being sapped by "acquiescence in growing government interference" (Maud 1967). Widdicombe sounded a profound note of caution about the mix of political and service responsibilities for

local government, when it reported that: “the more local authorities provide services that are central to people’s lives, and seen to be so, the less realistic it becomes that they can be autonomous in the provision of those services.” It went on to reiterate Maud’s finding of 20 years earlier that: “local government is more than the sum of the particular services provided. It is an essential part of English democratic government,” but concluded that local government was in danger of becoming “less than the sum of its parts” lacking the “financial and political discretion to reflect local choice even in the basic statutory services which it delivers” (Widdicombe 1986: 54). While Maud and Widdicombe recognized the erosion of local autonomy and discretion that had occurred, the focus on the internal political processes of councils did not allow for the emergence of any new model of relationship between the center and localities. Rather, it was the conduct of council affairs that needed to be reconfigured; a theme continued by the Blair government.

The Layfield Committee (1976) saw the balance between local autonomy and central control being tipped in favor of the latter, by the need for local government to finance a wide range of services; Layfield noted how the center’s contribution to those services undermined local autonomy and accountability. The committee deemed it necessary to separate out what should be the responsibility of central and local government, for without such separation there would only be confusion and a lack of accountability. Layfield’s support for local income tax was a reflection of the committee’s support for local accountability and, further, for a politically powerful local government. Yet the ability to raise finance is only part of the story; undoubtedly the constitutional and political position of local government, in relation to central government, would be enhanced should councils have a buoyant tax base at their own disposal. But, subnational governments require more than access to finance, they require a constitutional power to legislate and to be protected from other layers of government.

Technocracy, in the shape of a large-scale public bureaucracy—the local civil service—responds to a range of complex demands, made locally and nationally, about the provision of public services. It addresses these issues from a managerial perspective, while recognizing that it must obtain political support from the ruling group for its proposals and the action it must take. Yet much of what passes for a technocratic process is, of course, highly attuned to the needs of the local political elite, or at least the ruling council group, in so far as that political elite is engaged in a managerial process in regard to public services. Moreover, the upper echelons of the local public bureaucracy operate in a highly politicized world where they advise councilors on policy and political decisions, but that activity is focused heavily on service-based concerns; this is not to say that such interaction between councilors and officers does not stray into the purely political: it does, but it is not the focus of that relationship (see: Elcock 1982; Laffin and Young 1990). Further, as Stewart (1986) notes, technocracy and bureaucracy operate on principles of “uniformity, hierarchy, or functionalism” and thus can

come into open conflict with the more chaotic, confused, discursive, and egalitarian processes that are politics, or worse, bureaucratize politics into a version of bureaucratic uniformity, hierarchy, and functionalism. Yet, while local government maintains a dual role in political representation and service provision, it will be subjected to the need to attenuate the tension these competing roles generate (Young and Davis 1990; Young and Rao 1994; Rao 2005).

In England, technocracy, with its employment of expertise and organizational resources to solve the governing problems of the localities and by using a focus on service management, efficiency, and effectiveness, requires ever larger units of local government. Arguments for increased council size are often based on the perception that bigger units are inherently more efficient and effective for the delivery of public services, than smaller councils. An argument based on the mistaken assumption that the economies of scale that accrue to private enterprise will necessarily accrue to the public sector, a sector not driven by the profit motive. Democracy, on the other hand, particularly local democracy, flourishes where small units of government are concerned, where cohesive communities can be identified and represented and their views responded to, and indeed, where experiments with direct democracy can clearly signal the wishes of the people to governing institutions. Yet small units of local government are constantly sneered at for simply daring to exist at all, let alone for the quality of what they do (Hazell 2006). Technocracy and democracy may be irreconcilable, but as the next section shows, local government has been far less of an institutional setting in which these competing factors have been carefully balanced; rather, we have seen the political and democratic processes constantly lose ground to the needs of technocracy and the provision of public services by large-scale bureaucracies.

## SIZE MATTERS: BUT TO WHOM AND WHY?

One of the consistent trends that has emerged from government investigations into local government, is that consequent reorganizations have resulted in ever larger units of local government being created. Indeed, Britain has some of the largest local authorities in Europe, with the “average population of shire districts over 10 times the average of the lower tier in Europe” (Stewart 2003: 181). The force of technocracy has conflated in the minds of many, size and efficiency. Stewart reminds us that:

... the scale of UK authorities reflected the dominant concept of local authorities as agencies for the provision of services and associated assumptions of sizeism dominant in government and public administration. It was widely assumed that size was associated with efficiency, despite the reality that investigations have failed to find any clear link between size and efficiency and/or effectiveness (2003: 181).

Notions of economies of scale, efficiency, and effectiveness have driven the demand for larger and larger units of local government, and have underpinned the debate about the unitary or tiered nature of local government. Yet Travers *et al.*, (1993) have repudiated the idea that there is necessarily a link between large population size and efficiency and effectiveness, or that large councils out-perform smaller ones. Muzzio and Tompkins (1989: 95), in a study of New York City, comment that: “there are few empirical analyses of the effects of city council size... much of the available information on the effects of legislative (council) size is speculative and anecdotal... At best, one size cannot be called better than the others; rather, different sizes are conducive to different goals.”

The debate about council size in England is a surrogate one for that concerning whether technical and managerial efficiency, or political and democratic processes, should drive local government. What becomes clear from the research and is often ignored in the English debate is that a number of democratic criteria are damaged as the size of a local government unit increases (Larsen 2002; Ladner 2002; Rose 2002; and Laamanen and Haveri 2003). Turnout at local elections, direct citizen contact with councilors and officers, citizen attendance at council or public meetings, political discussion, citizen perception of influence over local affairs, trust in local councilors and officials, citizen identification with the local council, and levels of political engagement, decline in larger councils (Oliver 2000; Denters 2002; Ladner 2002; Baglioni 2003; and Kelleher and Lowery 2004). Yet some have found that as population size increased, citizen involvement increased—up to a point and then began to decline (Keating 1995; Cusack 1997; Rose 2002; Frandsen 2002). Indeed, Keating (1995: 117) comments:

The “right” size for a municipal government is a matter of the local circumstances and the value judgements of the observer. Like so many issues in politics, this involves matters of ideology and interest.

Nielsen (1981: 57) is rather more definite in the conclusions made: local distrust, local lack of efficacy, and local lack of saliency are systematically higher in medium-large municipalities than in smaller ones... the size factor may be a warning against far-reaching amalgamation.

When it came to issues of efficiency and effectiveness, no clear conclusions can be drawn from the research; a surprising conclusion this, given the certainty with which the case for larger authorities is often made, in England. Indeed, Mouritzen (1989) concludes:

The analysis confirms that citizens are generally more satisfied with urban services in the smaller communities, and that this is the case because democracy and participation—in the eyes of citizens—have better conditions in the smaller communities and because smaller communities are generally more homogenous than larger ones... the optimal city size seems to lie within the range of 20,000 to 30,000 inhabitants (1989: 679).



Newton (1982: 193) maintains that “the search for optimum size... has proved to be as successful as the search for the philosophers’ stone, since optimality varies according to service and type of authority.” He indicates that small and large authorities do not differ by any more than a small amount on various measures of functional effectiveness and democracy.

Lord Redcliffe-Maud<sup>3</sup> struggled with an underlying desire to see larger units of local government while recognizing that such larger units would have a deleterious affect on democratic engagement. Lord Redcliffe-Maud recognized that democratic considerations pointed to an upper size limit and that if councils became too large and remote, councilors would find it difficult to: maintain contact with constituents; monitor and hold council officials to account; comprehend the problems of the area; and determine priorities and take policy decisions. Moreover, citizens would fail to identify with large units of local government and have any sense of belonging to it. Maud also recognized that when an authority is very large, there is less chance that citizens will be willing to regard it as the only authority that ought to provide all their local government services. Yet Maud also argued that it was a requirement of effective local democracy that authorities should be in charge of areas within which they can provide efficient services and, moreover, that areas must contain populations large enough for effective use of resources.

The committee concluded:

There can be no firm rule about the maximum size of an authority. But we concluded that the range of population, from about 250,000 to not much above 1,000,000, which we considered most suitable on functional and organizational grounds for authorities administering all local government services, was also appropriate on democratic grounds.

The preference Lord Redcliffe-Maud had for larger units of local government, as being necessary for increased efficiency, had to be tempered by the damaging effects larger units have on the sense of local identity and democratic engagement. Lord Redcliffe-Maud recommended a maximum of 75 councilors for the largest local authorities to reduce the problems of service coordination and management (1969: paragraph 456).

Widdicombe also considered the number of councilors (1986: paragraph 7.3) and recognized that reducing the number of councilors would, of course, result in them representing a larger area and population, which could be disadvantageous to political minorities. The Widdicombe Committee (1986) was aware of how larger councils exacerbate the tension between the management and representative roles of the councilor, and saw these more easily reconciled in smaller authorities. Whilst Widdicombe recommended that single-member wards be the order of the day, the committee made no recommendations about council size other than to say that the matter should be reviewed in the light of developments in local democracy. Arguments about increasing the size of English councils go hand-in-hand with a barely hidden-agenda to reduce

the number of councilors in England. Thus, technocratic questions of questions of efficiency and effectiveness are linked to a deterioration of the representative process, as fewer councils means an increased representative ratio for those remaining councilors. Indeed, the English councilor has the largest representative ratio across Europe (Wilson and Game 2002: 247).

Yet, putting the representative ratio to one side, in two-tier areas with county and district councils, two sets of councilors represent the same group of citizens, but focus their political activities on different councils, thus providing a form of check and balance in the political system. In unitary councils, no such political check and balance exists.

## English Local Government: Unitary or Tiered, and How Many Tiers?

Despite the—at best—ambiguous nature of the evidence suggesting larger councils are more efficient, and despite the clear evidence that larger councils have a deleterious effect on a range of democratic criteria, the link between large-scale authorities and efficiency is, by now, an article of faith for many involved in the English debate on council size. Linked to the debate about size and efficiency, and certainly refutable by the same criteria, is the rather sterile debate about the merits of unitary versus two-tier council structures. Unitary councils have been supported by both the Conservative and Labour Parties. Indeed, John Major's Conservative government's guidance to the Local Government Commission review, formed in 1992, favored the unitary system and stressed the importance of local government efficiency, accountability, responsiveness, and localness, criteria that display the contradictions inherent in the technocratic-democratic arguments played out since 1945 (Young and Rao 1997).

The Blair government favored unitary local government and, indeed, the introduction of unitary local government would have been mandatory for any areas voting "Yes" in a referendum for an elected regional assembly. The government's unnecessary linking of regional chambers to the introduction of unitary local government has no basis in either theory or practice. There appeared, however, to be a slowly emerging reaction to the overly large size of councils in England. David Miliband, the former Minister for Communities and Local Government, recognized, by contrasting English local government with its continental counterpart, that a "power gap" had been generated between governors and governed as a consequence of the remote nature of English local government (New Local Government Network Annual Conference, January 18, 2006). However, despite suggesting it had no plans for unitary reorganization (ODPM 2004: 20), in October 2006, the government announced that it was seeking the submission of proposals from councils that wished to reorganize local government within their county area, on a unitary basis. By January 2007, 16 such proposals had been received; some setting out different proposals for the same areas, such as with those produced for

Bedford, Cheshire, and Northumberland. The plans had the effect of reducing some 68 councils to only 14 or 16, depending on the proposal. In July 2007, the government announced nine successful applications for unitary status that, in the end, reduced 44 councils to nine; three proposals affected only the proposing council (for an excellent analysis of the latest review of local government, see Chisholm and Leach, 2008). These new councils came into existence on April 1, 2009. Table 3 sets out the successful proposals and the basis of the new council.

*Table 3.*  
New English Unitary Councils Created in 2007

County Area Unitary Proposal (Number of Districts in Brackets)	New Unitary Structure	Change in Number of Councils
Bedford ( 3)	2 Unitary Bedford	4 reduced to 2
Chester (6)	2 Unitary Cheshire	7 reduced to 2
Cornwall (6)	County Unitary	7 reduced to 1
Durham (7)	County Unitary	8 reduced to 1
Northumberland (6)	County Unitary	7 reduced to 1
Shropshire (5)	County Unitary	6 reduced to 1
Wiltshire (4)	County Unitary	5 reduced to 1

Clear from Figure 3 is the government's preference for the larger, upper-tier county council to become the unitary authority; in only two of the successful applications—Cheshire and Bedford—was a sub-county proposal successful, but which still resulted in a merging of district councils into larger units of local government. Bedford Borough was given unitary status on its existing boundaries; Bedford has a directly elected mayor.

Three other unitary proposals are being considered by the government for the counties of Norfolk, Suffolk, and Devon. No decision has been made at the time of writing, but what are known as the "preferred options," preferred by the boundary commission, would result in a county unitary being created in two cases, Norfolk and Suffolk; and a two-unitary option being introduced in Devon. In the case of the Norfolk proposal, it has been suggested by the Boundary Commission that the town of Lowestoft, currently in the county of Suffolk, being transferred to a new unitary council, based on Norfolk County Council. That proposal has led to demonstrations in the streets of Lowestoft and an outpouring of public anger that technocratic criteria can seemingly outweigh public views and traditionally local loyalties. The two areas concerned were on different sides during the War of the Roses, which raged in England from 1455 to 1487, and

again on opposite sides during the English Civil War from 1642–51. Contemporary governments overlook such historical antecedents at their peril.

Not only has the current unitary council creation seen a reduction in number of councils, there is, of course, a linked reduction in the number of councilors. In the seven county areas referred to in Figure 3, there were a total of 2,062 county and district councils, the new unitary councils created will have only 751 councilors; a reduction of over 1,300 councilors or a 63 percent loss in the number of councilors. The Boundary Commission's preferred options for the counties of Norfolk, Suffolk, and Devon could see as many as two in three councilors lost; a 66 percent reduction in councilor numbers. England and, indeed, for that matter, Britain, is recognized as having the highest representative ratio across Europe (Wilson and Game 2006). Reductions in councilor numbers, such as those occurring during the current round of unitary council creation, and the consequent increases in local government size, can only damage the health and vibrancy of English local government and reduce the opportunities for local political participation in representative government and democracy.

While the government criteria for deciding upon the acceptability of the proposals for unitary reorganization attempted to link issues of governance, political leadership, and neighborhood empowerment to value-for-money and efficiency, what was clear in the process and in the proposals approved was that the government saw larger councils as the way to meet these political and managerial criteria (DCLG 2006: 9), a view which flies in the face of the research evidence presented in this section. Yet meeting the government's preferred criteria are not a product of council size, but rather of political initiative, skill, and activity on behalf of councils and councilors. Indeed, as Borraz and Le Gales (2005) have shown, French communes display the potential that small councils can have, and that such small councils, by forming partnerships with surrounding authorities, can provide services as efficient and effective as far larger authorities, whilst at the same time, protecting and maintaining a distinct community and political identity.

The most recent unitary debate in England also puts in sharp-relief the way in which the views of local citizens can and are ignored if and when they prove inconvenient to a government determined to pursue a policy of council amalgamation and enlargement. In County Durham, the seven district councils organized a referendum, within each of their areas; 76.4 percent of voters said "no" to a single unitary council; each district returned a majority vote to keep the existing two-tier system. In Shropshire, three of the five district councils that faced abolition and replacement by a single unitary council for the whole of Shropshire held referendums; in each referendum a majority of voters opposed that proposal. Yet, for both Durham and Shropshire, the government's decision was to create a single unitary authority, based on the larger, top-tier county council, thus ignoring the wishes of the voters. Local government boundaries, in the government's view, are nothing to do with local people.

A further twist to the disengagement of local government from local citizens comes with the existence of councils that fall into one of three categories: the “point of the compass” council; “who are we” council; and “non-existent” councils. The point of the compass council has a name that includes a point of the compass and some reference to a very broad, rather than a specific, geographic location. Councils falling into this category are those such as: East Staffordshire, North East Derbyshire, South Norfolk, North Shropshire, East Hampshire, West Berkshire, West Lindsey, and Mid Suffolk. “Who are we” councils are indicated by the use of the word “and” or “with” in their titles as a sign that two areas have been merged together, and to placate the local citizenry, so both former independent area names are reflected in the name of the council created from the merger. Thus, we have in England: Redcar and Cleveland, Kings Lynn and West Norfolk, Basingstoke and Deane, Brighton and Hove, Bath and North East Somerset, Shrewsbury and Atcham (abolished in 2009 and replaced by a Unitary Shropshire Council), Oadby and Wigston, and Blackburn with Darwen. Each of the “and” councils would have been an independent council prior to a forced merger from a government-inspired reorganization. Finally, there are the “non-existent” councils. These councils, again, created by government mergers, were shorn of their original names, and new, artificial names were created that reflected geographical features, local landmarks, or were just made-up, doing anything but recognizing a settlement that local people would recognize and have some loyalty towards. Thus, councils such as Three Rivers, Sandwell, Newham, Kirklees, and Tendring simply do not exist, other than as council names.

Yet securing the ever increasing size of local government would be far harder—though not impossible—for governments to achieve, had it not been for a helpful complicity among many in the local government establishment. The disconnection between earlier political elites and various local governing institutions has been shown. Added to this is the process referred to as an ongoing nationalization of local politics, which Gyford (1985: 75–97) placed into five distinct stages: *diversity* (1835–65), *crystallization* (1865–1905), *realignment* (1905–1945), *nationalization* (1945–1974), and *reappraisal* (1974–). In each stage, the national political parties showed more and more interest in local elections and in campaigning for local office so as to control the levers of local power and, importantly, local expenditure. They also used local elections to learn lessons for parliamentary elections. Today, of the 18,224 councilors in England, some 16,719 or almost 92 percent were elected as candidates of either the Labour or Conservative Parties or the Liberal Democrats; only 1,375 are independent councilors, and only 130 are from a total of eight smaller parties—together representing only eight percent of all councilors in England.

The focus the three main political parties in England have on capturing control of, or securing representation in, council chambers, results in the loosening of the bond between the councilor and the community, and a strengthening of the ties between the

councilor and his or her political party—for it is the party that can guarantee or withhold election to the council. The three main parties conduct their business and the business of local politics in broadly similar ways wherever they are located, and they have rules and regulations, locally and nationally, and a structure across the country that is broadly similar. The existence of political parties organized to play a particular role within local politics and the politics of the council, has a profound affect on the way political decisions are made, on those decisions themselves, and on the relationship between the councilor and the citizens and communities he or she represents. Through a process of political domination of local council seats, the main parties, because of the way in which they conceive and conduct local politics, have served to squeeze out from the local political arena any diversity of practice and form, and have substituted local diversity with local conformity in political processes across the councils of England.

In addition to a shared approach to the conduct of local politics, the Labour and Conservative parties have broadly shared views about the proper role of local government in the English constitutional settlement. Indeed, while periodically arguing over the shape of local government and the number of tiers, Conservative and Labour administrations have created unitary councils, normally by amalgamations, and both parties subscribe to the “big is beautiful” notion of local government (see Chisholm and Leach 2008; Wilson and Game 2002.).

Thus, we see in England, that an ongoing complicity amongst local political and managerial elites assisted, rather than opposed, increases in council size and the creation of council boundaries that do not reflect community boundaries. It must be noted, however, that councils have and continue to defend themselves against forced amalgamations, and MPs have made impassioned speeches in the Commons in defense of councils threatened with take-over. Similarly, MPs and councilors have supported a unitary reorganization of local government, often in the face of local opposition—using similar technocratic arguments about cost, efficiency, and effectiveness that could be expected from most civil servants and local government managers. The pattern of local elite reaction to increases in size is a scattered one, with elites variously supporting and opposing amalgamation in different local settings. Yet, the disconnection between local elites and local councils, the nationalization of local politics, coupled with the already large size of English local government, has all but removed effective local elite political opposition to further increases in size. Moreover, the nationalization of local politics was responsible for seeing many local notables leave elected local government when faced with party competition and so also removed any likely source of opposition to government-inspired reorganizations (Lee 1963).

Finally, English local government, as well as being a creature of statute, also has long been a creature of central government finance. As government loaded more and more service responsibilities onto local government, in turn, an increasing part of the cost of those services was borne by central government. Councils can only raise the local tax

that central government gives them power to raise and, indeed, over time a complex set of financial regulations and controls have built up, setting out how councils can spend and how they can tax—as well as how much they can tax. Currently, local government is financed thus: central government 61 percent; business rates 17 percent; and council tax 22 percent (the last two being the locally-raised taxes). Central government announces each year the level of local government support it will provide; the 2009/10 settlement was increased by 42 percent on 2008/9, to some GBP 73.1 billion; at the same time, increases in local council tax were capped at 2.6 percent.

Central government not only provides the bulk of local government income and, of course, sets out how it can be spent; it also controls the method by which local government raises its own finance and how much it can raise locally. Government funding is linked to service responsibilities and, thus, the funding regime is based on technocratic criteria designed not only to achieve local value for money, but, overall value for money from the local government system. Thus, central government can claim that technocratic criteria must drive local government reorganizations and the shape, size, and nature of local government, because the national taxpayer pays the local bill. Moreover, many councilors, linked as closely as they are to a managerial oversight of service provision—more so than their role as local politicians—can also accept that technocratic criteria should be employed to shape and structure local government and can see council size as related to service provision efficiency rather than privilege, political representation, community cohesion, and governance and the democratic health of the locality. Still, the lack of an independent source of finance or control of its own spending only exists because of the constitutional position of local government, so we are led back to the need to reassess that constitutional position and suggest alternatives if English local government is to be both local and government.

Council size in England is reflective of a victory of technocracy over democracy and over local politics, and England is left with many councils that struggle to be meaningful and relevant to the citizens they serve, govern, and represent. The next section suggests a remedy to the currently unbalanced United Kingdom constitutional arrangements concerning the nations of the United Kingdom and provides an alternative vision to the subservient role played by local government and citizens in British democracy.

## SMALL IS BEAUTIFUL IN A FEDERAL UNITED KINGDOM

The Blair government, elected in 1997, moved quickly to introduce devolved political institutions in three of the four nations of the United Kingdom: the first elections to the 129-seat Scottish Parliament and the 60-seat Welsh Assembly were held in 1999; the Northern Ireland Assembly, formed as a result of the Good Friday Agreement, had been elected in 1998. Within a unitary state, powers that rest with any subnational

body are either granted because the central authority wishes to recognize something distinctive about the area concerned, usually claims to some form of nationhood. Or, some distinct political power and arrangements for political representation is granted to geographically distinct areas, to ease the burden on central government. Such governmental off-loading was recognized by the Kilbrandon Commission on the Constitution, which commented: "Any arrangement which fell short of the devolution of executive powers would do nothing to lighten the load on Parliament and the central government" (Royal Commission on the Constitution 1973, paragraph 1192).

Devolution of the nature enacted to the Scottish, Welsh, and Northern Ireland bodies is the transference of a form of political representation and the passing down of some governmental authority to bodies that complement, rather than conflict and compete with, the United Kingdom Parliament and central executive. Governmental authority is not shared in this process. Rather, it is lent by the center, in what we might call a political-governmental mortgage; a mortgage on which any future government can foreclose. Should a future government wish to abolish any or all of the devolved chambers, constitutionally, it can do so. The three chambers are, just like local government, existing at the whim and pleasure of the center, with no constitutionally guaranteed (in the United Kingdom sense) continued right to exist. Moreover, should the center wish to alter the powers, responsibilities, and duties of these chambers, it can do so.

Thus far, we have referred to three sub-United Kingdom governmental bodies, created by the asymmetrical devolution and constitutional program of the Labour government; asymmetrical because of the imbalance in roles, powers, and responsibilities between the three bodies and their relationships with the center. But there is a further and wholly unjustified asymmetry in the new system. Ironically, the government's devolution agenda has opened up a gaping democratic deficit of its own creation, and left a clear and vital piece missing in the United Kingdom constitutional and governing jigsaw: an English Parliament. The need for each of the nations of the United Kingdom to have their own politically representative and governing institutions is not one solely of fairness, although leaving England out of the new constitutional design is clearly unfair. Rather, an English Parliament is necessary to formally recognize the reality that the unitary state of Britain is a "political-cultural construct," and one which is a "top-down official national identity, not a popular democratic national identity" and to present the separate nations of the United Kingdom with an opportunity to develop their own cultural and national directions (Preston 2004: 71). Moreover, an English Parliament would rebalance the constitutionally iniquitous political settlement and make a federal United Kingdom possible.

Hazell (2006) has argued that an English Parliament should not be formed because of the size and power of England in relation to the rest of the United Kingdom. He suggests that because the German postwar constitution dismantled Prussia into distinct states to prevent it from dominating the new Germany, a similar fate should befall England,



being broken into pieces to suit a regional agenda and to somehow make it fair to Scotland and Wales. Hazell fails to recognize that in creating the German Constitution of 1949, the purpose was to bind Western Germany together and secure its existence as a political unit, though, this would not be the purpose of an English Parliament in a federal United Kingdom. On the contrary, each nation, including England, having its own parliament is designed to loosen the ties between the center and the United Kingdom nations, and between the nations themselves, giving each more power over its own affairs. Moreover, historical precedence is simply not good enough in dealing with complex political, economic, and moral questions that demand political and process solutions. Yet, as Hazell recognizes, almost 84 percent of the population of the United Kingdom are based in England; with just under nine percent in Scotland, 5 percent in Wales, and 3 percent in Northern Ireland. Opposition to an English Parliament is, therefore, not only undemocratic, it is decidedly anti-democratic. Moreover, most federal states have been able to balance, in a second chamber (the new role for a reformed House of Lords), the smallest population states with the most populous states. The US functions quite adequately with Wyoming's population of 509,000 against California's 36 million. Rhine-land Westphalia with 18 million souls, and Bremen with 700,000, still enables the German political system to cope.

The main issue in managing the transformation from a unitary to a federal United Kingdom, is managing the transformation from a sovereign Parliament to a sovereign citizenry. Federal systems are formed as a result of a negotiation of the balance of power between the center and the constituent states and as a result of a similarly negotiated settlement about the balance of power between the state and its institutions and the citizen. The balance can be tipped in either parties' favor. Here, the notion is that in a federal United Kingdom, the balance would be tipped in favor of sub-statewide institutions and, ultimately, as explored in the next section, in favor of the citizen. Thus, the United Kingdom Parliament and central executive would relinquish legislative and political control over the economic, cultural, political, moral, environmental, societal, legal, policing, and structural direction that the constituent states, or nations, might want to take. Leaving to the center residual powers and a focus on foreign affairs, defense, and international treaties. The governments of England, Scotland, Wales, or Northern Ireland would control the relationship between themselves and local government, and of course be free to follow very different paths in terms of local government structure, powers, roles, responsibilities, tiers, council size, the role and powers of councilors, electoral systems, and local taxation.

So far, we have the model of a weak center and powerful constituent nation-states, but what of local government in this federal arrangement? The preferred model here is of a powerful, politically independent local government, with a constitutionally protected right to exist (IPPR 1991). Moreover, a local government that would have its responsibilities and role constitutionally protected, and with a legislative power of its

own right within its own boundaries with individual council constitutions or charters, negotiated with the national state Parliament, not the United Kingdom Parliament. If Shropshire County wished to ban smoking in public, but to permit fox-hunting, and Staffordshire County (or Cannock Chase district, for that matter) wished to do the reverse, and at the same time, raise the age at which it was possible to drink alcohol to 25, then so be it! Councils would, under this model, have the power to legislate and—all of a sudden—local government is meaningful and relevant. The center and national state Parliaments could, of course, have a financial equalization role to play, but not to the extent of controlling the policy and decisions of councils through such financial mechanisms.

When it comes to the provision of public services, councils, within this particular vision of a federal United Kingdom, would have to power to decide how certain services were provided and could mix and match public, private, voluntary, and charity provision. Moreover, councils would be responsible to the voters for the legislative programs they enacted. What is envisioned here are councils operating as governing institutions with an emphasis on the political and representational role they undertake, rather than on the provision of public services, which would be provided through a new set of institutional arrangements.

Finally, the question of the tiers of local government remains. The view here is of a multi-tiered set of arrangements, with some areas of responsibility resting with parishes, districts, and counties, and also with some services being the responsibility of single-purpose, but elected bodies. The principle underpinning such an arrangement is one of democracy and popular engagement: responsibility for public policy, public expenditure, and political decisions must rest with an elected body of some sort. Thus, we see the power of political decision-making resting at institutional points as close as possible to local communities. Moreover, legislative power is not the sole property of the center, nor can the center manipulate the localities at its pleasure. But, if we are to have powerful local political entities governing our localities, how and to whom would they be accountable?

## ENGLISH LOCAL GOVERNMENT: A NEW DIRECTION FOR POLITICAL ACCOUNTABILITY

The model of a federal United Kingdom set out here has political power growing up from citizen to government, rather than in the current British case where power and sovereignty rests not with the people but with Parliament and the central executive. Thus, political accountability flows to citizens and political power rests with them. If local government is to be a powerful governing institution, with legislative powers within its own boundaries, then a robust political accountability is required. Indeed, in

such a system, not only political sovereignty, but real political power over political and governing institutions must rest with the citizenry. Indeed, the very act of constituting a council must rest with the local people—for as Tom Paine pointed out: “A constitution is not the act of a government, but of a people constituting a government; and government without a constitution, is power without right.” For local government in a federal United Kingdom that would mean that the very shape, size, and boundaries of councils were not declared by some superior governing institution. Rather, they are set and decided by local people themselves. A corollary of which is, if group of citizens wished to cede from a larger authority and create a new council, and could convince a sufficient number of their fellow citizens to support such an idea, then a new council is formed and a new council constitution agreed, again by the citizenry. A quick glance at the US shows these suggestions are neither unique nor unworkable.

As well as power over the shape, size, and boundaries of councils, citizens also need power over those they elected to govern them. Simple political mechanisms would be put in place to ensure accountability and citizen sovereignty: the right of citizens to petition for recall elections for any councilor or elected mayor; and, a similar right to recall an entire council and for new council elections to be held. There is no more powerful mechanism for keeping elected representatives close to those they represent, than the electorate being able to remove politicians from office between elections. Similarly, if councils are to be powerful political institutions in their own right, then shorter terms of office are required to provide the electorate with opportunities to cast a judgment on the policies and laws of the council. A reduction of councilor terms of office to three years, with a strict three-term limit, would bind councilors more closely to the communities they represent. Finally, the injection of a strong dose of direct democracy into the representative system would be required, with council laws subject to a binding referendum. In addition, citizens would be able to call referendum, or put forward citizen initiatives for public ballot, the results of which would be binding on the council.

Thus, we see not only politically strong and independent councils created with the balance of power between the center and localities tipped in favor of the latter, we also see a further tipping of the balance of power from governing institutions to local citizens. In a federal United Kingdom, political power and sovereignty would be a bottom-up process and develop as a hybrid direct/representative democracy.

## CONCLUSIONS

In the discussions and the decisions made by central government about the size of English councils, the tension between the technocratic demands of efficiency and effectiveness and the democratic demands of political representation and citizen engagement, have

been largely resolved in favor of the former. Moreover, they have been resolved by the government, not local citizens. In England there has been a continual and gradual move towards larger and larger units of local government, and towards more central government control and less local autonomy. As councils have, over time, become larger, their role in the provision of public services has overshadowed their role as politically representative and governing institutions. That shift, however, has been made despite the inconsistent evidence about the efficiency and effectiveness of larger units of local government and despite the more consistent evidence of the deleterious affect that larger units of local government has on the democratic and political processes. Moreover, the inexorable push from central government for larger and larger local government, is something with which the Conservative and Labour parties and the local government establishment has been complicit.

It appears that the British government, and local government establishment, is prepared to put evidence to one side in the pursuit of larger local government based on political preference alone. Local government size is a political decision—pure and simple; so too are decisions about what local government should be able to do, the powers it should have, and the relationship that is forged between the center and councils, and councils and local citizens. None of these questions are adequately addressed simply by considering council size. Rather, they are about the nature of political power, where it rests, how it is employed, what checks and balances exist on its use, how public resources are allocated, and to whom; the size and structure of local government will indicate a government's preferred solution to these questions and thus the answers are never just about local government alone.

In addition, local political elites have shown themselves either unwilling or unable to prevent the gradual process of council amalgamation and increase in size that has been the consistent story of English local government. This is partly because they accept the link between efficiency and size; partly because they perceive that larger councils offer more power and resources to control; partly because of the disconnection of social elites from local political power; and partly because of the nationalization of local politics. The nationalization of local politics and the domination of local councils by the three main parties occurred because local government was seen as a way of implementing national party and government policies, rather than seen as an independent political voice of the localities. This is a view that emerged because it reflected the reality of the constitutional position of local government and which in turn highlights how it could be a tool of national party political and ideological advancement. Thus, it eases the implementation of national government policy if the local and national governing parties are the same; if the local and national governing parties are different, then an appearance of political plurality is presented, while the lack of local political power does not effectively impede the implementation of central policy or provide a barrier to a dominant political ideology.

For many on the left, larger councils ease the process of wealth redistribution as affluent areas are governed alongside poorer areas by the same council. By allowing areas to cede from existing councils to form their own councils, or giving local people the power to set council boundaries, the risk is run—for the left—that affluent areas will free themselves from the demands of wealth redistribution, at least locally. For those on the left, in England at least, large local government is a redistributive mechanism and not so much about local self-government. To those on the right—more, smaller councils means more councilors, more bureaucracy, and council staff to be paid for, more expensive and unnecessary layers of government, and more tax to be paid. These arguments form the crude ideological and political battleground for the debate about council size in England.

Council size is, thus, an ideological decision; the left and the right, in England, feel, for different reasons, that their political positions are best served by large local government. The current government is pursuing a contradictory policy. It wishes to see greater citizen engagement with local government, councils that are more relevant and closer to local people, increased electoral turnout, and higher levels of trust in local government. Yet the results of the government's support for unitary councils means larger and more remote councils and a less engaged citizenry. Moreover, governments of all political colors have resolutely refused to allow councils greater local autonomy or provided them with clear political powers that can be used to govern their localities. Thus, a much broader issue remains, and that is whether the United Kingdom political system continues to rest on a unitary state with a supreme Parliament from which sovereignty flows, or whether the Constitution can be transformed to a sovereign citizenry from which political supremacy flows.

The institutional arrangements for that new political and constitutional flow would be set within a federal United Kingdom, encompassing an English Parliament alongside those devolved bodies already existing, but with political power resting—institutionally—as close to the citizen as possible, that is, with local government. Moreover, local government would be shaped and constructed to coincide with identifiable and definable communities, rather than administratively and technocratically created artificial entities. Councils, thus, become relevant: first, because they speak to and for a community that has a cohesive identity—in a geographical sense; and, second, because it would not just be a service-providing institution, but a political and governing body with the power to control what happens within its borders. Finally, the model here is based on a principle that governing should be difficult—not easy—for the governors, at all levels, and that small local government is at the heart of making government difficult for those holding political office and power.

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## NOTES

- <sup>1</sup> The Constitution of the Netherlands, for example, allows for the abolition of municipalities; Netherlands, Constitution, Chapter 7, Provinces, Municipalities, Water Boards and other Public Bodies, Article 123, Subsections 1 and 2, Ministry of the Interior and Kingdom Relations, Constitutional Affairs and Legislation Department, 2002.



- <sup>2</sup> Most of English local government is tiered with the larger top-tier counties responsible for education, social services, and strategic matters such as transport and planning policy; the second-tier districts, with some districts being referred to as boroughs (though they are different to London and metropolitan boroughs) are responsible for services such as housing, leisure, waste collection (though disposal is carried out by the counties) and local planning. Unitary councils are responsible for all services within their areas and were created from the early 1990s onwards, normally through a process of amalgamation—though not always. Unitary councils are created after a government sponsored review of local government; the review being required to take account of government-set criteria. The first wave of unitary councils created in the late 1990s had to meet criteria related, one way or another, to efficiency, effectiveness, clarity of responsibility, reducing cost and service quality, as well as being able to demonstrate public support for a unitary proposal.
- <sup>3</sup> Maud chaired two inquiries: the Committee on the Management of Local Government, which reported in 1967; and the Royal Commission on Local Government in England, which reported in 1969, by which time Maud had been given a peerage and became Lord Redcliffe Maud.

Territorial Consolidation  
Reforms in Central and  
Eastern Europe



# Conceptualizing Territorial Reorganization Policy Interventions in the Republic of Macedonia

*Veli Kreci and Bekim Ymeri*

## EXECUTIVE SUMMARY

This paper attempts to analyze territorial reorganization policy interventions in Macedonia, first in 1995 and again in 2004, which overreached their aims and objectives, and where economic viability and institutional reform were trumped by ethnic factors in defining local government boundaries. The core argument is that, through territorial reorganization, opportunities are provided to major ethnic political parties, both Macedonian and Albanian, in order to exercise more power by increasing their “market share” in local governments. This paper, argues that this political approach adds to a higher level of segregation among ethnic communities.

As many states have gone through territorial reorganization, this effort has been qualified primarily as politically-necessary, economically-viable and an institutionally-pressing need. In the case of Macedonia’s two territorial policy interventions, all three main qualifications were present though very much affected by pure political calculations, which at the time of the policy interventions proved to have opposing views on the future of the country. Further, this paper clearly explains how balancing these three main components posed challenges in Macedonia due to its citizens perceptions and demographic profile.

In understanding the need for territorial reorganizations in Macedonia, one must not ignore the historical legacy and developments around the region in the last decade. The disintegration of the former Yugoslavia led to the independence of Macedonia on September 8, 1991. Immediately after becoming a sovereign and independent state, the new Macedonian constitution was drawn up and later adopted in November 1991, which in turn revealed tensions between two major ethnic groups over constitutional nationalism and the principle of democracy. It was not until 2001 when the Ohrid Framework Agreement was signed through the mediation of the international community that the country’s political leadership recognized the need for a new political discourse in order to bring more social and economic progress to the country. Challenges

faced after independence were not merely political. Therefore, political solutions did not adequately respond to the expectations of all ethnic groups. Nor had they proved to be politically attainable. Soon it was realized that Macedonia's path to becoming a modern democratic state would be through recognizing the multiethnic character of its society and encouraging the participation of all citizens in democratic life. For this reason, the development of local self-government was essential for establishing strong relations between all the country's citizens. Clearly, with the decentralization process aiming at giving more functional powers to local authorities, not only had Macedonia's road to democratization been strengthened, but also the state's unitary character had been consolidated.

During the decentralization process, local governments' competencies were expanded. Therefore, local governments controlled more and more public expenditures. For instance, the share of local revenue in GDP increased immensely, from a mere 0.88 percent in 1999, to 3.38 percent in 2007. The decentralization trend substantially raised political parties' interest in the process. The first reason for this was territorial reorganization, which defined not only local governments' boundaries, but also the majority population within that local government. Through defining their representative proportions, political parties were directly affecting their "market share" in the local government. The second reason for political parties' increasing interest in the decentralization process is the different perceptions of the two major ethnic communities. The ethnic Macedonian community perceives the process as something that will lead towards fragmentation of the country as local governments dominated by ethnic Albanian populations become more empowered. Ethnic Albanians, on the other hand, have tended to view the situation in reverse. The third reason for the increased interest is use of language at the local level, especially as it relates to ethnic Albanians. In local governments populated by non-Macedonian ethnic groups who are at least 20 percent of municipality population, the major minority language also becomes an official language of the municipality, in addition to Macedonian.

## INTRODUCTION

Every territorial reorganization effort could be qualified as a politically-necessary, economically-viable, and an institutionally-pressing need. In the case of Macedonia's two territorial policy interventions, in 1995 and 2004, all three main qualifications were present, though very much affected by pure political calculations, which at the time of the policy interventions, proved to have clashing views on the future of the country.

Balancing all three components has been a clear challenge for many advanced states, let alone for a state with a lack of governing capacity, due to its recent independence and the political turmoil in the region that began with the disintegration of the former

Yugoslavia. Additionally, all these three components are all the more complex, given that the perceptions of the country's citizens are diametrically divided. Moreover, if the country's demographic profile is concentrated in one place, or the legacy of history is still alive, every policy intervention in territorial reorganization can generate elevated nationalistic feelings among citizens with different ethnic backgrounds. It is important to mention that such high emotions potentially present conflicting expectations from territorially-based organizations.

Very often, political interpretations of such expectations are unable to form a common interest for all. This may be regarded as territorial reorganization, eventually fostering economic development of the local region, improving citizens' lives, or providing better public services. Not being willing or able to "politically sell" territorial reorganization as "good for all citizens," decision-makers have consciously or unconsciously contributed greatly to the stagnation of the country's economic development. Consequently, where territorial reorganization could have been seen as a policy intervention affecting multiple stakeholders in the society and using this opportunity to foster economic development, territorial reorganizations in Macedonia have been the subject of political bargaining among the main political parties representing the country's two major ethnic groups—ethnic Macedonians and ethnic Albanians.<sup>1</sup> A dislocation of the proposed solution from the wider policy considerations, in order to narrow political bargaining, created the first building blocks for a political environment in which critical policy decisions are to be solved through political bargaining among top political leaders of major ethnic political parties.

Within this system of decision-making, political bargaining on nationally sensitive issues negatively contributed to the establishment of a common national interest. For this reason, the country's political environment is such that any demand coming from the minority would, first and foremost, be interpreted according to how it affects the majority position, or vice versa. In our view, such ethno-political justifications present the most fundamental deficiency in politics, in that they contribute greatly to postponing resolution to such problems. This, in turn, brings a new approach to problem-solving at higher levels of government. Interdependence is not much of a consideration in countries where fundamental reforms such as territorial reorganization are taking place. Taking positional advantage is what counts.

In this paper we attempt to analyze territorial reorganization policy interventions, first in 1995 and again in 2004, which overreached their aims and objectives, and where economic viability and institutional reform were trumped by ethnic factors in defining local government boundaries. The core argument is that, through territorial reorganization, opportunities are provided to ethnic political parties, both Macedonian and Albanian, in order to exercise more power by increasing their "market share" in local governments. Consequently, this political approach adds to a higher level of segregation among ethnic communities.

## POLITICAL-CONSTITUTIONAL MOVEMENTS AFTER INDEPENDENCE

### Historical Legacy

After the disintegration of the former Yugoslavia, Macedonia declared its independence on September 8, 1991.<sup>2</sup> Unlike Slovenia, Croatia, and, most tragically of all, Bosnia and Herzegovina, the Republic of Macedonia emerged peacefully from the collapse of the former Yugoslavia. Immediately after becoming a sovereign and independent state, the new Macedonian Constitution was drawn up and later adopted in November 1991, which, in turn, revealed tensions between two opposing principles: the principle of constitutional nationalism, by which the dominant *nation* in the state is sovereign and members of that *nation* are privileged over others, on the one hand, and the principle of democracy, by which all are citizens of the state, regardless of their nationality (*nation*) (Danforth 1995). In fact, this was a major point of contention during the parliamentary debates that took place while the Macedonian Constitution was being drawn up. Would the Republic of Macedonia be a “national state?” Or a “state of the Macedonian *nation*?” Would it be a “state of equal citizens?”

After long discussions that were held as part of an effort to gain legitimacy and recognition from the United Nations, the European Community, and other international organizations, former president Kiro Gligorov hoped to demonstrate his commitment to democracy, pluralism, and the protection of minority rights (Danforth 1995: 144). A compromise to the demands of the two major opposing political forces at the time—the party for the Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity (VMRO-DPMNE) and the Party for the Democratic Prosperity (PDP)—was found, by which the preamble of Macedonian Constitution defined the republic of as “the national state of the Macedonian people (ethnic group), in which full equality of citizens and permanent coexistence with the Macedonian people is provided for Albanians, Turks, Vlachs, Roma, and other nationalities living in the Republic of Macedonia.” This compromise failed to please either the leaders of VMRO-DPMNE (who had argued that the Republic of Macedonia should be defined as “the national state of the Macedonian people and all citizens living in it”) or the leaders of PDP (who argued that the Albanians should be referred to as “one of the two constitutive nations of the Macedonian state”) (Danforth 1995: 145).

The Ohrid Framework Agreement (OFA)<sup>3</sup> appears to be a result of unfinished debates in 1991 on the preamble and the Constitution of the Republic of Macedonia. The OFA brought many constitutional amendments, including rewriting the preamble, legislation modifications, and implementation of confidence-building measures. The rewritten preamble emphasizes “the citizens of the Republic of Macedonia, taking over responsibility for present and future of their fatherland...”<sup>4</sup> as well as explicitly stating

Macedonia's sovereignty and territorial integrity, and the unitary character of the state as inviolable and which must be preserved.

## Future Prospects

During the long period of internal problems in Macedonia, two critical developments happened in the immediate neighboring countries and greater Europe. The conflict in Bosnia and Herzegovina, which was ended by the Dayton Agreement in 1995, resulted in the formation of a very complex structure for the newly formed state.<sup>5</sup> The result of the four-year conflict did not bring an ultimate winner at the end. Later, this was followed by the Kosovo crisis, which was ended by 53 days of NATO bombing of strategic targets in Serbia and Kosovo. While this was happening in the immediate neighboring countries, elsewhere in Europe political unity through "the European Union" was established, promoting economic and social progress among the peoples of Europe by creating an area without internal frontiers. The latter development in Europe was contrary to the aspirations of political leadership that were developed or affected by developments in the immediate neighboring countries. Lack of recognition for the need to shift strategic priorities led to slower implementation of reforms in social, economic, and political areas. Therefore, the granting of "candidate status" for EU membership would not come before November 2005.

## Change in Political Discourse

It was not until 2001 that the country's political leadership recognized the need for a new political discourse in order to bring more social and economic progress to the country. Challenges faced after independence were not merely political. Thus political solutions did not adequately respond to the expectations of all ethnic groups. Nor did they prove to be politically attainable. Soon it was realized that Macedonia's path to becoming a modern democratic state would be through recognizing the multiethnic character of the society and encouraging the participation of all citizens in democratic life. For this reason, the development of local self-government was essential for establishing strong relations between all the country's citizens. Clearly, with the decentralization process aiming at giving more functional powers to local authorities, not only had Macedonia's road to democratization been strengthened, but also the state's unitary character had been consolidated.



## OVERVIEW OF THE DECENTRALIZATION PROCESS AND ITS IMPORTANCE FOR POLITICAL OBJECTIVES OF THE TERRITORIAL REFORM

### Motives behind Ethnic Political Economy of the Decentralization Process

From independence to the present, the country has gradually begun to decentralize by giving both more expenditure and revenue assignments to local governments, on the one hand, and greater fiscal autonomy,<sup>6</sup> on the other. This process entailed territorial reorganization of the local government units' boundaries and therefore involved the ethnic political economy in the decentralization process.

For the first time, Macedonia adopted a Law on Local Self-government in 1995, and in 1997 signed the European Charter of Local Self-Government. The First Law on Local Self-government—particularly the adoption of the European Charter of Local Self-Government—expressed the country's intentions toward further decentralization. A decentralization strategy was adopted in 1999, and the 2001 conflict ended with the OFA, giving impetus to this process by including the development of decentralized government as one of its objectives.

During the decentralization process local governments' competencies were expanded. Therefore, local governments controlled more and more public expenditures. For instance, the share of local revenue in GDP had increased immensely, from a mere 0.88 percent in 1999, to 3.38 percent in 2007.<sup>7</sup> Given that this share is still substantially lower than the equivalent figure from most of the recently admitted member countries of the EU, the expectation is that the decentralization process will continue to advance, thereby increasing more local expenditures.

The decentralization trend substantially raised political parties' interest in the process. The first reason for this was territorial reorganization, which defined not only local governments' boundaries, but also the majority population within that local government. Through defining their representative proportions, political parties were directly affecting their "market share" in the local government. Consequently, territorial reorganization has resulted in the increased power in local level, in particular local governments, for both ethnic Albanian and ethnic Macedonian political parties.<sup>8</sup> The second reason political parties' increasing interest in the decentralization process is the different perceptions of the two major ethnic communities. The ethnic Macedonian community perceives the process as something that will lead towards fragmentation of the country as local governments dominated by ethnic Albanian populations become more empowered. Ethnic Albanians, on the other hand, have tended to view the situation in reverse. The third reason for the increased interest is use of language at the local level, especially as it

relates to ethnic Albanians. In local governments where non-Macedonian ethnic groups consist of at least 20 percent of municipality population, the major minority language also becomes an official language of the municipality, in addition to Macedonian.

In summary, the interest in the territorial reform is interesting because: it allows for the exertion of much more influence at the local level; it enables local access to more public funds; and it is an important subject in the EU-integration process—for parties from both ethnic camps, and for the political parties within the ethnic Macedonian political block that fear a weakening of the unitary character of the country

## Overview from Independence until the Present

Macedonia had two territorial organization reforms during this period: the first in 1995, and the second in 2004. After independence, Macedonia chose a very centralized path for state structure, and later—after the period of both establishing and stabilizing central institutions the country—started the process of decentralization reform. The first territorial organization reform efforts were motivated by a desire to start the process of decentralization, bringing the government closer to its citizens, which resulted in an increase from 30 to 123 local government units, though with very limited competencies, and a local government finance system that was very much dependant on transfers. In the second policy intervention, the number of local governments was consolidated from 123 to 84 local governments units. Unlike the first policy intervention, the second territorial organization reform, to a certain extent, could be considered as a spill-over effect of Ohrid Framework Agreement, and was motivated by the desire to secure more competent municipalities that could cope with increased local government competencies, because the decentralization process envisaged a further increase of expenditure and revenues assignments.

After their declaration of independence, the Republic of Macedonia centralized most local government competencies from former Yugoslav times, except for communal services such as water supply and waste water, solid waste management, public hygiene, cemetery management services, and maintenance of local roads. Such competencies were taken from all thirty local governments,<sup>9</sup> and the country adopted a unitary political organization with two tiers of government, central and local. A very centralized governance strategy lasted until 1994–1995, when, for the first time, the country adopted the Law on Local Self-government and Law on Territorial Organization. As mentioned above, the number of local governments increased from 30 to 123, with the rationale of bringing the government closer to its citizens. The following year, 1996, Macedonia organized its first local elections. The second round of local elections were organized in 2000 under the same territorial organization. Later, in 2002 and 2004, Macedonia adopted both the second Law on Local Self-government and second the

Law on Territorial Organization, and thereafter, the third round of local elections were organized in 2005. With the second Law on Territorial Organization, the number of local governments consolidated from 123 to 84 municipalities. After the second Law on Local Self-government in 2002, which determined expenditure assignments, revenue assignments were defined with the Law on Financing of Local Self-government.

## Local Government Reform from 1991 to 1999

The first Law on Local Self-government, adopted in 1995, brought almost no substantial powers to local governments. Mayors and councils were not elected until 1995. The only substantial change during this period was the local election in 1996 in the 123 local governments that were derived from the original 30 local governments. This did bring some local representation to local government. The 1991 Constitution defined a need to adopt a law on local self-government that would regulate local government and which would be adopted by a two-thirds majority vote. This law was adopted in 1995 and it regulated authorities, source of finances, citizens' participation, procedures of bodies in local government, cooperation with central government bodies, and the use of languages within local government institutions.

Although the law lists a plethora of local government powers, in practical, most of the powers were unattainable because of the "in accordance to the law" phrase attached to the list. The local governments in that period had neither enough independence nor enough finances. Lack of independence for local government financing in this period is reflected in the structure of the revenues, whereby the bulk of the revenues were transfers. This reflected the local governments' strong dependence on central government policies and the political economy within the central government. The financial aspects of the decentralized state in this period are explained in Table 1 and 2. The tables illustrate the comparison between the fiscal decentralization in Macedonia and that of all EU countries. In 1999, Macedonia adopted a decentralization reform strategy, thus committing to further decentralization through the adoption of the second Law on Local Self-government in 2002, and the later Law on Finance of Local Self-government and the Law on Territorial Organization, which was followed by local elections in 2005.

## Local Government Reform from 1999 to the Present

The period from 1999 to the present has been very important for decentralization reform in Macedonia. This is primarily because, during this period, local governments gained additional authorities, such as the possibility to implement urban plans and share responsibilities with the central government. The ethnic Albanian community perceived

important spheres, to be education,<sup>10</sup> social protection, and culture. The local governments' financing, in parallel, improved both in quantity and in quality. Over this period, local government finance increased almost five-fold and was followed by a change in how revenues were structured. The share of tax revenues to all revenues increased and the share of transfers decreased. This means that local governments gradually received more revenues (competencies) and were concurrently becoming more autonomous from the central government. As a consequence, local government becomes a very attractive vehicle for political influence at the local level, independent of the central government. Next, the Ohrid Framework Agreement both gave impetus to the decentralization process and influenced constitutional changes, whereafter the laws affecting communities including the Law on Local Self-government and the Law on Territorial Organization needed to be adopted by the Badinter<sup>11</sup> protocols, in addition to being a systemic law which needs at least two-thirds of parliamentary votes. The latter aspect is important because it secures territorial organization reform that could not be achieved in a situation where the ethnic-majority parties could overwhelm ethnic-minority parties, and vice versa, at the local level.

Given the constitutional changes and the introduction of special parliamentary procedures (e.g., the Badinter principles), the decentralization process, including territorial reorganization, becomes the result of political negotiations that are motivated by a desire to relax ethnic tensions.<sup>12</sup> To a certain extent, the Ohrid Framework Agreement determines the policy objectives of the decentralization process to political ends. The fifth out five basic principles of the Ohrid Framework Agreement relates to decentralization,<sup>13</sup> and could be an explanation for the deviations of perception between experts and politicians on the topic of policy objectives for territorial organization. The politicians do not totally agree that the policy objectives of territorial organization, especially the second reorganization, were only to make the local governments financially more viable through the consolidation process. They stress the political objectives as well, whereas the experts sought the policy objectives that dealt only with the effectiveness and efficiency factors. Both politicians and experts appear to agree entirely on the ethnic factors underlying the Law on Territorial Organization's political economy.

The second Law on Local Self-government was adopted in 2002, and generally defines the local government authorities. This law classifies local government authorities in three categories. First are the authorities where local governments have exclusive rights. Here, local governments independently regulate and perform activities of local importance. In the law, these are all activities of local importance that are not "under the competency of state bodies." The second set are authorities such as: urban and rural planning; protection of the environment and nature; local economic development; communal activities; culture; sports and recreation; social welfare and child protection; education; healthcare; emergency services; firefighting; and other activities assigned in separate legislation. Central government and local governments share responsibilities

in this category. In other words, local governments have exclusive responsibility for part of the authorities. Lastly, the third type of authorities are the delegated authorities, whereby the central government assigns certain functions to particular local governments. The devolution of the second set of authorities is further regulated by sectoral laws. These sectoral laws define the roles and responsibilities of both central and local government relating to the authorities in the second group. Practically, these functions that are decentralized in local level on a non-exclusive<sup>14</sup> basis, make up the core of the decentralization process in the latter period. Within this group, the most important authority is education.<sup>15</sup> In the field of education, because of the legacy of the former federal Yugoslavia, the ethnic Albanian population did not have equal access to education, as compared with the ethnic Macedonian population. As a result, almost every year after independence, the beginning of school year is marked with debates and small protests resulting from insufficient access to secondary education in ethnic Albanian language, which occur mostly in cities where ethnic Albanians are a minority population.

As mentioned above, the increased public financing at the local level that followed the expenditure assignments; special parliamentary procedures that obligated negotiations within ethnic lines; and particularly expenditure assignments in education, were prerequisites that implied that ethnic factors determine local government boundaries. These contentions further support the ethnic political-economy thesis in decentralization, as well as statistical thesis tied to territorial organization policy interventions.

## DECENTRALIZATION AND THE FRAMEWORK AGREEMENT

The Ohrid Framework Agreement (OFA), adopted in 2001, marked the beginning of a new phase in the recent history of Macedonian independence. The signing of the OFA came after extensive political negotiations between local political actors, with powerful international pressure for reaching a compromise. The OFA is an

... agreed framework for securing the future of Macedonia's democracy and permitting the development of closer and more integrated relations between the Republic of Macedonia and the Euro-Atlantic community. This framework will promote the peaceful and harmonious development of civil society, while respecting the ethnic identity and the interests of all Macedonian citizens."<sup>16</sup>

With an end to ethnic incidents that symbolized the 2001 crises in Macedonia, a new political environment gradually became more evident. The OFA implementation became a major political opportunity for both the Macedonian and Albanian political leadership, which would later prove to have some political limitations as well.

Although the OFA was signed by the four major political parties, represented by two Macedonian political parties—the Internal Macedonian Revolutionary Organization-

Democratic Party for Macedonian National Unity (VMRO-DPMNE), and the Social Democratic Union of Macedonia (SDSM); and two Albanian political parties, the Democratic Party of Albanians (PDSH), and the Party for Democratic Prosperity (PDP)—it was not long after that the VMRO-DPMNE leader distanced himself from the document, and was later followed by the Albanian partner the PDSH.<sup>17</sup> This was mainly tied to political attacks on the coalition government, then formed between SDSM and the Democratic Union for Integration (DUI),<sup>18</sup> in hopes of undermining legitimacy of the implementation of explicit provisions coming out of the OFA.

Under the OFA provisions, a census was carried out in 2002, after which a new territorial division was determined, and a new Law on Local Self-government was enacted. As mentioned in the above sections, the rationale behind the new territorial division was to make local governments sustainable and more effective. In practice, with the strong criticism of opposition parties, the proposal of territorial division created an ambivalent political environment. That reached its peak with the referendum organized in November 7, 2004. This referendum seriously affected the ongoing progress of decentralization in Macedonia, leaving lasting unwarranted misperceptions on decentralization of the general state of affairs, as well as inflaming ethnic tensions once again.

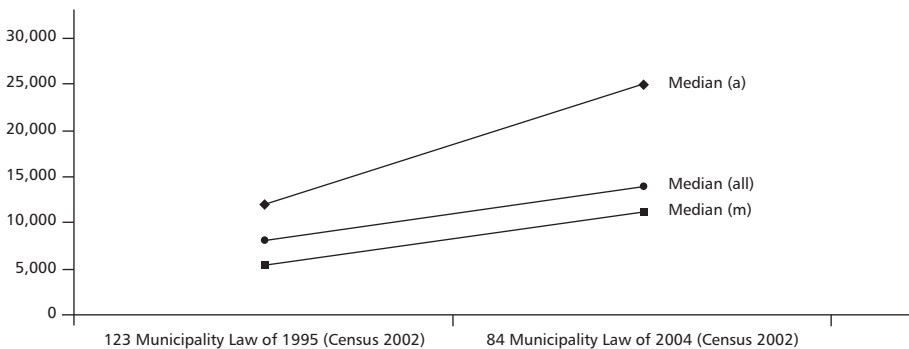
Obviously, the road to the November 2004 referendum, among other things, came as part of the strong reaction to the new territorial reorganization law. This strong reaction did not hide the frustrations among Macedonian opposition political parties to the new decentralization laws. As the major provisions emerged from OFA, the decentralization process heated up discussions on issues on federalization and the potential threat to the state's unitary character.<sup>19</sup> However, interviews with high-level political figures and professionals have confirmed the fact that they strongly agree that negotiations on the territorial reorganization law in 2004 were a compromise with an emphasis on ethnic politics; and not driven by the rationale of decreasing the number of local governments by creating bigger and more efficient municipalities. Although the law, as demonstrated in Figure 1, created more Albanian-dominated municipalities with higher populations, it did not decrease the total number of municipalities overall, as proposed by professionals. The mean population size per municipality, however, increased after the second territorial reorganization policy intervention in 2004.

Another, less noticeable result of the 2004 territorial reorganization, is the increase in the number of municipalities that are dominated by a single ethnic group. There are two important aspects of municipalities that are dominated by a single ethnic group. First, prior to the second policy intervention for territorial reorganization in 2004, areas where Albanian ethnic groups were densely populated (e.g., the western region, including such major cities as Skopje, Tetovo, Gostivar, Debar, areas of Kumanovo, and surroundings of Kicevo), the new territorial reorganization created frustration because of the OFA provisions on the empowerment of the local self-governments by substantially enlarging the breadth of powers wielded by elected officials in local self-governments.<sup>20</sup>

Because such enlarged powers among local officials are likely to fall to the dominant ethnic group within a given municipality, this trend has proved to have powerful effect in the formation of negative perceptions relating to territorial reorganization. Second, the OFA provision on the use of languages at local government units dictates that languages spoken by at least 20 percent of the population within boundaries of a municipality are also considered to be “official” languages in those municipalities. The use of languages other than Macedonian as a second official language when communicating between local and central government authorities has created tensions that have put additional pressure on the widespread perception of these reforms. It is, for these reasons, that discussions relating to territorial organization tend to revolve around issues of relative levels of ethnic dominance.

*Figure 1.*

Median Population Size of Cities with Majority Ethnic Macedonian and Majority Ethnic Albanian Population (Before and after the Second 2004 Territorial Reform Organization)



*Notes:* (m): cities with majority ethnic Macedonian population.  
 (a): cities with majority ethnic Albanian population.  
 (all): all cities.

## LOCAL SELF-GOVERNMENT TERRITORIAL DIVISION IN MACEDONIA (1995 AND 2002)

In the sections below, we will analyze population-size characteristics of local governments in Macedonia from the time of Macedonia’s independence to the present. We also analyze this through an examination of how European values are associated with decentralization. This primarily relates to the framework objectives associated with each of the two territorial organization reforms that have taken place in Macedonia. In so

doing, we acknowledge a desire to be able to identify a positive shift from natural to functional traditions of European values between the time of the first territorial reform and the second territorial reform.<sup>21</sup> In the first territorial reform, the framework objective was to bring the government closer to citizens, whereas the objective of the second effort at territorial reform was to make local governments more capable, and therefore more effective, through a consolidation process. This resulted in conflicting expectations from the territorial reform between major ethnic groups, which paved the way to the mono-ethnic referendum against the second Law on Territorial Organization held in 2004.

In addition to this, we will also offer quantitative analyses of such variables as median population change within each of the local governments. We will then observe the same variables, controlling for variables such as ethnicity, and the median population of the local area. We will also compare the proportions of ethnic Macedonians, ethnic Albanians, and other ethnic groups living as majority and minority in local government with respective ethnic groups at the national level.

Questions such as whether the amalgamation of local governments in 2004 led to more efficiency in certain public services could not be answered. In the second set of reforms in 2004, territorial reform coincided with the devolution of local government authorities and therefore local governments did not have the same set of authorities before and after the intervention. However, a discussion is warranted that relates to whether the consolidation was enough in order to secure more viable local governments with a new set of expenditures and revenues assignments. Later in the chapter, we will review changes in the proportion of the expenditures used for salaries before and after the territorial consolidation in 2004, and how those changes relate to the size of local governments, their revenues, and how to view those relations relative to their size.

## Macedonia and the European Experience

During each of the two territorial organization reforms, experts proposed that the number of local governments should be smaller than the number of local governments approved in Macedonia's Parliament. The number of local governments is a result of the political bargaining process taking place therein. During the first territorial reorganization, about 80 local governments were initially proposed. After the political bargaining process, the reform was adopted with 123 local governments. In the second instance, the proposed number of local governments was set at 50, and the reform outcome was 84 local governments. By comparing the Macedonian case with the European experience in the local government, we can see that the case of Macedonia is not an exception, especially as it relates to the second effort at reform. Macedonia's territorial reform has been driven by a combination of a European-style pattern and other internal character-



istics that are mostly driven by political economies of ethnically mixed regions, as well as local patriotism in regions of the country that are not ethnically mixed. Northern European countries are characterized by a smaller number of local governments, relative to population size; and Southern European countries are characterized by a larger number of local governments, relative to the size of the country's overall population. Whereas Great Britain has 540 local governments, France, with a similar population, has 36,000 local government entities. There is a lot of variation in average populations in Europe. France, for example, has, on average, very small municipalities, with 1,500 inhabitants. On the other hand, Great Britain's average local government/municipality has a population of about 120,000. Macedonia, in this context, has characteristics that are more similar to those found in the Northern Europe countries. We might view these two processes as part of a traditional framework of the European values ascertained with decentralization (Swianiewicz 2002):

- Liberty (autonomy): the existence of local government counteracts the over-concentration of political power and allows diverse political choices in different localities;
- Participation (democracy): the existence of local governments encourage the inclusion of citizens in governance;
- Effectiveness: local governments are efficient structures for the delivery of services tailored to the varying needs of different localities.

In relation to the motives for the size, liberty (autonomy), and participation (democracy), European values are tied to decentralization. Such so-called "natural traditions" prevailed in the first territorial reform, whereas effectiveness, so-called "functional traditions," prevailed in the second territorial reform. Given that the first territorial reform was the first step towards decentralization in the country, it increased the number of local governments from 30 to 123. At that point, the goal was to bring the government, and thus local policies, closer to average citizen. Later, the need for a second territorial reform emerged in line with the country's further efforts to decentralize. The plan was to achieve territorial consolidation in order to have larger local governments capable of coping with their new functions.

## Ethnic Political Economy of Territorial Reform

The decentralization process after the OFA (2001) required substantial increases in expenditure assignments, increases in revenue assignments, and consolidation in territorial reform. Revenue assignments were accompanied by the empowerment of local governments to set the tax base within the range of their own source of revenues. In

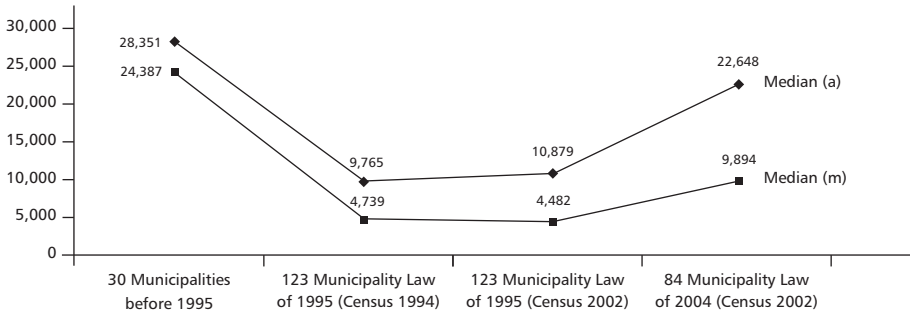
addition to this, local governments were granted the opportunity to collect their own funds. Planned increases in the scope of local government powers therefore became a prerequisite for the consolidation process.

The judgment was that not all—then 123—local governments were able to cope with their additional new responsibilities. The government, therefore, formed working groups on decentralization from the representatives of different central government agencies, alongside representatives of the Association of Units of Local Self-government and other organizational experts. The task of the working group also was to develop a plan for improved territorial organization.

In addition to this, the government hired a technical group of experts, which proffered the recommendation of territorial reorganization into 50 local government units. In developing their criteria, experts took into consideration proposed territories of local governments, whether localities were functionally connected with the local government center, whether the local government territory would represent a cohesive territory, as well as geography and economic potentials.<sup>22</sup> While there was a public debate organized for the second Law on Local Self-government, and later for the Law on Local Government Finance,<sup>23</sup> there was no public debate for the Territorial Organization Law that was adopted in 2004. This is, indeed, contrary to the European Charter of Local Self-Government,<sup>24</sup> ratified by the Parliament of the Republic of Macedonia in 1997. Although technical experts presented a clear proposal and the decentralization working group developed criteria for territorial organization, the final proposal resulted only from direct negotiations between coalition partners that were in power at the time: the dominant ethnic Macedonian party and their ethnic Albanian partner. This is reflected in the size patterns of local governments, which depend on whether the majority population of a local government is ethnic Macedonian or ethnic Albanian.

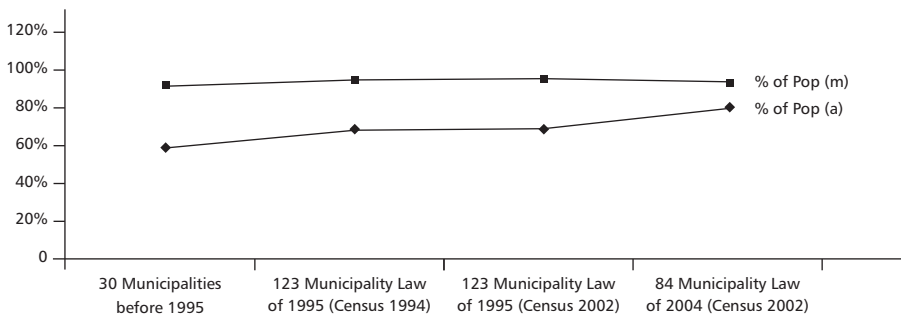
The patterns in population size and ethnic proportions in each local government tend to favor ethnic Macedonians in ethnic Macedonian majority areas, and favor ethnic Albanians in areas with an ethnic Albanian majority. In Figure 2 we can see that the difference between median population size for local governments with majority of ethnic Macedonian and ethnic Albanian is a legacy issue. The relative differences in size existed in the past. This difference was retained after the first territorial organization policy intervention.

*Figure 2.*  
 Median Size of Municipalities with Majority Ethnic Macedonians  
 and Ethnic Albanians



*Notes:* (m): Municipalities with majority ethnic Macedonian population.  
 (a): Municipalities with majority ethnic Albanian population.

*Figure 3.*  
 Percent of Ethnic Macedonians and Albanians as a Majority in Respective  
 Municipalities to the Population Represented at the National Level

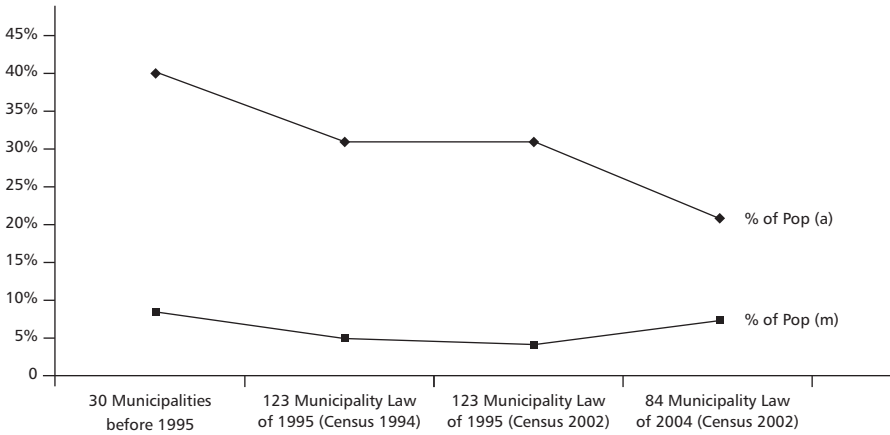


*Notes:* 30 Municipalities 1990–1995; 123 Municipalities (94’ 95 Law—123 Municipalities 1995–2004 Census 1994.  
 123 Municipalities (02’ 95 Law—123 Municipalities 1995–2004 Census 2002; 84 Municipalities 2004–current Census 2002.  
 Pop (m): Proportion of ethnic Macedonians living as majority at the local level.  
 Pop (a): Proportion of ethnic Albanians living as majority at the local level.

With the territorial consolidation process, and in the second territorial reform policy intervention, such differences became larger. The results of the second policy intervention, in terms of the ethnic populations of local governments, are presented in Figure 3. This is a result of the political bargaining that created such divisions. Political parties representing ethnic Albanian constituencies tended to favor consolidations meant to increase the number of local governments with ethnic Albanian majorities. Similarly, political parties representing ethnic Macedonian constituencies favored consolidations that increased the number of local governments with Macedonian majorities. Interviews with key policymakers involved in the decentralization process and experts involved in supporting the decentralization process supported the above conclusions. The same also applies for proportions of both ethnic groups previously living as local majorities and minorities, as they consolidated into mono-ethnic groups when represented at the national level. The proportion of ethnic Macedonians living as majorities at the local government level to all ethnic Macedonians in Macedonia is higher than the proportion of ethnical Albanians living as majority groups at the local level to all ethnic Albanians in Macedonia.

Statistical measures, such as the average of the total population size of local governments, the median of the total population size controlled for ethnic Macedonian and ethnic Albanian groups, including percentages of both ethnic groups living as majority and minority at the local level out of their total number at the national level, are presented in detail in Sections A, B, and C of Tables A3, A4, and A5 in the Appendices. We have also taken into consideration local governments where other ethnic groups constitute majority populations.<sup>25</sup> In three of four snapshots that represent actual territorial organizations before and after both interventions, the median size of local governments with majority populations of ethnic Albanians is about twice that of local governments with ethnic Macedonian majorities. Around 20 percent of local governments have ethnic Albanians in all four snapshots. The percentage of ethnic Albanians living as majority in local level increases after the first and second intervention. The percentage increased from 59.6 percent to 69.1 percent in the first policy intervention, and further increased in the second intervention from 69.3 percent to 79.3 percent. On the other hand, 91.5 percent of all ethnic Macedonians at the national level lived in local governments where they represented the majority population, and later after the slight increase to 95.2 percent the number fell from 95.8 percent to 92.6 percent. Figure 4 presents the percentages of both ethnic groups living as minority at the local level, where the percentage of ethnic Albanians relative to the total number of ethnic Albanians at the national level drops.

Figure 4.  
Percentage of Macedonians and Albanians Living as Minorities



Notes: 30 Municipalities 1990–1995; 123 Municipalities (94') 95 Law—123 Municipalities 1995–2004 Census 1994.

123 Municipalities (02') 95 Law—123 Municipalities 1995–2004 Census 2002; 84 Municipalities 2004–current Census 2002.

Pop (m): Proportion of ethnic Macedonians living as minorities at the local level.

Pop (a): Proportion of ethnic Albanians living as minorities at the local level.

The variables for ethnic Albanians and ethnic Macedonians that vary according to whether local governments with a majority of ethnic Albanians live in larger local governments supports the belief that the opposing strategies of political parties representing each ethnic community were based on a strategy of consolidation among ethnic Albanians and fragmentation for ethnic Macedonians. This is primarily attributable to regions with ethnically mixed populations. Of course, there are cases of opposition to consolidation in regions with mostly mono-ethnic representation.

The obvious differences in size, where there are no additional factors other than the ethnicity of the majority population, and the trend of increasing percentages living as majority ethnic groups at the local level, combined with the fact that ethnic Albanians tend to live in more densely populated, or larger-by-population rural areas, supports the contention that the ethno-political economy played an important role in both territorial organization policy interventions.<sup>26</sup> This contention was further supported by the interviews done for the purpose of this research. However, trends that show increased percentages of ethnic Albanians, and other minority ethnic groups, living as the majority at the local level to the numbers represented at the national level is not solely the result of the territorial reform policy interventions. This is due to demographic movements. People prefer to live in local governments where their ethnic group is a majority.

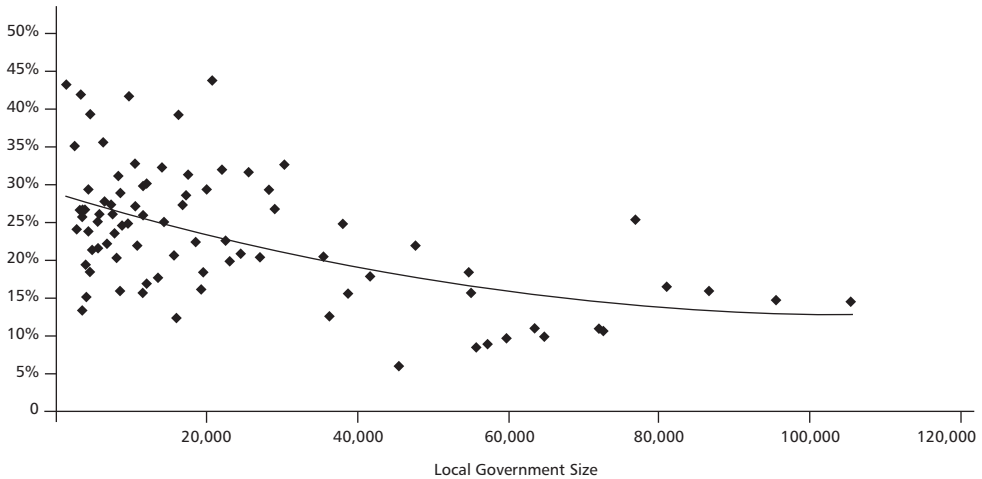
## Did Consolidation Bring Efficiency?

As stated at the beginning of this chapter, efficiency and effectiveness that resulted from the second territorial reform are difficult to prove because the territorial reform transpired concurrent with the devolution of powers and revenues. Revenue assignments were also accompanied by the authority of local governments to collect their own revenues. Before the decentralization process became effective, local government revenues were collected by the central government. Although property-tax collection was increased threefold from 2004 to 2006,<sup>27</sup> it is difficult to attribute to what extent it is based on territorial consolidation. However, it is likely that increases in collected revenues are largely attributable to the incentives of local governments to collect their own resources.

Comparisons of expenditure and revenue data per capita in 2006 and 2004<sup>28</sup> support contentions regarding the necessity of the second territorial organization and consolidation. With the new expenditure assignments, the size of local governments has come to matter much more than it did before decentralization. The correlation coefficients between the population size of a locally governed area and tax revenues per capita, non-tax revenues per capita, and transfers per capita after the 2004 territorial consolidation, including new assignments, for 2006 are 0.3257, 0.4938, and  $-0.4596$  respectively. Correlations for the same variables under the previous 123 local governments, before the new expenditure and revenue assignments, were 0.0744,  $-0.0860$ , and  $-0.2967$ . The data show that there is a much larger association between population size and the tax, nontax, and transfer revenues per capita for the consolidated and decentralized environment in 2006, in comparison to the fragmented and more centralized environment of 2004. This leads us to believe that the decentralization process, combined with consolidation, was positive in respect to revenue efficiency.

As for expenditures, similar difficulties apply because expenditure assignments after the territorial organization were much greater for local governments. The average share of administration expenditures<sup>29</sup> to total expenditures before and after territorial reform are: 24.1 percent (median 24.0 percent, standard deviation 11.6) and 23.4 percent (median 23.8 percent, standard deviation 8.5) respectively. The share remains the same. Correlations between population size in local governments and the share of administration to total administration, administration expenditures per capita, and total expenditures per capita are  $-0.533$  (the share of administration to total population is associated negatively with size of population), 0.048 (no association between total expenditures per capita and population, because of transfers), and  $-0.448$  (the administration expenditures per capita are negatively associated with population size) respectively for 2006 actual budgets.

Figure 5.  
Proportion of Salaries of Total Municipal Expenditures (by Percent) (2006)



In 2004, before the policy intervention and less expenditure assignments, correlations between size of population in local governments and the share of administration to total administration, administration expenditures per capita, and total expenditures per capita are  $-0.298$  (less association than after the policy intervention),  $0.144$  (a bit stronger than after the intervention, this figure should not be taken into consideration because of transfers factor), and  $-0.225$  (weaker association), respectively. Again, by looking at the expenditures, we can see that there is a stronger negative association between local population size and administration expenditures, and between local population size and total expenditures after the decentralization with consolidated territorial arrangement, in comparison to the more fragmented environment that existed before decentralization.

A comparison of correlation coefficients demonstrates that population size matters much more after the territorial reform policy intervention. This is mostly because of increased expenditures and revenues assignments. In this situation, as in the example of Macedonia where consolidation coincides with the devolution of powers, the main issue is that of establishing a balance and clarity of objectives, be they politically- or efficiency-related. However, in order to decide whether or not the consolidation was enough, one should probably analyze government expenditures to make further comparisons between large and small local governments in Macedonia, once a period of stabilization in the devolution of powers has been established.

## CONCLUSIONS

The pattern of the specific sizes of local governments in post-independence Macedonia tend to follow the assigned set of functions within local governments. One could argue that the average size of local governments has followed the level of decentralization, and thereby, the first territorial organization reform mostly followed “natural”<sup>30</sup> traditions of European local governments’ role in respect to role and origin. Natural traditions argue that existence of local government is “natural” for communities. The basic role of local government is to express a variety of self-identities in local communities. This is reflected in the substantial increase in the number of local governments. The second territorial reform organization occurred as a consequence of additional expenditure assignments to local governments. Arguments for “functional” traditions of European local governments’ role and origin were added in the process, arguing that local government is legitimized as long as it proves its usefulness in a more efficient delivery of public functions.

The second territorial organization reform was part of an overall decentralization process, which in itself had its impetus in the Ohrid Framework Agreement. This might support the argument of the majority ethnic group, ethnic Macedonians, who perceive the decentralization process as undermining the unitary character of the state and favoring the ethnic Albanian community. In both territorial reforms it is difficult not to notice the role of ethnic politics in defining municipal boundaries. The most disparate interests in the territorial organization reform process were found in the regions populated by the two largest ethnic communities, ethnic Macedonians and ethnic Albanians.

It is also worth mentioning that during the territorial reform process, the views of experts were more closely aligned with the efficiency and effectiveness criteria, focusing more on financially sustainable local governments, whereas interests of the leaders of political parties, depending on their ethnic constituencies, are reflected in their calculations, which, in turn, are based on win-lose, zero-sum criteria. Factors such as self-identity of local communities appear to have a greater influence on determining a win or loss in a municipality.



## APPENDIX

*Table A1.*  
Local Government Expenditures in Percent

Local Government Expenditures as Portion of	EU 15	Macedonia
Gross Domestic Product	9	0.8
All General Government Expenditures	22	1.8

Sources: Council of Europe, Local Government Reform Project USAID (1999).

*Table A2.*  
Structure of Revenues in Percent

Structure of the Revenues	EU 15	Macedonia
Total	100.0	100.0
Own Revenues	55.0	19.7
Local Taxes	27.2	7.1
Fees and Charges	14.9	1.9
Other Sources	13.2	10.8
Transfers from the Government	44.7	80.3

Sources: Council of Europe, Urban Institute Local Government Reform Project, USAID (1999).

*Table A3.*  
123 Local Governments Census 1994 (After First Intervention)

	Municipalities with Majority		
	Ethnic Macedonian Population	Ethnic Albanian Population	Population Other than Ethnic Albanians or Macedonians
Average	16,399	15,546	8,096.5
Median	5,589	11,746	7,756
Minimum	456	2,116	3,951
Maximum	118,079	65,318	14,301
Number of Municipalities	92	25	6
Percent of Municipalities	74.80%	20.33%	0.04878
Population	1,508,735	388,640	48,579
Percent of Population	77.53%	19.97%	0.024964

*Table A4.*  
123 Local Governments Census 2002 (After First Intervention)

	Municipalities with Majority		
	Ethnic Macedonian Population	Ethnic Albanian Population	Population Other than Ethnic Albanians or Macedonians
Average	16,676	16,426	9,400
Median	5,517	11,992	6,299
Minimum	316	2,128	4,545
Maximum	125,379	70,841	17,357
Number of Municipalities	93	27	3
Percent of Municipalities	75.61%	21.95%	2.44%
Population	1,550,852	443,494	28,201
Percent of Population	76.68%	21.93%	1.39%

*Table A5.*  
84 Local Governments Census 2002 (After Second Intervention)

	Municipalities with Majority		
	Ethnic Macedonian Population	Ethnic Albanian Population	Population Other than Ethnic Albanians or Macedonians
Average	22,339	34,109	11,662
Median	11,179	24,895	10,044
Minimum	1,322	10,420	4,545
Maximum	105,484	86,580	22,017
Number of Municipalities	64	16	4
Percent of Municipalities	76.19%	19.05%	4.76%
Population	1,429,706	545,742	46,649
Percent of Population	70.70%	26.99%	2.31%

*Table A6.*  
Consolidated Table with Statistical Measures of Population

Total Population	Average (m)	Median (m)	Average (a)	Median (a)	Percent of Pop. (m)	Percent of Pop. (a)
30 Municipalities	60,980	25,287	84,288	62,679	78.34	21.66
123 Municipality Law of 1995 (Census 1994)	16,399	5,589	15,546	11,746	77.53	19.97
123 Municipality Law of 1995 (Census 2002)	16,676	5,517	16,426	11,992	76.68	21.93
84 Municipality Law of 2004 (Census 2002)	22,339	11,179	34,109	24,895	70.70	26.99

*Notes:* Average (m)/Median (m): Average/Median population of municipalities with majority ethnic Macedonians.

Average (a)/Median (a): Average/Median population of municipalities with majority ethnic Albanians.

Pop. (m): Percent of population living in municipalities with majority ethnic Macedonians.

Pop. (a): Percent of population living in municipalities with majority ethnic Albanians.

Living as Majority	Average (m)	Median (m)	Average (a)	Median (a)	Percent of Pop. (m)	Percent of Pop. (a)
30 Municipalities	47,433	24,387	52,542	28,351	91.50	59.56
123 Municipality Law of 1995 (Census 1994)	13,408	4,739	12,097	9,765	95.18	69.09
123 Municipality Law of 1995 (Census 2002)	13,370	4,482	13,066	10,879	95.80	69.30
84 Municipality Law of 2004 (Census 2002)	18,788	9,894	25,241	22,648	92.64	79.33

*Notes:* Average (m)/Median (m): Average/Median number of ethnic Macedonians in municipalities with majority ethnic Macedonians.

Average (a)/Median (a): Average/Median number of ethnic Albanians in municipalities with majority ethnic Albanians.

Pop. (m): Percent of ethnic Macedonians living as majority at the local level of all ethnic Macedonians in national level.

Pop. (a): Percent of ethnic Albanians living as majority at the local level of all ethnic Albanians in national level.

Living as Minority	Average (m)	Median (m)	Average (a)	Median (a)	Percent of Pop. (m)	Percent of Pop. (a)
30 Municipalities	22,030	21,025	7,136	26	8.50	40.44
123 Municipality Law of 1995 (Census 1994)	2,013	241	1,381	7	4.82	30.91
123 Municipality Law of 1995 (Census 2002)	1,818	224	1,628	6	4.20	30.70
84 Municipality Law of 2004 (Census 2002)	4,779	1,209	1,548	22	7.36	20.67

*Notes:* Average (m)/Median (m): Average/Median number of ethnic Macedonians in municipalities living as minority.

Average (a)/Median (a): Average/Median number of ethnic Albanians in municipalities living as minority.

Pop. (m): Percent of ethnic Macedonians living as minority at the local level of all ethnic Macedonians at the national level.

Pop. (a): Percent of ethnic Albanians living as minority at the local level of all ethnic Albanians at the national level.

*Table A7.*  
 Number of Local Governments with Population Size Groups  
 (Before and after the Second (2004) Territorial Organization Reform)

	Before 2004 Reform (2002 Data)	After 2004 Reform (Based on 2002 Data)
Up to 1,000	5	0
1–5,000	42	16
5–10,000	24	16
10–20,000	26	21
20–50,000	15	17
50–100,000	9	13
Over 100,000	2	1

*Figure A1.*  
 Change of Municipal Size Parameters (1990–2004)

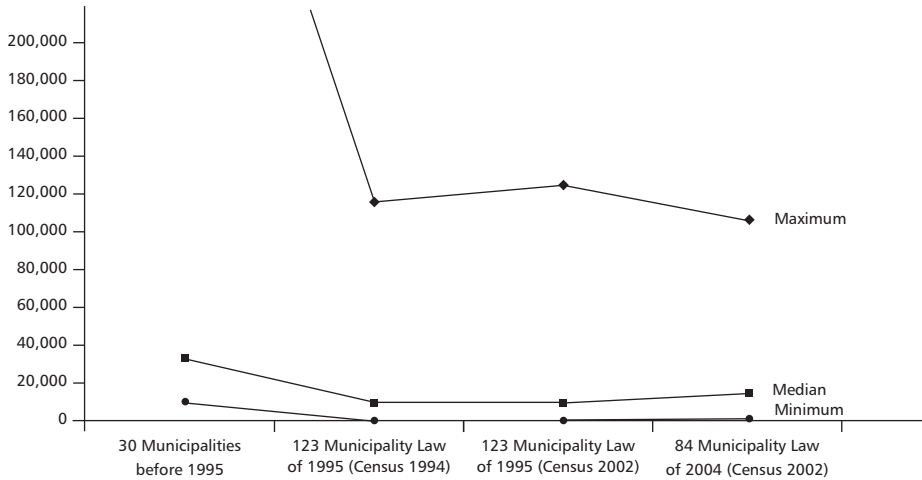
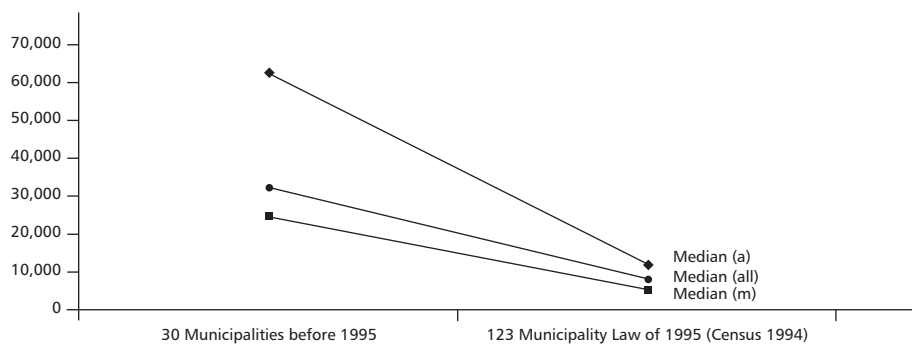


Figure A2.

Median Population Size of Cities with Majority of Ethnic Macedonian and Majority of Ethnic Albanian Population  
(Before and after the First 1995 Territorial Reform Organization)



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## NOTES

- <sup>1</sup> See Table A6 in the Appendix for detailed information.
- <sup>2</sup> Two important comments on the referendum held on September 8, 1991: one, Albanians boycotted this referendum expressing dissatisfaction with their minority status in a variety of ways; and second, the extension of the right to vote—meaning that voting included all people who identified themselves as Macedonians regardless of where they were born, where they lived, or what states they were citizens of.
- <sup>3</sup> Ohrid Framework Agreement was signed on August 13, 2001 in Ohrid, through the mediation of the international community.
- <sup>4</sup> For full modifications, see OFA Constitutional amendments.
- <sup>5</sup> For more detailed information, see discussions on the Dayton Peace Agreement.
- <sup>6</sup> In the beginning the median revenue were mostly transfers from central government that the tendency now is towards an increasing of own local governments revenues. See Tables 1 and 2.
- <sup>7</sup> Technical Assistance to Ministry of Finance for the Estimation of the Costs of the Transferred Competences to the Local Self-government Units, EAR Project 2008.
- <sup>8</sup> This is so because usually if there is a choice, the vast majority of ethnic Albanians vote for so-called "ethnic Albanian parties" and ethnic Macedonians vote for "ethnic Macedonian parties."
- <sup>9</sup> Macedonia declared independence in 1991, and given its status as a new state, centralization of the country was seen as a survival strategy. One reason for this is probably the very decentralized character of federal Yugoslavia. During the Yugoslav period, local governments had authorities in taxation, local economic development, public order, education, health, general urban planning, communal services, construction permits, etc.
- <sup>10</sup> Education is perceived to be an important sector for ethnic Albanian parties, which exclusively represent the ethnic Albanian electorate, because in the past, the per-pupil expenditures on education were higher for ethnic Macedonians pupils than ethnic Albanian pupils (Public Expenditure

Review, World Bank 2007). This is being addressed by the decentralization in a manner by which the financing of education is being changed to a per-pupil structure.

- 11 A special parliamentary procedure colloquially known as the Badinter procedure. A law adopted by the Badinter principle is a law adopted by special parliamentary procedure, like the Law on Local Self-government (*Official Gazette* 2002). The Law on Local Self-government cannot be approved without a qualified majority of two-thirds of the votes, within which there must be a majority of the votes of representatives claiming to belong to the communities not in the majority in the population of Macedonia. Other laws, such as the the Law on Territorial Organization, the Law on Local Self-government Finance, and other laws that affect culture, use of language, education, personal documentation, and use of symbols, local elections, the city of Skopje—must receive a majority of votes, within which there must be a majority of the votes of the representatives claiming to belong to the communities not in the majority in the population of Macedonia.
- 12 From this distance one could say that interethnic relations might relax due to the decentralization process in long term, but not in the short term. Political opposition secured 100,000 signatures to organize a referendum to reject the proposed law on territorial organization. The period around the referenda was characterized by tense interethnic relations.
- 13 The development of local self-government is essential for encouraging the participation of citizens in democratic life, and for promoting respect for the identity of communities.
- 14 These functions are stipulated in Article 2 of the Law on Local Self-government. These are further regulated with the sectoral laws, whereby responsibilities between local governments and central governments are shared, mostly because of the spillovers of these functions beyond the boundaries of municipalities if the functions were fully decentralized at the local level.
- 15 Most important in the sense that this authority is important for interethnic relations and that this authority involves the biggest fraction of intergovernmental transfer.
- 16 The Ohrid Framework Agreement.
- 17 Georgievski, former prime minister and former leader of the VMRO-DPMNE, in his article published in *Dnevnik*, a Macedonian daily newspaper, declares the OFA as marking the end of Macedonia; on the other hand, Tachi, leader of PDSH, called the document “dead” (Friedman 2003: 2).
- 18 The Albanian political party formed after the crises in 2001 through the transformation of the National Liberation Army.
- 19 See more information on the discussions at Friedman, OSCE and Analytica report.
- 20 Based on OFA provisions on the development of decentralized government elected officials’ competencies that expand to areas of public services, local economic development, urban and rural planning, environmental protection, culture, local finance, education, social welfare, and healthcare.
- 21 In countries where “communitarian” understating of the role of local government prevails, the logical territorial arrangement would involve many small territorial units, which may reflect a variety of interests and identities of small settlement units. It is typical for many countries of Southern Europe (France, Italy, Spain), but also for the Czech Republic and Slovakia. In countries that start from the functional angle (United Kingdom, Scandinavea, but also Poland), there is a strong tendency to create large local government units.
- 22 Authors were not able to find written documents.

- <sup>23</sup> The Law on Local Government was adopted in 2002 and the Law on Local Government Finance in 2004. The form of public debate was through public workshops in city halls in the largest cities in Macedonia and expert seminars organized in Skopje. The debate was mostly supported/financed by organizations from the international community, such as USAID, UNDP, and OSCE.
- <sup>24</sup> This is clearly stated under European Charter of Local Self-Government, Article 5, Protection of Local Authority Boundaries: “Changes in local authority boundaries shall not be made without prior consultation of the local communities concerned, possibly by means of a referendum where this is permitted by statute.”
- <sup>25</sup> Variables are calculated based on the census data for 1994 and 2002.
- <sup>26</sup> Given the policy framework objectives in both the first intervention and the second intervention, ethnic politics had a key role. Ethnic Albanian political parties wanted to increase the number of “ethnic Albanian local governments,” whereby the mayor would belong to an ethnic Albanian political party, while ethnic Macedonian parties did not want to lose local governments in regions with an ethnically mixed population. In some cases local governments’ key role was to keep the number of ethnic Albanians below 20 percent—the goal of political parties of ethnic Macedonians—or to get the number of ethnic Albanians above 20 percent—the goal of the political parties of ethnic Albanians.
- <sup>27</sup> USAID-funded project.
- <sup>28</sup> We did not take into consideration the 2005 actuals because the revenue assignments become effective on July 1, 2005, which represents fiscal mid-year for Macedonia.
- <sup>29</sup> By the administration expenditures we mean salaries. These expenditures are coded as 40 in the expenditures classification
- <sup>30</sup> See a detailed explanation in Sharpe 1973.





# Local Government Reform in Georgia

*David Melua*

## EXECUTIVE SUMMARY

Located in the southern Caucasus with a population of 4.3 million people, Georgia historically had 11 regions. After an initial period of democratic reforms in the early twentieth century, Soviet rule for seven decades drastically centralized Georgia, with all power and decision-making located in the Communist Party's Politburo. It wasn't until 1991, when a new democratic Georgian government adopted three basic laws—the Law on Local Administration in the Period of Transition; the Law on the Elections of Local Bodies of State Power of the Republic of Georgia; and the Law on Prefectures—that a three-tier system of subnational administration was formed in the country. At the lowest level were villages and cities, the second tier was the districts, and the third—the autonomous republic. But this system was burdened by weaknesses like a high degree of centralization, the limited responsibilities of local authorities and no financial mechanisms for local governments to secure funding for what responsibilities they had.

After a period of instability from 1992 to 1994, President Shevardnadze's government used a historical model of administrative territorial arrangement and introduced nine regions with the appointed governors in Georgia. Alongside, there were 65 districts, which included 48 cities and up to 1,000 villages and settlements. The city of Tbilisi was granted special status. The Parliament of Georgia adopted the Law on Local Government and Self-governance in 1997, and the election of local representative bodies was held in 1998. By 2002, new amendments proposed by the central government dramatically increased direct control of central government over the local self-government units, so that prior to the "Rose Revolution" of 2003, Georgia had a four-tier system for subnational government. The lowest level was the self-governments of village and towns; the second level was the district, the third level comprised the regions and the capital city; and the upper level was the autonomous republics. However, a combination of legal, social, and economic pressures, whereby local governments almost ceased to function and public services were only available in large cities, contributed to the drive for a new round of reform in 2004.

President Saakashvili appointed a commission of government and parliamentary representatives and invited nongovernmental organizations also to take part. However, the commission soon split into two opposing factions supporting different versions of

governmental reform. It was not until December of 2005 that a new organic Law of Local Self-governance was passed that favored the central government despite the existence of alternative models to the reform. Believing it was supporting a reform that was realistic and easy to implement, and cost- and time-effective, the Georgian Parliament approved the reform. The organic law introduced two types of local self-government units in Georgia. The first type is the municipality: this is an agglomeration of urban and rural settlements; the second type are cities of special status—large urban settlements. The organic law also granted special status to the five cities (Tbilisi, Rustavi, Kutaisi, Batumi, and Poti). Thus, the government created 69 local self-government units in total: five cities with special status and 64 rural municipalities. The new organic law stipulated that territorial boundaries for municipalities are the same as territorial boundaries of former districts. It has changed the system of subnational governments in Georgia and introduced three levels, instead of the previous four levels, of subnational administration. The organic law left unchanged the territorial division of the country; autonomous republics and regions kept their status, the only exception being Tbilisi, as it has an unclear status.

With implications for the internal structure and competencies of local governments, the new law firmly placed control in the hands of local councils heads and their chief executives, usually representatives of the party ruling at that time. Under the new system, it is the chief executives, and not the local councils, that develop the budget and have the final say about its contents, with the threat of presidential authority dissolving the council if the budget is not passed. Thus, it is evident that the new organic law makes the local council weaker than before.

Implementation of the 2004 reforms did not begin until 2006, when local representative bodies were elected in 64 rural municipalities and in five big cities. The old district administrations ceased their existence at that time and their properties were transferred to the new municipalities. Exactly what government agency or body supervises these new municipalities remains unclear and a score of amendments have tried to tighten the noose on local government autonomy. Changes to tax and budgeting rules also were designed to increase local governments' dependence on the central government for their operation. In short, decentralization of government competencies and responsibilities and an accompanying territorial reform stalled as state power reconsolidated and little progress has been made since then to release the central government's control of revenues and power.

## INTRODUCTION

Georgia is a small country located in the southern Caucasus with a population of 4.3 million people. Historically, the country has 11 regions: Kakheti, Lower Kartli, Kartli, Mtskheta-Mtianeti, Samtskhe-Javakheti, Imereti, Racha-Lechkhumi, Samegrelo, Guria, Adjara, and Abkhazia.

Feudal administration had always been strong here though some mountain regions of Georgia once had autonomy from the feudal administration and were managed by para-representative bodies, or councils of elders. These councils had authority to make decisions on local affairs and represent local interests *vis-à-vis* feudal administration. There were more than 300 communes in highland areas having the status of “free land.” These communities were directly subordinated to the Georgian king.

After the annexation of Georgia in 1801, the Russian Empire introduced a new model of territorial administration in the country. Georgia was divided into three provinces (*gubernia*) and 55 administrative districts (*mazers*). The administrative units were then divided into several wards (*uyezds*). All these units were parts of Russian feudal administration under strict vertical subordination. The first attempt to introduce local self-government in Georgia was made in 1895, when local elected councils were established in the cities of Tbilisi and Kutaisi. These municipal councils existed for only two years and were then abolished by the subsequent ruler, Alexander III, who was anti-reformist and terminated all democratic reforms implemented by his ancestor.

The first democratic republic implemented territorial reforms in 1918–21. The provinces (*gubernia*) and wards (*uyezds*) were abolished and administrative districts (*mazers*) were transformed into deconcentrated levels of central government. Local self-governments were introduced in towns and villages located on the territory of former wards (*uyezds*).

In early 1919, the first local elections were held in Georgia, self-governments were introduced at the community and city/town level. Local representative bodies were elected by a proportional electoral system (party lists). Village councils (*eroba*) and city councils were elected by direct and secret ballot. Community and city/town mayors had dual functions; he or she was leader of local self-government and was the supreme state official in his or her village or town.

The first constitution, adopted in 1921, recognized the right of self-government as a basic right of citizens of Georgia. Chapter 10 of the Constitution stated that “the self-governments have the right to develop local legislation according to their power and legislation of Georgia.” The Constitution legalized the dual function of the mayors and delegated to self-government institutions the right to manage local affairs. The Constitution introduced the concept of local budgets and local taxation.

The Constitution of 1921 recognized the autonomous status of Abkhazia and Adjara. Article 10 of the Constitution states that “Abkhazia (District of Sokhumi),

Muslim Georgia (districts of Batumi and Zakatala), which are integral parts of Republic of Georgia, shall enjoy autonomy in the administration of their affairs.”

Thus, development was a good start for the long process of establishing a European-style local democracy in Georgia, but, unfortunately, this process was interrupted by the Soviet invasion, which resulted in the occupation of Georgia and the establishment of a communist regime.

Through seven decades of Soviet rule in Georgia, events evolved in much the same fashion as elsewhere in the Soviet Union. The communist regime established a system of peoples' soviets (councils) at different levels of government. The members of these “soviets” were formally elected, but in fact, appointed by the Communist Party. According to the Constitution of Georgian Soviet Socialist Republic, all soviets had similar powers, for example, the Supreme Soviet of Georgian SSP, the Supreme Council of Abkhazia Autonomous Republic, and the local soviet of the small village *Gebi* in the mountain region of Georgia had absolutely the same power, functions, and responsibilities. That was a major weakness of the system of Soviet administration, which later resulted in so-called “War of Laws” between the different levels of government.

Soviets never were decision-making bodies; the highest governing body of Communist Party—the Politburo—was the supreme power. The USSR had a so-called State-Party system, where party bosses made all the decisions and public bodies had very restricted competencies, and were under the unlimited domination of the Communist Party.

Local executives—the Executive Committee—performed the day-to-day management at all levels of local government. Executive committees were formally accountable to local soviets, but in reality these executive committees were under the supervision of territorial units of the Communist Party. According to the Constitution of USSR, the Communist Party was the only party; accordingly, all officials should be members of this party. Thus, if the territorial unit of Communist Party were to expel the head of a local Executive Committee from the party, he/she was automatically dismissed from the position of chief executive. This dual system (State-Party) made dead institutions from the representative bodies, as they were created only to show the “democratic nature of Soviet system of government.”

Another result of Soviet occupation was so-called “collectivization,” which brought even graver results for Georgian villages. The Soviet government abolished private property and established a joint administrative-economic enterprise, the “collective farm,” which fully substituted local governments, making village “soviets” but artificial supplements to the administration of the village collective farm.

The Soviet government slightly modified the territorial boundaries of *mazras* and renamed them into *raions* (district), which were a structural part of central administration. Two historical provinces (Abkhazia and Adjara) were given status of autonomous Soviet republics, and one new territorial unit, the Autonomous Oblast of South Ossetia was also established.

This system lasted until the *Perestroika* period. The Supreme Council of the USSR adopted a Law on the Arrangement of Self-government in Localities and its Economic Framework in 1988. This law abolished the one-party system at local levels and gave an opportunity to local populations to elect their own self-government. This law introduced the notion of local property and “local financial resources.” This was very progressive piece of legislation, though it has never been duly implemented due to so called “War of Laws.” The vast majority of Soviet Republics (including Georgia SSR), declared that this law did not correspond to their interests and they blocked its realization. Thus, in the 1980s, Georgia missed its chance to start the evolutionary transition from the soviet local administration to the modern local government system.

A second attempt to implement local government reform was made in 1991, when new nationalist government adopted three basic laws: the Law on Local Administration in the Period of Transition; the Law on the Elections of Local Bodies of State Power of the Republic of Georgia; and the Law on Prefectures. As a result, a three-tier system of subnational administration was formed in the country. The lowest tier was village and city, the second tier was the districts, and the third—the autonomous republic.

The new system had several weaknesses, namely:

- The new system was highly centralized and all executives were subordinated to the prefects appointed by the president.
- Local representative bodies had very limited responsibility. There was no notion of local autonomy, and it was clearly stated that local councils are “representative organs of state power at locals.”
- There were no economic and financial basis for local self-government; the notion of local budgets and property had not been introduced yet.

This was a transitional model and full-scale local government reform was envisaged after the gaining of independence from the USSR. A military coup put the end to these hopes and country then entered into stage of civil war and political turmoil.

There was no local administration in the country from 1992 till 1994. Georgia was divided between warlords and paramilitary groups. President Shevardnadze started appointing district executives from in 1994, and he appointed the first governor in the Kvemo Kartli region in 1995, subsequently, governors were appointed in each region of Georgia.

President Shevardnadze’s government used a historical model of administrative territorial arraignment and introduced nine regions with the appointed governors in Georgia. Alongside, there were 65 districts, which included 48 cities and up to 1,000 villages and settlements. The city of Tbilisi was granted special status. The Parliament of Georgia adopted the Law on Local Government and Self-governance in 1997, and the election of local representative bodies was held in 1998. The structure of subnational

governments was too complex and very centralized; it included four tiers and there was no clear division of power among the tiers of government.

Real local self-government was introduced only in villages and towns. Large cities (Tbilisi, Batumi, Rustavi, Kutaisi, and Poti) were left under the control of central government.

*Table 1.*  
The Structure of Territorial Division of Georgia in 1998

<b>I level</b>	<ul style="list-style-type: none"> <li>• Autonomous Republic of Adjara</li> <li>• Autonomous Republic of Abkhazia</li> </ul>
<b>II level</b>	<ul style="list-style-type: none"> <li>• city of Tbilisi</li> <li>• nine regions</li> </ul>
<b>III level</b>	<ul style="list-style-type: none"> <li>• 75 districts with elected representative body</li> <li>• five cities with special status (so-called large cities)</li> </ul>
<b>IV level</b>	<ul style="list-style-type: none"> <li>• 58 city self-government units (so-called provincial cities)</li> <li>• 998 self-government units of village and settlements.</li> </ul>

The central government exerted great influence over the district level. Districts had the mandate to coordinate and oversee of lower levels of local government (towns and villages). Districts were the most powerful level in the pyramid of state power, and were directly subordinated to the president of Georgia, but at the same time, every district had its own representative body elected by direct and universal suffrage.

Such a dual system on the district level resulted in permanent conflicts between appointed executives and elected representatives. The locally elected politicians gained more support from the local population, and they took control of the local executive power step-by-step. The power of the central government became limited in 42 districts out of 75, where local councils were implementing their own policies and did not rely on directives from the central government.

Central bureaucracy clearly saw the danger of losing control over local self-government and proposed new amendments to the local government legislation in 2002. According to these amendments, directly elected district councils were abolished and so-called “associated councils” (*ex-officio* representation) were introduced. Mayors from settlements located on the territory of a district constituted these councils, which were more of an administrative board than a local representative body. The new amendments proposed in 2002 dramatically increased direct control of central government over the local self-government units.

Prior to the “Rose revolution,” Georgia had a four-tier system for subnational government. The lowest level was the self-governments of village and towns; the second

level was the district, the third level comprised the regions and the capital city; and the upper level was the autonomous republics.

*Table 2.*  
Distribution of Population by Number of Self-government before 2006

Population	Self-governance Units
More than 10,000	49
7,000–10,000	33
5,000–7,000	57
3,000–5,000	171
2,000–3,000	199
1,000–2,000	286
500–1,000	123
Less than 500	80
<b>Total</b>	<b>998</b>

Nevertheless, the local government reform implemented in 2002 had several positive aspects. The first was that mayors of four large cities (Batumi, Kutaisi, Poti, and Rustavi) were elected, and the president of Georgia lost the mandate to appoint mayors in the large cities (excluding Tbilisi). The second positive aspect was that powers between the different levels of administration were clearly divided and the concept of exclusive competencies of the local self-government unit was introduced in Georgian legislation.

If we analyze various dimensions of the 2002 local government reform, it becomes obvious that most of measures taken by the central government were not completed and duly implemented.

## Legal Dimension

According to the Law on Local Government and Self-governance, local authorities had two types of competencies. The first was “exclusive competences” (own competencies), which belonged to local self-government institutions, and was only implemented by local authorities independently, and under their own responsibility. Second was the “delegated competencies”; these competencies belonged to state (central government) but they were transferred to local authorities, as only local authorities had the optimal setting to perform those competencies in most effective and efficient manner.



*Table 3.*  
 Exclusive and Delegated Competencies of Local Governments  
 According to the 2002 Law

Exclusive Competences	
<ul style="list-style-type: none"> <li>• Adoption of regulations and statutes of local public institutions</li> <li>• Managing local property</li> <li>• Local budgeting and local taxation</li> <li>• Elaboration and adoption of local development plans</li> <li>• Managing municipal services and enterprises</li> <li>• Maintenance of local archives</li> <li>• Housing and dwelling management</li> </ul>	<ul style="list-style-type: none"> <li>• Dissemination of public information</li> <li>• Municipal transport management and the maintenance of local roads</li> <li>• Urban development and design</li> <li>• Municipal programs on social protection, healthcare, and culture</li> <li>• Water, electricity, and gas supply</li> <li>• Local parks</li> </ul>
Delegated Competences	
<ul style="list-style-type: none"> <li>• Civil registration</li> <li>• Environment protection and sanitation</li> <li>• Support in military enrolment</li> </ul>	<ul style="list-style-type: none"> <li>• Management of public spheres delegated by laws of Georgia</li> </ul>

*Source:* Law on Local Government and Self-governance 2002.

The law stipulated that local self-government was responsible for all exclusive competencies and execution of these competences should be financed from the local revenues, while delegated competences were meant to be financed from the central budget via specific grants. That was quite a progressive approach, but Georgian politicians did not respect these requirements of the organic law. Moreover, Parliament did not manage to adopt the Law on Local Budgets that would allow local authorities to have full-scale local budgets. The first draft of the Law on Local Budgets was developed in 2000, and though it had been discussed several times by Parliament, it was only adopted in 2006. Georgia had no legislation for administrative supervision, for local property, or local spending. The Georgian local government was governed only by an organic law and dozens of regulatory acts issued by the central government.

Also, Georgian legislation was very unclear on the status of regions and the regional governor. Georgia was a *de facto* unitary state, but at the same time it had autonomous republics and nine regional governors. So, by the end of the 1990s, it was obvious that the legal formwork for decentralization and local self-government needed further perfection and systematization.

## Social Dimension

Local government sits at the closest proximity to the population and can effectively protect local interests. Self-governments became very popular since 1998. It was believed that local mayors and councilors are motivated to protect interests of local population and have authority to make decisions independently from the corrupted central elite. Public attitude leaned toward strong local government and decentralization in Georgia.

But by the end of 2003, 82 percent of Georgians were disappointed and unhappy with the performance of local self-government units searching for poll on public perceptio in 2003. Public opinion perceived local authority as a worthless institution and a decoration created for Council of Europe membership.

## Economic Dimension

Local government units had very little role to play in economic development. Their financial possibilities were limited, and their scale was inadequate for the implementation of a proactive economic policy. The total own revenue of local governments was GEL 30 million. (GEL 1.78 = USD 1) in 2002, which was not even enough for the salaries of the local government staff. A major obstacle for development of local self-government was the underdeveloped regional economy. There were no economic activities in most municipalities. The table below shows that substantial part of local budget revenues came from the central government.

*Table 4.*  
The Role of State Transfers in Local Budget Revenues

	2000		2001		2002	
	USD Million	Percent	USD Million	Percent	USD Million	Percent
Local budgets including state subventions	158.6	100.0	177.2	100	161.1	100.0
Local budgets excluding state subventions	120.4	75.9	152.2	85.9	140.7	87.4
State subventions	36.5	23.0	21.7	12.2	17.9	11.1
Bank loans	1.0	0.6	1.0	0.6	1.0	0.6
Other revenues	0.7	0.5	2.3	1.3	1.5	0.9

*Source:* Ministry of Finance of Georgia; Yearbook 2002.

The vast majority of small local self-government units had no own revenues, and their only source of income was subsidies from the districts' budgets. The largest part of local budgets' spending came from Tbilisi and the four other big cities (up to 78 percent) while the other 993 units possessed only 22 percent of the share in total local government spending.

*Table 5.*  
Share of Central and Local Budget Revenues in GDP

	2000		2001		2002	
	USD Million	Percent	USD Million	Percent	USD Million	Percent
GDP	4,519.0	100.0	4,863.0	100.0	5,475.0	100.0
Consolidated central and local budgets	599.0	13.3	606.3	12.5	488.1	8.9
Central budget (+ special funds)	456.4	10.1	428.9	8.8	327.0	6.0
Local budgets (Tbilisi included)	158.6	3.5	177.4	3.6	161.1	2.9

*Source:* Ministry of Finance of Georgia; Yearbook 2002.

Municipal services existed only in big cities—all public goods were provided by districts in small local government units. In the vast majority of cases, local government employees received their salaries from the district budget, and all major spending were authorized by a district executive, who was a supreme state official appointed by the president of Georgia. Thus, we can state that local self-government in Georgia was a good example of so-called “Potemkin democracy,” and existed only on paper, while the real power belonged to the district, which was the territorial unit of the central government.

The vast majority of small local self-government units stopped functioning in 2004. Only 48 local councils out of 998 had regular meetings during 2004–2005, and only 135 units out of 998 had local budgets. The entire system appeared to have collapsed. By the end of 2004, it was obvious to everyone that the current local government system needed reformation, and there was wide consensus among Georgian experts that the small local self-government units had no financial viability and that the country needed to take steps toward territorial consolidation.

## POLICY ALTERNATIVES FOR THE LOCAL GOVERNMENT REFORM

The preparation for local government reform started in February 2004, when the president of Georgia created the position of “state minister” (a minister-without-portfolio) on regional management and coordination. The new state minister took responsibility

for the coordination of local government reform and established a special governmental commission with the mandate of developing policy for local government reform.

The state minister invited a number of NGOs to take part in this commission and assist the Georgian government in their development of strategy for local government reform. Additionally, the state minister applied to the EU Commission delegation and to the Council of Europe for technical assistance and expertise.

In his official letter of inquiry to the EU delegation office in Georgia, the state minister formulated the following priorities for his office: (a) implementation of administrative territorial reform; (b) adoption of a new law on local self-government, and (c) reformation of regional level of administration. But, two months after this application, the president of Georgia surprisingly abolished the post of state minister on regional coordination and the ex-state minister was nominated to the post of governor in the Kvemo Kartli region.

The president of Georgia established a special state commission on effective governance and administrative territorial reform by Ordinance N119, issued on June 4, 2004. This committee was composed of the representatives from the government of Georgia and Parliament. Georgian NGOs, which worked with the state minister on regional coordination, were also invited to participate on the commission. Officially, the president of Georgia was chair of this commission, but Mr. Vano Khukhunaishvili, MP and vice chair of the parliamentary committee on local government, was the real leader of this commission. Mr. Khukhinashvili lobbied for the establishment of the state commission and also took commitments in front of international donors, who financed operational costs for the commission. The state commission held only five sessions and the president attended only one; the level of participation of various line ministries was also low. Georgian NGOs soon left the commission, stating that the committee did not respect their opinion.<sup>1</sup> At a later stage, the state commission established a special center for effective governance and territorial reform, which served as a secretariat to the state commission.

The NGOs that left the state commission developed their own model for administrative-territorial reform,<sup>2</sup> and approached different opposition groups in the Parliament of Georgia to lobby for their model of administrative-territorial and local government reform.

These two groups—the state commission (widely know as “Vano’s Commission”) and a group of NGOs (uniting four respected Georgian NGOs)—were the major think tanks that presented policy alternatives for local government reform. Their models approaches were quite diverse. The opposition parties backed the NGO coalition and the state commission enjoyed strong support from the ruling party as well as from the administration of president. To some degree, political parties were actively involved in the process of policy formulation, but in reality, they were more interested in electoral modalities than in administrative territorial arraignment.

## Policy Alternatives

### Administrative-territorial Arrangement

The draft organic Law on Local Self-government initiated by the state commission was based on the unitary model of state with one level of local administration. The district level was the cornerstone to this approach. There were 80 districts before local government reform in Georgia, of which 65 were under the jurisdiction of Georgian government and 15 remained under the control of the secessionist regimes of Abkhazia and South Ossetia. Each district had its own administration center and well-defined territory. Districts always had dual functions in Georgia; they served as a deconcentrated level of the central government and, simultaneously, have always had a (directly or indirectly elected) representative body. The proposal made by the state commission aimed at the transformation of districts into local self-government units. Thus far, only districts had adequate economic, financial, and human resources for the full-scale execution of local government competences. Thus, the draft planned at granting a self-governmental status to five big cities (Tbilisi, Rustavi, Kutaisi, Batumi, and Poti, which have never been included in districts), and 65 rural municipalities (former districts). Consequently, Georgia would have 79 self-government units, with 45,000–50,000 residents on average, instead of the existing 998 small-scale municipalities.

#### *Positive aspects of the model*

- *Ease of implementation*—People identified themselves with existing districts, and everyone knew where the district center was. This reform would be easy to implement, as no change of boundaries would follow.
- *Cost-effectiveness*—This model did not require the creation of new administrative centers or facilities. The number of locally elected officials would be reduced from the current level of nearly 8,000 to 2,159 councilors, which was quite a cost-effective solution for the central government. No doubt this would also reduce accessibility to government and representation in the elected bodies, but this would be the price for Georgian government (and eventually the citizens) for territorial reform.
- *Time efficiency*—This reform did not require a long time for implementation. Districts were well-established units, so no long discussions for the identification of new administrative centers and boundaries would be needed.

#### *Weaknesses of the model*

- *Accessibility to the local self-government*—A large municipality means larger distances between citizens and the local authority. The average distance between

territorial units and the municipal center would be more than 15 kilometers (even more in highland areas). The electoral mandate was also increased. There were about 500–600 voters behind one mandate in a local council before the reform, and this number would increase up to 2,000 voters after the reform.

- *Discrimination of provincial towns*—This model takes away self-government status from provincial towns and makes them administrative centers for large municipalities. In some cases, provincial cities have more residents than the cities with self-government status. For example, the town of Gori (eastern Georgia) has a population twice the size of the city of Poti (western Georgia), which was meant to be granted self-governing status. So, mentally, it was very difficult for the Georgian political elite to understand why the city of Poti should have self-governing status and not the city of Gori, which is twice the size.<sup>3</sup> But in this case, the Georgian government had to pay tribute to the Soviet legacy. Historically, Gori has always been a separate city, with a well-developed urban infrastructure. However, in 1924, by the decision of Soviet government, the surrounding villages were attached to Gori, and the city of Gori became the administrative center of the Gori District. Now, self-governing status for the city of Gori means losing its role as the administrative center for the surrounding villages. Theoretically, this can be viewed as preferential treatment in favor of Gori, because the city is wealthier than the surrounding villages. On the other hand, the surrounding villages make the city of Gori rich, as they provide human and material resources, agricultural goods, and cheap materials. So, when we speak about discrimination here, we speak about administrative power, as economically this model of territorial reform is more profitable for the city of Gori than discriminative.
- *Unification of complex environment*—This draft employed the same model for all types of territories across Georgia, and did not reflect the specifics of the mountainous regions and other special territories.

An alternative draft law presented by the NGO coalition aimed at changing the model of unitary state to the regional state. The administrative-territorial reform proposed by the NGO coalition included two components: first—the abolishment of districts and formation of larger self-government units by the amalgamation of small towns and villages, and second—the transformation of the regional level of administration into regional autonomy.

The draft presented by the NGO coalition defended specific criteria for the amalgamation of local self-government units—for regions with a low density (10 inhabitants per square kilometer) of population, this criteria was no less than 3,000 inhabitant per local self-government unit, and in regions with a high density (45 inhabitants per square

kilometer) it was to 8,000–10,000. An alternative draft planned the establishment of two or more larger self-government units on the territory of each district. Based on these criteria, the central government could define the name, administrative centers, and territorial boundaries for each new self-government unit through consultation with the local population. Thus, according to this model, the possible number of local self-government units (towns and communities) was 270 (maximum 300), instead of the existing 998.

Regarding the regional level of government, the draft law presented by the NGO coalition planned to establish regional autonomy for all 11 historical provinces of Georgia (the nine existing regions, plus Abkhazia and Adjara), with directly elected regional councils and governors elected from the regional councils.

The opposition faction “Democratic Front” (DF) agreed to initiate this draft without any change and submitted it as an alternative draft for parliamentary hearings. Another opposition fraction, the “New Conservatives” (NC) did not agree to the proposal of regional arrangement and modified this draft, then submitted to the Parliament a second alternative draft. The only difference between these two alternative drafts was at the regional level: the New Conservatives were against of abolishment of district level, and proposed making the districts a second tier of local self-government with directly elected local council and mayors. This was a more *unitary* approach, and totally different from the initial draft presented by the NGO coalition. Consequently, the New Conservatives did not support draft law presented by the NGOs and the Democratic Front. The separation of position between the opposition parties dramatically reduced chances for the alternative drafts to be adopted by the ruling majority in Parliament.

### *Positive aspects of these drafts*

- *Adequacy with local particularities*—Criteria for the establishment of local self-government units was based on density of population and, theoretically, it could reflect regional diversities. However, in most cases, the statistical data for the calculation of density was neither reliable nor accurate.
- *Proximity to population*—The average number of voters behind one mandate in the local representative body was 1,000 for this draft. The distances between villages and the center was shorter than in the state commission’s draft.
- *More tolerable approach for provincial towns*—All provincial towns that have more than 3,000 inhabitants would remain self-governing.

### *Negative aspects of these drafts*

- *Complicated procedure for the implementation*—According to this draft, the central government would identify names, administrative centers, and boundaries for the new self-government units in consultation with local population

within a three-month period. This was unrealistic and extremely complicated, to say nothing of the political risks and negative public opinion. The experience of other countries shows that these are very difficult tasks as they play to stereotypes, people's mentality, and local interests.

- *Cost inefficiency*—This reform requires the construction of up to 300 new administrative centers, along with new communication infrastructure. In most cases, there is no public transport connection between small villages (unlike villages and district center). The draft from the New Conservatives is more expensive as it aims at the establishment of two-tier local self-governance.
- *Unrealistic timing*—Both drafts gave three months to the Cabinet of Ministers for the identification of territorial boundaries and administrative centers of new units. This was a naïve approach. The authors of the alternative concept spent almost a year trying to identify virtual boundaries for future larger units, though they could not manage to complete this exercise and Cabinet of Ministers could not realistically accomplish this in the three-month period.
- *Legal drawbacks*—This was mostly connected with regional autonomy. According to the Constitution of Georgia, the territorial arraignment of the country cannot be solved before the restoration of its territorial integrity, so the adoption of this principle would require the revision of the Georgian Constitution. Secondly, it was impossible to incorporate local self-government and regional autonomy in the one law. From a legal point of view, any law that regulates local self-governance must be an organic one, and the Law on Regional Autonomy should be a constitutional one. Thus, the draft law presented by the Democratic Front was in contradiction with the Constitution of Georgia.
- *Problem of “white spots”*—Before the 2006 local government reform, the territory of Georgia did not equal the sum of territories of all local self-government units, as most land (especially forests and pastures) was in state ownership and managed at the district level. Alternative drafts neither specify the method for the distribution of these lands between new units that emerged on the district territory, nor did they clarify which institution should be responsible for those lands after the abolishment of districts' authorities. Independent experts called them “white spots on the map.” A solution to this problem was critical, as all property tax calculated from land values requires clear definition of ownership and boundaries between municipalities. This problem did not exist in the draft law presented by the state commission, where territory for the new local self-government unit was the same as for the old district.



## Internal Structure of Local Self-government

The draft presented by the state commission established a simple structure of local self-government. A local representative body is elected by a mixed (party list and single constituency) electoral system. Councils in the five big cities include 10 members elected by party lists and five members elected by majoritarian system. In rural municipalities, local councils are bigger: each council includes 10 members elected by party lists and one councilor from each commune and town. The representative body elects its chairman, who is the leader of council and supreme official of the self-government unit. Also, the council—by a majority of votes—appoints the head of administration (*Gamgebeli* in Georgian), who performs day-to-day management and is a chief executive officer of municipality. The council also elects heads of seven permanent commissions and the vice-chairman of the council. They form the Bureau of the Council, which has a mandate of the oversight the local administration.

Thus, this system clearly separates local politics from local administration. The council is responsible for policy elaboration and adoption of local budget, while the role of administration is management of municipal services. The chairman of the local council, as well as the head of the administration, might be dismissed unconditionally by local council with a simple majority of votes. The head of administration nominates administrators in territorial units of municipality; each administrator has staff and he/she is directly accountable to the head of administration. The functioning of the administrator is monitored by a councilor elected from this territorial unit.

### *Positive aspects of this model*

- *Prevention of institutional conflict*—This model prevents institutional conflicts, which were common for past local authorities, where directly elected local councils and mayors oppose each other making, formulation and implementation of local politics impossible.
- *Empowerment local representative organs*—This model expands the responsibility of local councils and gives councilors real power to monitor local executives.
- *Makes implementation of national politics much easier*—This model gives the opportunity to political parties to implement nation-wide policy in all municipalities, as there is party representation in the municipal councils.

### *Negative aspects of this model*

- *Abolishment of direct elections for local mayors*—The majority of opposition parties and NGOs stated that the institution of indirectly elected mayors is a limitation to local democracy and a violation of the constitutional rights of citizens.

Neither the European Charter of Local Self-Government, nor the Georgian Constitution mandate any specific requirement for the direct election of mayors, but Georgian opposition parties used this argument for highlighting a “*negative aspect*” of the model suggested by the state commission. This, however, was just speculation, as before the 2006 local government election we had both directly and indirectly elected mayors in Georgia. Mayors were elected directly only in 51 units out of 998 and all other mayors were elected by the councils from the councilors.

- *Negligence of scale*—This applies to provincial towns, which elect just one councilor to the municipal council (as in the instance of a small village located on the territory of municipality), while a big share of the municipal budget is generated in towns and then allocated to villages and settlements. It should also be mentioned that this shortcoming is balanced by party representation: 10 councilors are elected by party list, and since political parties are concentrated in towns, there will automatically be 11 councilors (10 elected by party lists plus one elected by a majoritarian system) who represents town in the municipal council.<sup>4</sup>

Alternative drafts—These were similar on the structure of local government at the first level, the only difference was in the electoral system. This draft envisaged the introduction of directly elected councils and mayors in towns and communities. In this model, the council elects a chairman, who is responsible for the operation of the local representative body. The council has commissions and fractions. Only the chairman of the council and his secretary are officials; all other councilors serve on a voluntary basis. The head of the local executive is a directly elected mayor, who has his or her own government and administration. This is a so-called “strong council/strong mayor” model. As to electoral system, the Democratic Front proposed a party list system for local elections in communities, while the New Conservatives’ model was oriented on single mandate constituencies (majoritarian system) and used the party list system only on the second tier of local self-government (i.e., in the districts). In both drafts, each territorial unit (village, settlement, urban district) of municipalities elects its own council and warden, who is the local executive of the territorial unit. Additionally, the draft law proposes the institution of direct democracy in the form of a general assembly of residents.

### *Positive aspects*

- *Proximity to population*—This model establishes local representative organs in each village, even in those which until now had no local councils.
- *Direct election of local mayors*—This draft allows for the direct election of local mayors and wardens, which increases the accountability of local officials.

### *Negative aspects*

- *Increased bureaucracy*—According to this system, each village elects its own council and warden along with councilors and mayors elected in communities. Thus, according to this model, there would be up to 9,200 councilors and 1,000 mayors at the level of communities/towns; 4,000 wardens, and more than 20,000 councilors at the level of villages, settlements and urban districts, plus representative bodies on the second tier of local government. Thus, all together, there would be more than 40,000 elected officials according to this draft.
- *Legal drawbacks*—Lawyers called these drafts “the draft for Institutional Conflicts,” as the establishment of complicated structures provokes duplication of functions and institutional conflicts.
- *Irrelevant use of direct democracy*—The decisions of the general assembly of residents are obligatory not only for the village council and warden, but for higher authorities, too. This is conceptual mistake: institutions of direct democracy shall only have consultative power. The use of those institutions for local legislature could undermine the entire system of public administration in any country.

### **Powers and Competencies**

The draft law initiated by Mr. Kukunaishvili used a simple division of competences between central and local authorities. This draft indicated only own competences of local self-government units, where local authorities have full and complete power to execute them independently and under their own responsibility. These competencies can be divided into the following categories:

- Communal services,
- Provision of public services (preschool education, special education, polyclinics, etc.),
- Local finance and budgets,
- Management of local property (including agricultural lands and local forests),
- Social economic planning and development,
- Social services,
- Environmental protection.

The draft law did not indicate delegated powers to local self-government, as that specific task might be delegated to local authorities from central authorities by sectoral laws and only with adequate financial recourses.

*Positive aspects*

- *Clear and simple division of competencies*—The draft law clearly separates own competencies of local self-government. Also, it specifies that all tasks delegated by sectoral laws should be accompanied by adequate financial recourses.

*Negative aspects*

- *Lack of due explanation of each competence*—The draft law just lists own competencies of local self-government, though it gives no details and explanations.

## Alternative Drafts

Alternative drafts of the document use a more complicated system of the division of competences between levels of government. There were three sets of competencies, each set including different variations, such as:

- Type of competencies–1. Own competences  
Variations:
  - 1.1 Own competencies of regions
  - 1.2 Own competencies of local self-government
- Type of competencies–2. Delegated competencies  
Variations:
  - 2.1 Competencies delegated from state to regions
  - 2.2 Competencies delegated from state to local self-government
  - 2.3 Competencies delegated from regions to local self-government
- Type of competencies–3. Joint (shared) competencies  
Variations:
  - 3.1 Common competencies of state and regions
  - 3.2 Common competencies of state and local self-government
  - 3.3 Common competencies of regions and local self-government
  - 3.4 Common competencies of state, regions, and self-government

There was no explanation as to which authority has supremacy under common competencies, and what happens if decisions taken under this type of competency by various levels contradict each other. The source of funding for delegated competencies also was not clearly specified. The alternative drafts neglected the principle of universality of power, identifying five types of power: general, administrative, service provision, regulatory, and investment. Different levels of government possess different types of

power under each competence, which clearly contradicts the principles of the European Charter of Local Self-government.<sup>5</sup>

### *Positive aspects*

- *Defining legal framework for regional level*—Currently, there were no definitions of regional level and regional governorship in Georgian legislation, so it is of primary importance to try to fill this white spot.

### *Negative aspects*

- *Irrational division of competencies*—The draft law indicates three types of competencies with several variations for allocation between different levels of national and subnational government. This creates an extremely complex and convoluted system of powers in the country.
- *Danger of legislative chaos*—The draft laws did not establish supremacy (or mechanisms for supremacy) between the normative acts adopted by different levels of government, which creates a danger of legislative chaos.
- Existence of “shadow institutions”—The alternative drafts did not identify the functions of the general assemblies of citizens in villages and settlements. There is a danger that these assemblies will become shadow partisan institutions, which will inhibit the supremacy of local representative bodies within their territories.

## NEW ORGANIC LAW ON ‘LOCAL SELF-GOVERNANCE’

The government of Georgia decided to abolish local self-governance in small towns and villages and establish it at the district level. In other words, to convert the district administration into a local self-government unit. This was the model proposed by Mr. Khukhunaishvili, on behalf of the state commission. The second alternative proposed by opposition parties and the NGOs’ coalition was rejected during the first hearing in Parliament.

The ruling majority in Parliament justified its decision by stating that the model proposed by Mr. Khkunaishvili was:

- Realistic and easy to implement
- Cost-effective
- Time-effective

Therefore, the Parliament of Georgia decided to accept the draft law presented by Mr. Khukhunaishvili for the first hearing and start its revision for the final adoption. The opposition parties did not accept these explanations, stating that the Georgian government has always had the objective to introduce local self-governance on the district level and the state commission was no more than a democratic façade for this plan, which created the illusion of participatory process and involvement of all stakeholders.

The second request from the opposition parties was to adopt package of sectoral laws necessary for the successful operation of local self-governance, along with the organic law, though the parliamentary majority rejected this request. Mr. Khukhunaishvili made a speech on the national workshop organized by the Council of Europe and explained to the audience that the adoption of the organic law is but the first step, and should be followed by number of new legal initiatives. He made the commitment that the entire package of relevant sectoral laws will be developed in 2006–2007, and these laws will give more power, financial recourses, and property to the new large municipalities.

## Territorial Reform

The organic law of Georgia was adopted in December 2005 at the third hearing in Parliament. This was the official beginning of the local government reform in Georgia. The organic law introduced two types of local self-government units in Georgia. The first type is the municipality: this is an agglomeration of urban and rural settlements; the second type are cities of special status—large urban settlements.

The new organic law stipulated that territorial boundaries for municipalities are the same as territorial boundaries of former districts. According to the organic law, all district administrations shall be automatically abolished after the adoption of official results of new local elections by the central electoral commission. The organic law also granted special status to the five cities (Tbilisi, Rustavi, Kutaisi, Batumi, and Poti). Thus, the government created 69 local self-government units in total: five cities with special status and 64 rural municipalities.

The new organic law on local self-governance has changed the system of subnational governments in Georgia and introduced three levels, instead of the previous four levels, of subnational administration. The organic law left unchanged the territorial division of the country; autonomous republics and regions kept their status, the only exception being Tbilisi, as it has an unclear status. According to the organic law on local self-governance, Tbilisi is city with special status, but additionally, there is a specific Law on the Status of the Capital City of Tbilisi which stipulates that Tbilisi has a higher status than local self-government units. According to the Georgian legal system, the organic law has supremacy over the specific laws and, thus, the Parliament should have amended the Law on the Status of Tbilisi as soon as new organic law on local self-government was adopted, though this has yet to happen.

*Table 6.*  
Subnational Levels of Public Administration in Georgia after 2006

<b>I level</b>	<ul style="list-style-type: none"> <li>• Autonomous Republic of Adjara</li> <li>• Autonomous Republic of Abkhazia</li> </ul>
<b>II level</b>	<ul style="list-style-type: none"> <li>• nine regions</li> </ul>
<b>III level</b>	<ul style="list-style-type: none"> <li>• Tbilisi, Rustavi, Kutaisi, Batumi, Poti</li> <li>• 64 municipalities</li> </ul>

There are still many disparities between municipalities in the new system. The average number of population per municipality is 45,000. The smallest unit being the Kazbegi municipality which has only 5,000 inhabitants. The Gori municipality is the largest, with 120,000 inhabitants. Between the cities, Tbilisi is largest, with 1.4 million, and Poti is the smallest, with only 27,000 inhabitants.

*Table 7.*  
Distribution of Population by Number of Self-government after 2006

<b>Population</b>	<b>Self-government Units</b>
More than 1 million	1
100,000–200,000	4
50,000–100,000	8
25,000–50,000	41
10,000–25,000	10
Less than 10,000	5
<b>Total</b>	<b>69</b>

In sense of territory, the largest unit is the Dusheti municipality, with 3,200 km<sup>2</sup> of territory and the smallest one is the city of Poti with 56 km<sup>2</sup>. The lowest density of population is in the Tetrtskaro municipality (three inhabitants/km<sup>2</sup>) and the highest is in Tbilisi. Thus the territories of municipalities become more complex, some municipalities uniting highland areas and flat territories, which makes municipal management very complicated and expensive.

## Internal Structure of Local Self-government Unit

Georgia had two different models for the election of mayors before the 2006 reform. In small units, mayors were elected by the local councils; in local government units with more than 5,000 inhabitants, mayors were elected directly by the population. The internal structure of local self-government units before the reform was based on model of “strong mayor,” who was the head of executive power and supreme local official.

The new organic law introduced a unified model for all self-government units. Each head of local council is a supreme official in the local authority, elected from councilors by the local council with a majority of votes. The local council nominates the chief executive officer (*Gamgebeli*). The chief executive (CEO) is very strong position in the municipality, and once appointed he can be dismissed only by an absolute majority of the council. The chief executive officer is the leader of local executives, and he is subordinated to the local council, though the organic law does not specify a clear hierarchy between the CEO and the head of local council.

The CEO nominates all heads of structural and territorial divisions; he signs financial documentation and the statute of municipal companies. Experts of the Council of Europe named the duplication of function between these two supreme officials as “two crocodiles in one pool.” This duplication does not allow local councils to exercise full oversight over the local executive.

The new organic law restricted the power of local councils in financial affairs. Previously, local councils had right to develop an alternative draft for their local budget and vote for this alternative draft. But under the new system, only the CEO has the right to develop a draft of local budget and present it to the local council for adoption. The local council can dismiss the draft and send it back to the local executive for revision. The CEO has the right to propose the same draft for the second time, and if council does not adopt it the president of Georgia has right to dismiss the local council and call for a new local election. Thus, it is evident that the new organic law makes the local council weaker than it was before the reform.

## Competencies of Local Self-government Units

The new organic law uses nearly the same list of competencies which was given in the old organic law.

The list of delegated competences was excluded from the new organic law, as delegated powers shall be defined by sectoral legislation or by the specific agreement between local self-government unit and central government agencies.



*Table 8.*  
Exclusive Competencies of Local Governments after the 2006 Reform

Exclusive Competences	
<ul style="list-style-type: none"> <li>• Adoption of regulations and statutes of local public institutions</li> <li>• Managing of local property</li> <li>• Local budgeting</li> <li>• Elaboration and adoption of local development plans</li> <li>• Managing municipal services and enterprises</li> <li>• Establishment of regulatory framework for municipal services</li> </ul>	<ul style="list-style-type: none"> <li>• Dissemination of public information</li> <li>• Municipal transport management and the maintenance of local roads</li> <li>• Urban development and design</li> <li>• Primary healthcare and preschool education</li> <li>• Local parks and historical monuments</li> </ul>

*Source:* Law on Local Government and Self-governance 2002.

The new organic law, adopted in December 2005, was in contradiction with a number of old sectoral laws, which were adopted for the old local government system. The Parliament of Georgia inserted special transitional articles in the organic law and obliged the government of Georgia to develop a package of sectoral laws by June 2007, in order to harmonize existing legal framework with the newly adopted organic Law on Local Self-governance.

## Social Dimension of the Local Government Reform

Local autonomy is not a typical Georgian tradition. Georgian society historically has always faced the danger of territorial disintegration, and all Georgian culture and ideology is based on the idea of a unitary and strong state. Consequently, Georgian citizens do not pay proper attention to local self-government, and they do not differentiate between central and local administrations.

International organizations paid great attention to the dissemination of information about local government and its reform among the Georgian public. The state commission, under the auspices of the German Technical Cooperation (GTZ), published a biweekly newspaper “*Ragionis Droit*”; additionally, a weekly talk show was presented on “Georgian Radio” with financial support from UNDP. Furthermore, the National Association of Local Authorities of Georgia was working in regions to inform local government officials about the local government reform and present their voice to the state commission. Additionally, the NGO coalition conducted a series of regional meetings advertising their model of consolidation of local government units. These meetings took place in 2004, 2005, and 2006, with financial support from Open Society Georgia Foundation (OSGF), the Eurasia Foundation, and USAID.

Despite this pact, the local government reform was not the first priority on the agenda of public discourse. A public-opinion poll conducted by the OSGF shows that only eight percent of respondents are aware about the local government reform, and 56 percent of respondents have no information at all about the territorial reform (Losaberidze *et al.* 2007). A person familiar with the situation in Georgia during 2004–2006 can easily understand the results of this opinion poll. It was period of time when four of the most important reforms were going on simultaneously with the local government consolidation, namely: police reform; education reform; healthcare reform, and reform of the court system. Thus, Georgian public opinion was mainly focused on these critical reforms and did not pay any attention to the local government consolidation process because, as stated, small local government units did not play any role in the life of local citizens, and all public goods were provided by the district administration. So, for local citizens, all this consolidation reform was just a “storm in a tea cup,” because this reform established municipal government on the administrative level, which possessed real power, and abolished a level of government, which only existed on the paper before 2006. Thus the vast majority of local citizens did not even notice the difference between old and new systems. The results of opinion polls clearly reflect this attitude toward this reform: 25 percent of respondents were unable to explain the difference between the old and new systems, 18 percent of the population did not observe any change, and only six percent of respondents gave an adequate answer.<sup>6</sup>

## THE IMPLEMENTATION PROCESS

Implementation of the local government reform started with a new local election on October 5, 2006. Local representative bodies were elected in 64 rural municipalities and in five big cities. The old district administrations ceased their existence on November 5, 2006, when the central electoral commission officially announced the results of local elections, though some districts’ agencies were continuing activities and waiting for their integration into municipal governments. The process of transformation lasted for several months, as there was no specific ministry in the government of Georgia, which would take responsibility for the implementation of local government reform. Finally, the process of transformation of district agencies into municipal government was completed in April 2007, when the president of Georgia signed a specific decree and all district administration agencies were transformed into the newly elected local authorities.

The second issue was transfer of districts’ property (administrative buildings, state-owned water and electricity companies, schools, and kindergartens) to new municipalities. The Law on the Property of Local Self-government Property set up a very complicated procedure for the transformation of state property to local governments.

According to this law, the Cabinet of Ministers should make the decision in each specific case. Therefore, only 30 percent of property has been transformed to municipalities and in some municipalities no property has yet been transferred.

The next issue was administrative supervision over the local self-government units. Initially, local authorities and the Council of Europe supported the model where only one institution in the central government would have the power of administrative supervision. The state commission and experts from the Council of Europe presented a draft where the function for administrative supervision was assigned to the regional governor. But the final draft adopted by Parliament does not clearly state which institution is responsible for the administrative supervision. Rather, it says that general supervision is accomplished by regional governors, but the Cabinet of Ministers can assign this task to line ministries or to any other relevant central government agency.

The line ministries started to initiate amendments to the organic law from June 2007. The objective of these amendments was to give a chance for the central ministries to regain control over the municipalities. The most active was the Ministry of Finance, which made several amendments to the organic law and initiated a new Law on the Budgetary System in Georgia, which gives the right to regional governors to maintain control over the local budgets. In total, 27 amendments were made to the organic law in 2007. As a result of these amendments:

- Local municipalities became more subordinated to the regional governors, and central ministries gained direct administrative influence on local affairs.
- Local councils lost control over the local executives, which is now more accountable to the line ministries than to the local representative bodies,
- The power of local council is restricted to the spheres of local tenders, property management, municipal transport, and privatization.
- The local councils and political leadership are fully excluded from oversight over the delegated competencies, and these competences are executed under the direct control of regional governors.
- According to the Law on the Budgetary System of Georgia, regional governors have the right to recommend the priorities of local budgets to local councils, which is a clear limitation of fiscal autonomy.

The last change proposed by the Ministry of Finance was the centralization of personal income tax (PIT), which was up to 70 percent of each local budget's revenues in the vast majority of municipalities. Simultaneously, the Ministry of Finance initiated a new Law on Local Budgeting, which introduced a formula for the redistribution of equalization grants and specific transfers to local self-government units. After these changes, local self-government units became less sustainable and financially more dependent on the central government.

An analysis of existing situation shows that implementation of local government reform went out of control and results are contrary to the initial goals. At the starting point, the goal was to establish strong, self-sustainable, and effective local self-government units of a proper scale, but, at the end of the day, Georgia created large municipalities with restricted autonomy, resources, and limited efficiency.

The main challenge Georgia faced during the local government reform was the unwillingness of line ministries to decentralize state power. They did not oppose the new organic law in 2006, as Georgian political leadership needed the consolidation of small municipalities to win local elections, because the ruling political party had no strong regional infrastructure, and it was impossible to win local elections in all 998 units. On the other hand, Georgian and international pressure groups accepted this model from the Georgian political leadership because it was the only feasible model for consolidation of the municipalities and Mr. Khukhuanishvili, one of the key decision-makers, gave his commitment that new municipalities will have more power, more money, and more autonomy. So, it was sort of contract between parties; but after the local election, when the ruling party won a majority in all local councils, the Georgia political leadership lost its interest in local government reform. Central line ministries quickly started regaining their positions and made a number of changes to Georgian legislation, which put an end to local government reform in Georgia.

## CONCLUSIONS

The consolidation of local self-government units, which took place in 2006, was part of local government reform implemented by the state commission on territorial reform and effective governance system. But this was not a “classical case” of consolidation, as there was no effective local government system in Georgia before 2006, but rather a “Potemkin village” constructed for the Council of Europe membership.

At the initial stages, representatives of the state commission stated that this consolidation would be followed by fiscal decentralization and by allocation of more assets and powers to localities, but in reality these steps have yet to be undertaken.

Central ministries, which agreed on new organic law in 2006, initiated a number of changes during 2007 in order to regain control over the large municipalities. This was possible because of the absence of any specific institution responsible for local government reform. The state commission, which developed the draft laws, had no executive function and no administrative role to play.

The Georgian political leadership had very specific political incentives for the consolidation of municipalities (the upcoming local elections in 2006), but the ruling party never committed itself to the principles of decentralization and local self-governance. Consequently, after the local election, the Georgian political leadership did not see any

political benefit to continue local government reform. On the contrary, they started to recentralize the system and give more power to the line ministries, leaving the state commission without any functions: no session was organized during 2007–2008.

Georgian public opinion is generally passive and has not initiated any demands for decentralization and strong local autonomy. Decentralization is sensitive for the relatively small group of Georgian activists (both politicians and NGO activists) who have used so-called “windows of opportunities” to push forward the process of decentralization in Georgia.

Thus, we should conclude that the territorial reform implemented in 2006 was just the first step on the long road toward a strong, efficient, and sustainable local government system. Certainly, the state commission on decentralization played an active role in developing the strategy for consolidation of local government units and involved Georgian stakeholders in the process of policy formulation. But the Georgian government failed to meet commitments taken in front of Georgian and international stakeholders, and has never taken the next steps toward fiscal, administrative, and political decentralization. On the contrary, after the local election in 2006, the line ministries started the process of recentralization and, as a result, consolidated municipalities emerged with very limited autonomy, recourses, and efficiency.

No doubt, this reality clearly contradicts to the spirit of the European Charter of Local Self-Government and is the biggest challenge for democratic stability in Georgia. Therefore, Georgian society and international actors should do everything possible to reopen the windows of opportunities for advancing local government reform in Georgia.

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## NOTES

- <sup>1</sup> Press conference of Mr. Shergelashvili, the spokesperson of the NGO coalition.
- <sup>2</sup> “Concept for the territorial reform” projects “for better self-government.” Financed by OSGF and the Eurasia Foundation and implemented by the NGO coalition.
- <sup>3</sup> Statement of the representative from the New Conservatives Party on the second session of the state commission. Notes of the state commission’s second session. *Regionis Droit*, Volume 14, April 2005.
- <sup>4</sup> Results of 2006 local elections showed that these expectations were realistic, as the majority of local councilors elected by party lists are residents of towns.
- <sup>5</sup> “Powers given to local authorities shall normally be full and exclusive,” Article 4, paragraph 4, The European Charter of Local Self-Government.
- <sup>6</sup> For more information, see the chapter “Shadows in a Cave...” in the same volume.



# Shadows in a Cave: Georgian Consolidation Reform Seen from a Distance

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## EXECUTIVE SUMMARY

For a long time, territorial fragmentation has been considered a problem in numerous countries of Central and Eastern Europe. Consolidation reforms, however, have often been discussed but rarely implemented. Georgia provides one of a very few exceptions to this rule—a radical territorial consolidation was implemented in 2006.

The territorial organization system before 2006 was quite complex and included: (i) the fragmented lowest tier of local government, consisting of nearly 1,000 units, one-quarter of them having less than 1,000 citizens, (ii) 65 *rayons* with the typical post-Soviet structure—relatively disempowered elected council and administration appointed by the central government, which was dominating the local political scene; (iii) 12 regions (including city of Tbilisi) with no elected governments, but which played a strong role of the deconcentrated state administration.

This territorial fragmentation, though not extreme, was seen as a problem and barrier for the further decentralization of the country. Indeed, local governments were very weak, spending just 3.7 percent of GDP, or around 20 percent of public expenditures (2002 data). Territorial reform had been discussed by Georgian and international experts for several years. It was seen as a part of the wider decentralization reform.

In the years preceding the actual reform there were two main options prepared. The first one—developed by a coalition of NGOs—assumed a two-tier structure of elected subnational governments, with about 250 municipalities and about a dozen regions. The alternative proposal—developed by the State Committee established by central government—assumed a single-tier elected government, created on the basis of former *rayons* (64 local governments plus five large “cities of *rayon* status”). The former proposal (suggesting a two-tier structure) was promoted not only by majority of Georgian nongovernmental think tanks, but also by the international donor community. The government, however, decided to implement the single-tier option. It seems that the main argument for this choice was the ease of its implementation. Drawing a new



map of municipalities is always risky, since it provokes heated discussions and conflicts. Additionally, the process of implementation of the other option would have taken a long time and would be politically dangerous. Relying on the existing map of *rayons* (even if it was often criticized by experts for ignoring historical context of the regional variation) allowed a reduction in the time necessary for implementation, as well as the temperature of the debate.

The territorial consolidation was very radical: the number of local governments was reduced drastically. The mean size of a basic local government increased from just over 4,000 citizens to almost 60,000 or, if Tbilisi is excluded, from 3,200 to 45,000. The territorial dimension was not the only part of the reform, there was also a parallel change of the internal political structure of local government institutions. There was not much by way of parallel change, however, in the allocation of functions among tiers of government, or in financial decentralization, which might have strengthened the political importance of local governments.

It is definitely too early to provide a comprehensive assessment of the reform. There was no official monitoring or reform evaluation by the central government. However, some tentative conclusions are possible. It was a common expectation that the reform would strengthen decentralization; however, it has not been implemented neither on functional nor on financial dimension. The goal of reducing income disparities was not achieved either.

A public opinion poll on local government reform conducted in 2008 traces some social consequences of the reform. According to the data collected, the actual level of knowledge about local government institutions is very poor. It is especially so in small villages and towns, which are not seats of new, amalgamated local governments, where most of people do not know the name of the local mayor. Personal ties between citizens and local elected representatives seem to be much weaker than in many European countries, including Poland.

The amalgamation reform in 2006 led to the significant loss in satisfaction with level of representation in villages that lost their status as separate local jurisdictions. At the same time, the consolidation reform passed unnoticed to many citizens. Two years after the implementation of the territorial consolidation, only eight percent of respondents declared they had any basic information and 29 percent know very little about it. As many as 56 percent of respondents admitted they had not heard about the reform. Since the position of local governments is still very weak, their organization is not considered important for many Georgian citizens.

There is a considerable group of respondents who think that the mayor represents the interests of the whole country or of the central government. It shows that for many respondents the distinction between local and national administration is unclear.

The reform may be seen as a small step in the direction of administrative decentralization, but not accompanied by political, financial, or functional decentralization. On

the contrary, some data suggest that there was further recentralization of the financial system. The price of amalgamation reform has been paid, but the prize of stronger local government has yet to be won. The fear of a more radical decentralization probably comes from two directions:

- Fear of corruption in local administration, which is built in the traditional clan system. Perhaps the current shape of the reforms is effective in killing corruption, as well as also killing local democracy;
- Fear of disintegration of the country. The recent conflict with Russia over South Ossetia and Abkhazia may strengthen this fear in the near future.

Contrary to official expectations, the 2006 amalgamation reform did not strengthen the position of local governments in the public governance system. There were perhaps two main reasons of such a failure:

- The variant of the territorial reform which was chosen was too radical;
- Contrary to what has been suggested by many local and international experts, the territorial consolidation reform was not accompanied by parallel decentralization reforms (financial, functional, political).

In that sense, the Georgia territorial reform may be rather an example of how *not* to implement such changes, even if 2006 reform provides a good ground for further decentralization, if the Georgian government permits for such an option.

## IN PLACE OF AN INTRODUCTION

Before we present our arguments, a word of introduction is needed, which also serves to explain the peculiar title of this paper. For a long time, territorial fragmentation has been considered a problem in numerous countries of Central and Eastern Europe. Consolidation reforms, however, have often been discussed but rarely implemented. Georgia provides one of a very few exceptions to this rule—a radical territorial consolidation was implemented in 2006. Therefore, Georgia is an excellent case, worth investigation and some conclusions might be applicable to other countries of the region, that also may be considering similar reforms.

This was the origin of the idea of the empirical study (sponsored by LGI) that would allow an assessment the Georgian territorial reform, two years after its launch. The study was to use a mixture of qualitative and quantitative methods, including:

1. Analysis of the discourse that preceded the reform based on domestic and international experts' papers as well as available materials from Georgian journals and newspapers;
2. Analysis of financial and socio-economic data related to the old and new local government systems;
3. A national survey of Georgian citizens investigating their perception and satisfaction with the reform;
4. A series of interviews with central-level politicians, and experts, as well as local government associations;
5. Field research in two municipalities (Borjomi and Telavi), including interviews with former and current local politicians, officials, and members of the local elite, and collection of data related to local government finance, recruitment of councilors, etc.

A combination of the methods enumerated above should have answered the major research questions:

- What were the arguments raised by proponents and the opponents of the reform?
- Were there any alternatives considered?
- What was the role of public consultations in the preparation and implementation of the reform?
- What is the actual outcome of the reform measured in terms of: service delivery, local democracy, position of local governments in country's political system, and local economic development? Where the assumed goals of the reform actually achieved?

However, the preparation of the research was interrupted by the Russian-Georgian conflict, which turned into war just three days before the departure of the planned research trip. Flights to Tbilisi were cancelled and conducting the field study was impossible. Therefore, this report is based on incomplete material. In particular, it was impossible to conduct field research in the two communities. Also, a number of interviews with central-level experts and politicians was a small fraction of what was planned. As a result, the answers to the research questions are only partial and should be treated as tentative. Sometimes we were able to formulate hypothesis (or questions) for further investigation rather than complete answers. Watching the Georgian reform mainly from a distance (without actual field research) remains the story of Platon's cave, in which shadows reflecting the reality may be observed, rather than the actual objects.

The dramatic events described in this introduction also provide an important background to the Georgian politics of decentralization and territorial organization. We are talking about a country in which the national government has effectively lost control over its territorial integrity of the state. One should not forget that Abkhazian and Ossetian separatisms have been, to some extent, actively encouraged by a hostile external power. This has certainly complicated decentralization reforms. As a result, more autonomy for subnational jurisdictions has been often seen as a potential strengthening of centrifugal and separatist pressure. Some experts, however, suggest the opposite, that decentralization might ultimately contribute to the solution of Georgian problems. Nevertheless, the fear of the country's further disintegration has been always part of the Georgian local government discourse.

## STARTING THE REFORM

This paper provides no space for a detailed presentation of the development of the local government system in Georgia in the years preceding the 2006 reform. But such a description may be found in several earlier publications (Bolashvili 2002, Losaberidze *et al.* 2002, Losaberidze 2007a). It is enough to focus on a few characteristics that are important from the point of view of the 2006 reform.

The territorial organization system before 2006 was quite complex for a relatively small country:

- The lowest tier of local government was very fragmented. It consisted of nearly 1,000 units, one-quarter of them having less than 1,000 citizens. The mean population size was around 4,500 (but only about 3,200, if city of Tbilisi was excluded). Territorial fragmentation was slightly lower than in the neighboring countries of Armenia and Azerbaijan, but still the majority of local governments was considered too small to be capable of performing a wide range of public functions.
- The upper tier (65<sup>2</sup> *rayons*) had the typical post-Soviet *meso* tier governments structure—a relatively disempowered elected council and administration appointed by the central government, which was dominating the local political scene.
- There were also 12 regions (including the city of Tbilisi), with no elected governments, but which played a strong role of the deconcentrated state administration.

This territorial fragmentation, though not extreme, was seen as a problem and barrier for the further decentralization of the country. Indeed, local governments were very

weak, spending just 3.7 percent of GDP, or around 20 percent of public expenditures (2002 data), i.e., at least three times less than in decentralized countries of Western or Central Europe.<sup>3</sup>

Territorial reform had been discussed by Georgian and international experts for several years. It was seen as a part of the wider decentralization reform which was designed to (Svanishvili and Losaberidze 2004):

- Transfer a wider scope of functions to local governments. It should also define the division of responsibilities between local government and state administration in a clearer and sharper way, since the competencies of various tiers were frequently overlapping.
- Strengthen financial (budget), economic, and human-resource capacity of local governments.
- Help to reduce regional disparities regarding the fiscal potential of local governments.

Territorial change was expected to enable the achievement of the goals formulated above. At the same time, there was a constant bottom-up pressure for further fragmentation of the lowest level of local government, with individual villages demanding separate local government status.

## REFORM PROPOSALS

In the years preceding the actual reform, there were several expert proposals prepared, usually worked-out within the foreign assistance projects operating in Georgia. One of the most comprehensive studies was undertaken within the multidonor-funded Fiscal Decentralization Initiative<sup>4</sup> (Svanishvili and Losaberidze 2004, also summarized in Swianiewicz 2004). The report discussed four possible options for territorial reform:

1. **Further fragmentation of the municipal level.** In such an option every settlement unit would eventually become a separate local government. The obvious strength is related to strengthening the local legitimacy of self-government, while the weakness regards the low capacity of very small units.
2. **Two-tier, self-government system,** in which local self-government status is granted to:
  - (Enlarged) *rayons*,
  - Amalgamated municipalities.

This option was further distinguished by two sub-options: (i) one-step change in the suggested direction, (ii) step-by-step implementation, assuming the voluntary amalgamation of municipalities.

3. **One-tier, local self-government system based on current *rayons*.** Such a decision would allow for allocation of a significant portion of public services to local self-government. It would also simplify the structure, allowing for a more transparent accountability towards the local population. Another strength of this option is that it does not require any changes in present territorial boundaries. The weak point is the likely opposition of local communities.
4. **One-tier, self-government system based on municipalities.** This option also would require territorial amalgamation and abolishment of *rayons*, whose functions would then be allocated to the municipalities and government regions.

After discussing the pros and cons of each solution, the authors recommended *option two* (with the two-tier structure) as the best. In their report, they did not determine the precise shape of territorial boundaries, suggesting the establishment of an *ad hoc* governmental commission, which should include Georgian and international experts. They also tried to address the potential negative side-effects of territorial amalgamation, suggesting a controversial mechanism of individual village representation in the amalgamated municipalities, and reaching a “territorial consensus” for the most crucial decisions. Last but not least, they discussed a possible mechanism of territorial consolidation reform which would consist of two stages. In the first stage, territorial changes would be based on centrally developed criteria, but introduced in the bottom-up manner.<sup>5</sup> In the second stage, the central government would intervene and impose territorial changes in these territories where the consensus was not possible.

Subsequently, two detailed proposals were developed. The first one—developed by a coalition of NGOs—assumed a two-tier structure of elected subnational governments, with about 250 municipalities and about a dozen regions. The alternative proposal—developed by the State Committee established by central government—assumed single-tier elected government, created on the basis of the former *rayons*.<sup>6</sup> As a result, Georgia would have 64 local governments plus five large “cities of the *rayon* status,” these being separate territorial jurisdictions (Tbilisi, Kutaisi, Rustavi, Poti, and Batumi). The former proposal (suggesting two-tier structure) was promoted not only by majority of Georgian nongovernmental think tanks, but also by the international donor community. Like Svanishvili and Losaberidze (2007c) in their report, international experts stressed that the territorial consolidation should not be considered without a simultaneous broader decentralization agenda, including the widening of local government responsibilities and strengthening their financial base. Territorial reform alone (which would not be an element of the wider program) might be harmful for local democracy, since it would not provide sufficient incentives for civic activities.

## REFORM IMPLEMENTATION

The government, however, decided to implement the single-tier option. It seems that the main argument for this choice was the ease of its implementation. Drawing a new map of municipalities is always risky, since it provokes heated discussions and conflicts. Additionally, the process of implementation of the other option would have taken a long time and would be politically dangerous. Relying on the existing map of *rayons* (even if it was often criticized by experts for ignoring historical context of the regional variation) allowed a reduction in the time necessary for implementation, as well as the social temperature of the debate.

Due to the fact that Georgia signed the European Charter of Local Self-Government, the reform had to be assessed by experts of the Council of Europe. They were not happy with the chosen option, but agreed that the government proposal complies with the Charter, so it could be formally approved by the Council of Europe. The reform was implemented in 2006.

Before its implementation, the proposal was subject to public consultations (although not in a form of local referenda, which are not allowed by the Georgian Constitution). The public debate about the reform, however, was relatively weak (in that sense, the decision to follow the existing map of the *rayons* was successful), media coverage was minimal, and a large segment of the population was almost totally unaware of the reform. The results of the public opinion survey, discussed later in this chapter, provide quantitative confirmations of this observation.

The territorial consolidation was very radical: the number of local governments was reduced by about 15 times. The mean size of a basic local government increased from just over 4,000 citizens to almost 60,000 or, if Tbilisi is excluded, from 3,200 to 45,000. Under the new structure, Georgian local governments belong to the largest in Europe (smaller only than British, and similar to Lithuanian and Danish). The size distribution of the basic tier of local governments before and after the reform is shown in Table 1.

The territorial dimension was not the only part of the reform. There was also a parallel change in the internal political structure of local authorities. Until 2001, municipalities were administered by the collective board (*gamgeboa*) appointed by the elected council (*sakrebulo*). The board was headed by the mayor (*gamgebele*). In 2002, the system changed in the larger cities in which *gamgebele* were directly elected and responsible for the appointment of his or her own executive board (*gamgeboa*), which had to be approved by the council. The system changed again in 2006, together with the territorial reform. The council is now elected in a mixed system, with one councilor elected through the majoritarian system in each of the former small local governments and 10 councilors elected in the proportional system.<sup>7</sup> The council elects its chair and—separately—*gamgebele*, who is the head of local administration.

*Table 1.*  
Distribution of Size of Local Governments in Georgia  
before and after the 2006 Reform

Size cohort (population)	Proportion (Percent) of Municipalities	
	After 2006	Before 2006
200–500	0	8.2
500–1,000	0	12.7
1,000–5,000	1.6	64.8
5,000–10,000	6.3	9.3
Over 10,000	92.0	5.0

*Source:* Own calculations based on: Svanashvili and Losaberidze 2004, data provided by the National Association of Local Authorities in Georgia.

There was not much by way of parallel change, however, in the allocation of functions among tiers of government or in financial decentralization that might have strengthened the political importance of local governments. In fact, the situation has worsened according to some points of view (also see Melua's chapter in this volume). Control by the governor—who can recommend budget priorities to local authorities—over the financial policy, the failure of property transfer to municipalities, and the subordination of local administration to line ministries are only examples of this negative trend. Moreover, after implementation of the reform, some of the branch ministries initiated a silent “centralist counterrevolution” demanding legal amendments which would strengthen their control over local policies.

## OUTCOMES OF THE REFORM

It is far too early to provide a comprehensive assessment of the reform. As far as we are aware, there was no official monitoring or reform evaluation by the central government. Our research, which was planned as an assessment study, is incomplete, for the reasons explained in the introductory section of this paper. But it is possible to formulate some tentative comments, though these would require additional examination in a more comprehensive study.

It was a common expectation that the reform would strengthen decentralization. It was argued that larger local governments would be capable of taking over more functions. If it was the main rationale of the reform, the implementation lacked comprehensiveness. It seems that the price was paid (in terms of creating new territorial units that are more



distant from local citizens), but the prize (of more capable local governments) was not won. There has been no significant functional decentralization accompanying territorial change. And even in relation to the existing local functions, the central government continued to impose its policies, such as privatization of communal services, while not allowing for much of a local choice.

Similarly, the base of local government finance has not been strengthened. In 2007, revenues from local own sources (mainly the property tax and tax on gambling) constituted a tiny proportion of local revenues, and in absolute terms, most of them were collected in the city of Tbilisi. Similarly, the local share in the personal income tax, or rather the wage tax, was minimal, since it is paid to the respective local government according to the location of the job not by residence. This regulation favors large cities with many commuters from surrounding municipalities. In 2003, PIT brought to local governments about GEL 113 million, out of which 75 million went to the city of Tbilisi. In 2007, the total local revenues from PIT were GEL 600 million, while the proportion going to the largest cities was similar to that from 2003.

A low level of revenues from own sources is also related to the numerous tax exemptions granted by the central government. For example, properties which are exempted from the tax include: housing properties which are smaller than 100 square meters, agriculture land in farms below five hectares, and properties belonging to families with an annual income lower than GEL 40,000 (around USD 25,000). As a result, the collected property tax is almost entirely the business property tax. Such constructions contribute to regional fiscal disparities (considerable taxes from businesses may be levied mostly in Tbilisi and other major cities, but not in smaller towns or villages in the countryside), and also weaken democratic local accountability of elected governments (since most voters are not local taxpayers). In 2003, revenues from the property tax were GEL 57 million, out of which GEL 34 million were collected in Tbilisi.

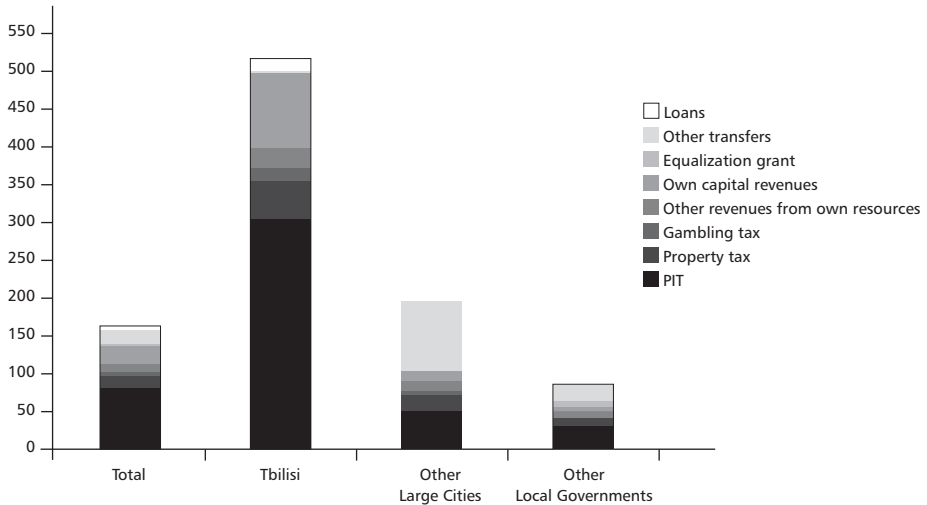
Local governments also receive:

- An equalization grant, which is distributed on a formula basis, and which gives some preference to small and governments, and those of mountainous regions. The size of the grant, however, is very small (GEL 13 million in 2007), so it cannot play a powerful equalizing role.
- Targeted transfers, which are almost entirely allocated to local capital projects (GEL 70 million in 2007).

Large cities also have considerable (capital) revenues from the sale of the municipal property. The structure and size of local revenues is illustrated in Figure 1.

*Figure 1.*

## Local Government Revenues in Georgia (GEL per Capita, 2007 Budget Plan)



*Source:* Own calculations based on data provided by the National Association of Local Authorities in Georgia.

In 2008, the fiscal system was further centralized when the shares from PIT were transferred to the central budget. To compensate this loss, local governments were offered an additional grant transfer, though the overall amount was lower than the loss of PIT (GEL 600 million of PIT in 2007 was replaced by a GEL 500 million transfer in 2008). Moreover, three-fifths of this additional transfer was in form of targeted grants for investments (as opposed to a general purpose grant). So one could expect that the change introduced in 2008 would worsen the financial situation of local governments both in terms of the absolute level of revenues and in terms of the discretion of local spending decisions. If new grants are distributed in a way favoring more peripheral local governments, they may gain financially, but only if they are “polite” to decision-makers in the state regional administration (the distribution of conditional grants is largely dependent on subjective decisions in the regions).

Figure 1 clearly suggests that the goal of reducing income disparities was not achieved. The high level of revenue variation in Georgia is illustrated in Table 2, which compares the level of disparities among local governments in Georgia with Poland. The revenues per capita in the capital city were, in 2007, over six times higher than the median value (in Poland the difference was just over twofold). The poorest local government revenues were almost three times lower than the medium value (while in Poland the difference was less than twofold). Additionally, the Polish equalization system is less powerful than those of many other European countries (such as the United Kingdom or Scandinavian countries), where income disparities are even smaller.

*Table 2.*  
Income Disparities in Local Government Systems in Georgia and Poland

Proportion of Revenues per Capita	Georgia	Poland
Capital city/median	6.20	2.30
1st quartile/median	1.60	1.10
3rd quartile/median	0.70	0.90
9th decile/median	0.47	0.86
The lowest value/median	0.35	0.52

*Source:* Own calculations based on data provided by the National Association of Local Authorities in Georgia and Polish reports on local governments' budget execution.

It was a naïve expectation, however, that the territorial reform itself (regardless how the boundaries were drawn) might be sufficient for a dramatic reduction of income disparities. The problem is rather in the weaknesses of the Georgian fiscal equalization system (or more generally: weaknesses of the regional policy), but this issue goes well beyond the scope of this paper.

The reform may also be criticized on the level of political decentralization. According to information collected through interviews, the allocation decisions of local governments are strongly influenced by the governors (*rcmunebuli*) of the 12 regions. They influence spending decisions, even if funds were collected as revenues from own sources. Such a situation has always been a part of an informal hierarchical “administrative culture,” but with the 2006 reform, it has been formally confirmed by the law regarding supervision over local governments. In fact, the draft local budget is prepared by the mayor (*gamgebele*) in cooperation with the regional governor. The budget is then sent to the local council (*sakrebulo*) which can approve or reject the proposal, but has no authority to introduce any amendments. If the council rejects the budget after two months, the governor may dissolve the council and call for early elections.

The reform also attempted to undertake measures which would protect the unique identity of small villages and support representation of liquidated local jurisdictions' interests in the enlarged municipalities. The new electoral system, with wards created in former local governments (see description in the previous section), may be interpreted as one such measures. As it was argued by Swianiewicz (2002) that a proportional electoral system in large local authorities may result in the domination of the largest settlement unit (the main town) in the elected council, and underrepresentation of the small, remote villages. But the current law ensures that each of former local government unit has its representative (councilor) in the elected council of the new (amalgamated) municipality. Another measure is that *gamgebele* may nominate *rcmunebuli*<sup>8</sup> (a rep-

representative) in individual villages, who represents the local administration in smaller territories and takes care of the development of smaller communities. In a way, this provision is reminiscent of submunicipal government existing in many systems with big local governments,<sup>9</sup> however, it does not assume democratic legitimacy stemming from the local election of *rcmunebuli*.<sup>10</sup> One may doubt if such an institution of appointed, rather than elected, “village representatives” would sufficiently support the feeling of “being listened to and represented.”<sup>11</sup> But the issue would require a more detailed empirical investigation in the future.

Interpreting the reasons for such a development, we must not forget the political environment of the reform, which is briefly described in the introductory section of this chapter. Quite possibly, some of key politicians might be afraid (rightly or not) that more a radical passing of power to subnational jurisdictions would put an already weak state at further risk.

## SOCIAL CONSEQUENCES OF THE REFORM ACCORDING TO PUBLIC OPINION SURVEY—ABSENT OR INVISIBLE?

This section of the paper is based on a public opinion poll on local government reform conducted by the Business Consulting Group Research, within the program implemented by Open Society Georgia Foundation (OSGF), and financed by an LGI grant. The survey was conducted on 3,000 Georgian citizens in April 2008. Occasionally, we make also references to Quantitative Sociological Survey, conducted by students of the Department of Social and Political Sciences of Tbilisi State University, under supervision of Irakli Mchedlishvili and Temur Macharashvili, within the Framework of the OSGF project “Rule of Law and Public Administration Program (RLPA).” The survey was conducted in March 2007 on a sample of Georgia citizens. In the first case, we use both an original database that, to a certain extent, allows for our own calculations and a PowerPoint presentation made by the Business Consulting Group. In the second case, we will use only data taken from the report prepared by OSGF (“Georgian Local Democracy...” 2007).

### Declared Knowledge of Local Government

Although local government as an institution does not have a lengthy tradition in Georgia (Losaberidze 2007c), it is nonetheless present in Georgians’ awareness. In 2008, respondents were asked about the level of their knowledge regarding local government institutions. Although “lack of knowledge” was declared by 32 percent of respondents, almost 57 percent of respondents declared they were “partially aware,” and 12 percent

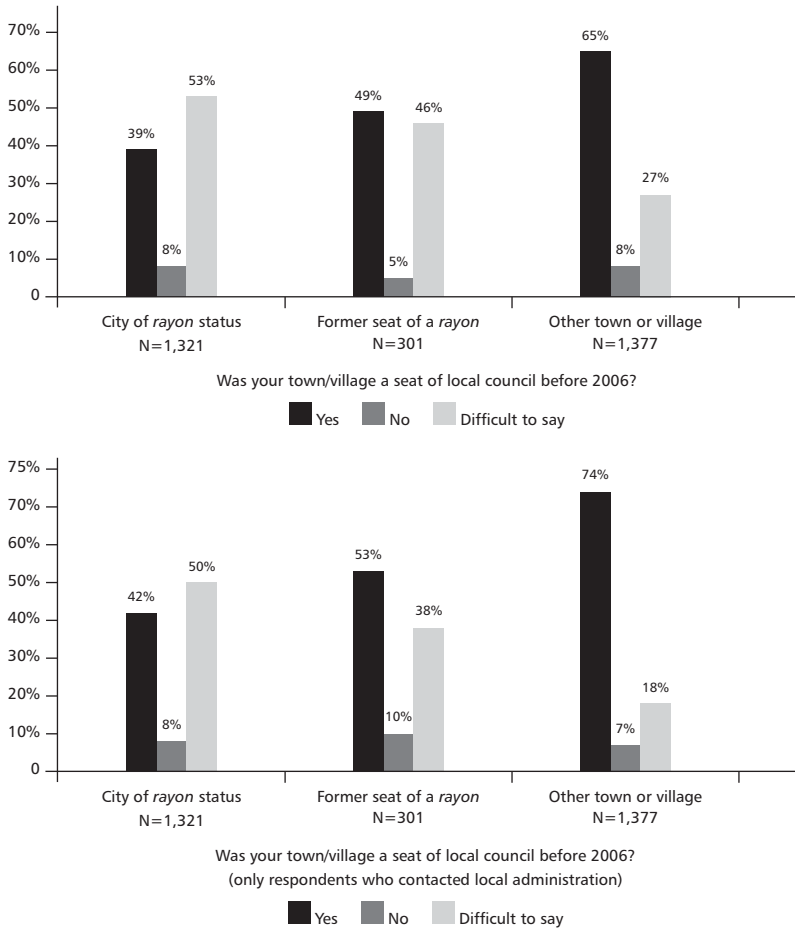
were “aware” of the structure of local government institutions. Even if—for Georgians—local government is not a natural and well-known institution, it is not totally foreign to them either. On the basis of research conducted in Poland (Roguska 2003) we may say that local government is better known to Georgians than the European Union’s institutions to Poles just before the date of accession.

Declared knowledge is of course one thing; another thing is real, factual knowledge. According to the data collected from the survey conducted in 2008, the actual level of knowledge about local government institutions is very poor. We discovered this by analyzing answers to a very simple question: “Was your town/village a location of local government (municipal) council before 2006?” Although in the survey results, there was no data indicating whether respondents gave the correct answers, we could discover this in respect to at least some of them. Combining two facts: (1) that towns which are presently seats of local government institutions were also seats of municipal councils before the reform, (2) which respondents live in towns that are presently seats of the local council; we could check whether this group was aware of their towns’ status before 2006.<sup>12</sup>

We discovered that only 39 percent of citizens of the largest cities (cities with *rayon* status) and 49 percent of those living in former *rayon* capitals are aware of the administrative status their town/city had before 2006. Interestingly, respondents who answered that their village/town was a location of local government institutions before 2006 are most often those who lived in places which do not currently have such a status (65 percent of respondents in this group claim their village or town used to have this status before the reform). This seems quite logical: it is the loss of the status of local government that was the real and obvious change for respondents. Therefore, it is not surprising that many people living in a town, or village that lost the status of local government had noticed and remembered the change. The very high proportion of “do not know” responses is also very telling and suggests that local government is not an institution most of Georgians pay much attention to. There is a significant proportion of Georgian citizens who are unaware of the shape of the territorial organization of the country, and who do not know where (in which town) their municipal council has a seat.

A strong determinant as to respondents’ knowledge about the status of their town might regard whether they had recently visited the town hall. However, this proved not as important factor as expected. Again, the influence of dealing with local administrative issues is stronger in towns that lost their administrative status after 2006. We can conclude that, for most of our respondents, local government is just a mode of administration that is not necessarily distinct from other public administration institutions.

Figure 2.  
Knowledge about the Location of Local Government Institutions



Respondents' knowledge of elected local politicians is more diverse. A mayor (*gamgebele*) in cities of *rayon* status is known by name to 87 percent of respondents. The *gamgebele* is also well-known in other towns that are seats of the amalgamated local councils—83 percent of respondents stated they knew his or her name. But in the remaining villages and towns, only 55 percent of respondents stated knowing the name of the *gamgebele*.

In large cities the *gamgebele* is the only local politician who is well-known to the citizens. The chair of the local council (*sakrebulo*) is usually unknown (only 29 percent knew him by name), even more so in the case of a regular councilor (only four percent

of respondents stated they knew any of the councilors). We may assume that—like elsewhere in the world—in large cities, local government is very much involved in partisan politics, and its representative function for the local community is weaker than in small villages. However, such a low level of knowledge of councilors in Georgia is distinct from the situation in other European countries. In Poland, for example, in cities of over 500,000 citizens, local councilors are known six times more often than in the six major Georgian cities (see Table 3).<sup>13</sup>

In villages or towns that are locations of local government institutions, the mayor (*gamgebele*) is also a well-known person—83 percent of respondents know his name. However, the chair of the local council (*sakrebulo*) is also known within these entities (57 percent of respondents stated they know him). A local councilor is known by 34 percent of respondents—not many, but much more than in cities of *rayon* status.

*Table 3.*  
Councilor's Name in Poland (2005) and in Georgia (2008)

	N	Knowl- edge (%)	Lack of Knowl- edge (%)	Difficult to Say (%)
<b>POLAND</b>				
City of over 500,000 inhabitants	114	24	70	5.0
City between 200,000–500,000 inhabitants	99	25	70	5.0
City between 50,000–200,000 inhabitants	165	33	63	4.0
City of up to 50,000 inhabitants	242	40	56	4.0
Villages	380	55	41	4.0
<b>GEORGIA</b>				
City with rayon status	1,321	4	96	0.4
Village/town with local government institution location	301	34	65	1.0
Other towns/villages	1,377	41	53	7.0

*Source:* Survey conducted by “GfK Polonia” in October 2005 on a representative sample of Polish citizens (>15 years old) and a public opinion poll on the 2006 local government reform conducted by the Business Consulting Group in Georgia.

Finally, in villages or towns that are not seats of the municipal council, knowledge of the mayor (*gamgebele*) and the chair of the local council (*sakrebulo*) is very similar: 55 percent and 58 percent of respondents knew them, respectively. Declarations about the knowledge of their councilor were also the most frequent in small villages (41 percent). Outside the largest cities (of a *rayon* status) the level of declared knowledge of local

elected officials in Georgia is similar to the score obtained in Polish local governments of comparable size (Table 3).

As mentioned above, local governments in Georgia are responsible for a very narrow set of public functions. Nevertheless, Georgians seem to be aware of the existence of local governments institutions to a degree comparable to countries with a much stronger tradition of local government. But personal ties between citizens and local elected representatives seem to be much weaker than in Poland. Similar to many other European countries, local governments in large cities are less known, while in small towns and villages people are more familiar with them. In small towns and villages, the contact between democratic local government institutions (such as the local council) and the citizens is closer.

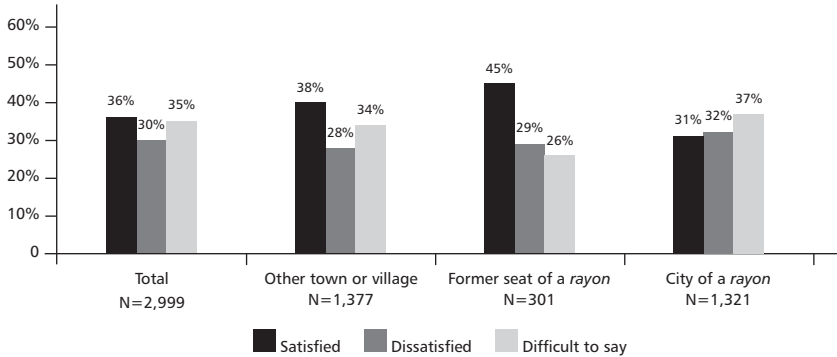
## Local Democracy

According to the collected data, 54 percent of respondents declared they had participated in local elections.<sup>14</sup> The declared turn-out is the highest in small towns and villages (61 percent), while the lowest in the largest cities.<sup>15</sup> However, despite quite a high turn-out in local elections, Georgians do not feel well-represented by their local councils. This is especially visible in the largest cities, where only 31 percent of respondents declare they feel sufficiently represented in local councils, and 32 percent of respondents state the opposite (see Figure 3). In towns and villages that are not seats of local authorities, 38 percent of respondents feel that their interests are sufficiently represented against 28 percent of those who feel the opposite. Respondents who live in towns which are “municipal capitals” feel the most satisfied with their representation in local councils—45 percent versus 29 percent who are dissatisfied. This is a very telling difference, as in many other countries the smaller a village or town is, the higher the satisfaction of citizens regarding their representation. This probably means that amalgamation reform in 2006 led to the significant loss in satisfaction with the level of representation in villages that lost status of separate local jurisdiction. It is also worth noting that the declared participation in elections does not have an important influence on the level of satisfaction of being represented.

If we ask respondents whose interests are represented by a mayor, we can see that the answer is not obvious for them. Almost one-third of respondents declare they cannot answer this question (see Figure 4). According to another 30 percent, the mayor represents a village or town he or she lives in. Even if the third most often stated answer is that a mayor represents an area of the whole municipality, only 12 percent of respondents share this opinion.



*Figure 3.*  
Do You Think the Views of Your Village Are Sufficiently Represented  
in the Local Council?

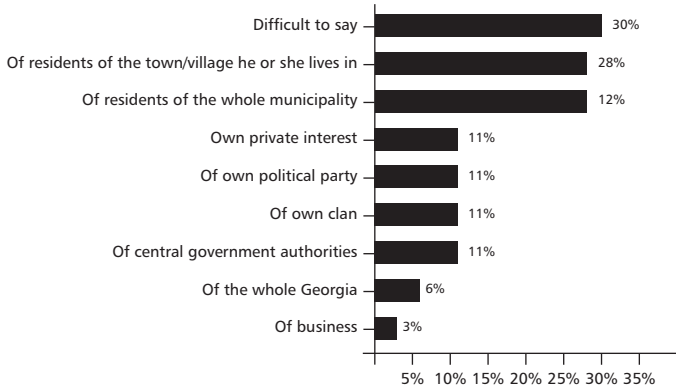


The question as to exactly who is represented by a mayor is a very important issue in the context of the Georgian 2006 reform. Representation of a village or town was a task of the mayor (*gamgebele*) before the 2006 reform (boundaries of local governments corresponded quite well with boundaries of villages and towns). Therefore, we can formulate two partially competing interpretations: (1) Awareness of respondents does not follow legal changes (reform). The consolidation reform passed unnoticed to many of them. Or, in other words: the reform has not yet appeared in Georgians' consciousness. (2) Also, respondents may think that in a larger municipality a mayor (*gamgebele*) represents only his own, local interests (his village's or town's) and does not care about other villages or towns.

It is also important to note that a group of respondents thinks that *gamgebele* represents the interests of the whole country (six percent) or of the central government (11 percent). Although it is not a frequently given answer, it shows that for many respondents the distinction between local and national administration is unclear.

Although respondents often indicate a *gamgebele's* own particular interests as prevailing, these answers do not differ from those found in some countries with a longer tradition of democratic local government. For example, in Poland in 2002, as many as 29 percent of respondents claimed that a local councilor mainly represents his own interests, 17 percent said he represents his family's and friends' interests, and 15 percent asserted he represents the interests of his political party (Pankowski 2002).

*Figure 4.*  
Whose Interests Are Foremost Represented by Mayors in Local Government?

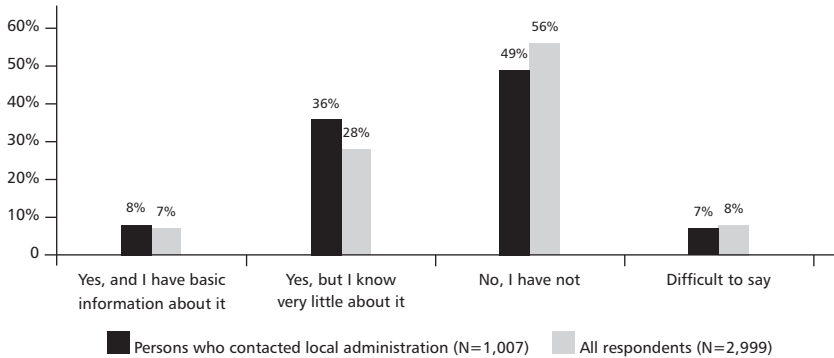


## Knowledge of the Reform

The knowledge of the 2006 reform is very poor. Two years after the implementation of the territorial consolidation, only eight percent of respondents declare they have basic information about it and 29 percent know very little about it. As many as 56 percent of respondents admitted they had not heard about the reform.

It is particularly interesting that the level of knowledge about the reform is similarly low in villages and towns that are the current “capitals” of amalgamated municipalities, as well as in villages that lost the status of separate local government units. Also, the same low level of knowledge may be found among respondents who recently dealt with local administration (for example: obtaining licences, permits, etc.) as in a group that has not visited the town hall recently. The explanation of this may be two-fold. First, former small municipalities were responsible for such a narrow set of functions, that their activity was not important to the average citizen. Second, the change has not been seen as important (perhaps because of the weak role local governments play in the national political system).

Figure 5.  
Have You Heard about Local Government Reform in Georgia?



## Acceptance of the Reform

This small group of respondents who had heard about the 2006 reform accepted it, although it would be exaggeration to speak about a strong support. On a scale from  $-2$  to  $+2$ , where:  $-2$  means “the reform has been not acceptable at all,”  $0$  indicates a neutral (ambivalent) attitude, and  $+2$  means “I entirely accept it,” the mean answer is  $+0.25$ . Almost 13 percent of respondents were unable to give their answer and 32 percent of respondents choose the neutral option, which may reflect a low level of knowledge of the reform.

In open questions focused on the perceived goals and achievements of the reform, respondents could not come up with any specific contents or characteristics that could describe the reform. More than 25 percent of respondents who declared they had heard about the reform were unable to respond to regarding what has changed as a consequence of the reform. The most frequent answer was: “nothing has changed” (18 percent). Another eight percent of respondents claimed that the reform was just about personal changes in local authorities. Even the most obvious feature, “a change of territorial organization of local government,” was selected by only six percent. Therefore, even if the reform has introduced significant changes, they were not effectively communicated to citizens and/or were not noticed or felt by them.

Interestingly, among those who stated that they had heard about the reform, there is also a subgroup of respondents who are dissatisfied about its results: 19 percent. Almost half of them declared that the reform did not change anything or that its effects were limited to personnel changes.

Although respondents do not seem to be aware of what has changed due to the reform, they generally trust that the changes are good for them. Even if many them are

unable to make an assessment or answer in a neutral way, the average opinion of the pros and cons of the reform for a village or town a respondent lives in is rather positive. On a scale from  $-2$  to  $+2$ , where  $-2$  means “my village/town has lost” and  $+2$  means “my village or town has gained” the mean answer was  $0.24$ . Only 14 percent of respondents felt their village or town had lost because of the reform.

Even more interesting is that the opinions about pros and cons of the reform for one’s village or town do not depend on the administrative status of the town. Respondents from larger towns (with a seat of a local council) do not differ in their opinions from respondents living in towns that lost or never had an administrative status of the seat of the municipal council. This probably means that the opinion of a significant portion of respondents is expressed without knowing the nature of the actual changes.

Ease in obtaining administrative documents/certificates from the local administration is an aspect that has positively changed due to the 2006 reform: the mean opinion is  $0.35$ , i.e., it is better than the overall opinion quoted above. Only nine percent of respondents claimed that the reform’s effects are negative on that issue. This opinion is confirmed by those respondents who had actual experience with the local administration (their mean opinion is  $0.37$ ). It seems surprising that the same positive opinion is shared by residents of small villages that lost their status as separate local governments. One might expect that their access to administrative services has worsened, since it is now necessary to travel to a nearby city. But probably the competencies of the small village administrations before the 2006 reform were minimal, so travel to the *rayon* center was inevitable anyway.

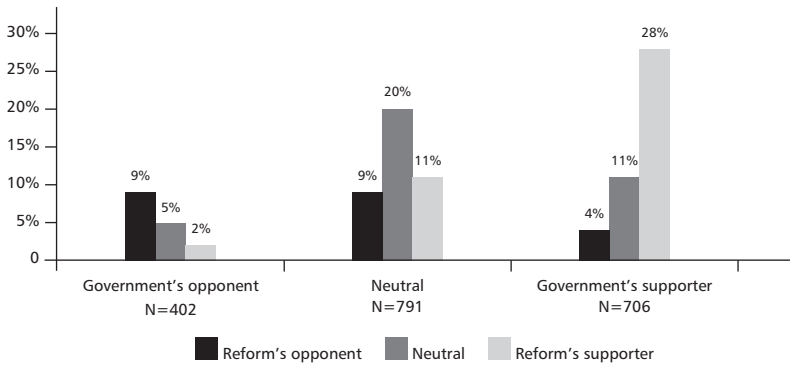
Also, collected data shows that current local government is a place visited slightly more often than the former local government. This may be explained by a fact that “new” larger local governments could assume some functions of the previous *rayons*.

Collected data shows that, before 2006, people who lived in small villages or towns (that lost the administrative status of local government after 2006) contacted local administration more often than respondents from larger towns. In *rayon* capitals, as well as in the largest cities—licenses, permits, etc.—used to be obtained more often in a former *rayon* administration than in the municipal administration; while in smaller villages or towns, it was probably the local government administration which was first be contacted. Also according to declarations in the survey, current local government administration is contacted more by citizens of small villages. Because reasons to visit local administration are probably the same regardless the size and status of the town the citizen lives in, we may assume that respondents from larger cities are not always aware that the administration they go to is a local government. They go to the same building that used to be a *rayon* administration before 2006, and are unaware anything has changed.

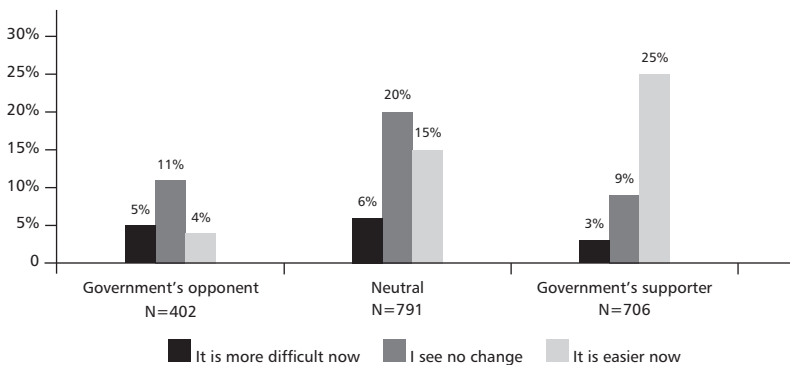
## Acceptance of the Reform and Trust Towards Government

The reform that is so little understood by our respondents surprisingly is accepted. What is outstanding is the fact that the loss of administrative status by most of former local governments does not influence respondents' opinions; respondents seem unconcerned. We may, however, explain this phenomenon by an argument well-known from the various governmental reforms in other countries: support for the reform does not reflect one's specific opinion about the reform itself, but rather it reflects a general level of support for the national government. As is clear from data presented in Figures 6 and 7, the support for the national government is a factor that predicts respondents' opinions about consolidation reform much better than any other potential explanatory variable.

*Figure 6.*  
Acceptance of the Reform and Trust towards the Government  
(Pertaining to Respondents Aware of the Reform)



*Figure 7.*  
Opinions about the Ease of Obtaining Administrative Permits, Licenses, Etc.,  
Currently and before the Reform



## Conclusions from the Survey Results

Unfortunately, the survey results do not allow us to fully understand the social consequences of the 2006 reform in Georgia. We can only conclude that it was not a significant turning point—the reform did not significantly influence relations between citizens and local administration. It is possible that—as the interviews conducted with those experts who criticize the reform reveal—it did not change much in the practise of public service delivery, nor in democratic performance.

Also, in the opinion of the authors of the report prepared by OSGF (“Georgian Local Democracy...” 2007), the reform has not solved any important problems of local governments’ functioning, and—what is more—its consequences are opposite to the expectations of citizens. The report stresses that this extreme form of territorial consolidation can leave people who live far away from the center of the new municipality dissatisfied. A long distance to the town hall can make obtaining licenses, permits, etc., more difficult. The presented data does not prove that consolidation reform has significantly improved local governments’ functioning. Nor does it prove any statement to the contrary. It shows, however, that the implementation of the consolidation reform—two years later—did not result in protest or dissatisfaction. The reason for this is probably that, in practise, the reform did not interfere with the interests of any significant social group. As Adamiecki (quoted after Koźmiński and Piotrowski 2004) says “the change which is not met with any resistance is usually just an ostensible change.”<sup>16</sup> Perhaps the change was just “cosmetic,” the role of elected local government is still weak (as it was before 2006), and declared support for the reform is, in fact, support for the government. However, this support coexists with a lack of understanding of these changes.

## CONCLUSIONS

On the basis of data collected so far, the 2006 reform is very difficult to assess. Our research has not been completed, and an assessment is made even more difficult due to the poor access to fiscal and other data for individual local territories. The system of local government monitoring is certainly one of the challenges facing Georgian public administration.

The reform may be seen as a small step in the direction of administrative decentralization, but not accompanied by political, financial, or functional decentralization. On the contrary, some data suggest that there was further recentralization of the financial system.

The price of amalgamation reform has been paid, but the prize of stronger local government has yet to be won. The current system may be called “liberal authoritarian,” where liberal means strong pro-privatization and market-oriented central government

policy, including promotion of a voucher system for some social services (education); and authoritarian means and the strong pro-centralization attitude of the national political leaders imposing these policies on local governments. The fear of a more radical decentralization probably comes from two directions:

- Fear of corruption in local administration, which is built in the traditional clan system. Perhaps the current shape of the reforms is effective in killing corruption, but also killing local democracy;
- Fear of disintegration of the country. The recent conflict with Russia over South Ossetia and Abkhazia may strengthen this fear in the near future.

Contrary to official expectations, the 2006 amalgamation reform did not strengthen the position of local governments in the public governance system. There were perhaps two main reasons of such a failure:

- The variant of the territorial reform that was chosen was too radical. As mentioned above, the only countries in Europe with local governments of comparable (population) size are the United Kingdom, Lithuania, and Denmark. None of these, however, is located in the high mountains with a poorly developed transport infrastructure (as is the case of Georgia), so the challenges of governing large territories of the local government units are much less profound.
- Contrary to what has been suggested by many local and international experts, the territorial consolidation reform was not accompanied by parallel decentralization reforms (financial, functional, political). Only a wider reform agenda would give a chance to gain from the potential positive consequences of the amalgamation (economy of scale in service delivery, increased interest of local citizens due to wide scope of services provided by local governments, etc.). As made clear from the results of the survey analyzed in this chapter, most citizens know very little about the reform and are not very interested in local government, which is not seen as institution essential for Georgian democracy.

In that sense, the Georgia territorial reform may be rather an example of how *not* to implement such changes. For the longer term, Georgia definitely needs more decentralization, and the political goals of the central government only can be achieved by the centralist system over the short term. What is needed is more a generous allocation of functions for local governments, combined with more discretion for local policymaking, and perhaps more expenditure decentralization (it is disputable whether revenue decentralization is realistic in the near future), combined with a strong supervision of the legality of local government conduct.

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## NOTES

- <sup>1</sup> The report was prepared by a group students from the Faculty of Geography and Regional Studies, University of Warsaw, working under academic supervision of Paweł Swianiewicz and Adam Mielczarek. The full list of participants of the project includes: Paweł Dąbrowski, Marta Derek, Anna Dąbrowska, Paulina Jurgiel, Aleksandra Kępczyńska, Joanna Krukowska, Adam Mielczarek, Ewa Myśliwiec, Marcin Olejnik, Ilona Pohlmann, Weronika Skomorowska, Kinga Stańczuk, Joanna Stryjewska, Paweł Swianiewicz, and Karol Trammer.
- <sup>2</sup> Eighty *rayons*, including the territories of South Ossetia and Abkhazia that are not under control of the Georgian government.
- <sup>3</sup> However, it was still substantially more than in Armenia and Azerbaijan, in which the size of local budgets was almost negligible.
- <sup>4</sup> Fiscal Decentralization Initiative—a project involving several countries of the former Soviet Union and South Eastern Europe. The project was managed by LGI in Budapest, and it was co-financed by LGI–OSI, USAID, the World Bank, UNDP, and the Council of Europe.
- <sup>5</sup> A mechanism very similar to one applied in the Danish reform—see the Karsten Vrangbæk report in this volume.
- <sup>6</sup> For more details on the process of preparation of both proposals, see the chapter by Melua in this volume.
- <sup>7</sup> The system is different in the five largest cities, which are not the main focus of this paper, since they were not affected by the territorial change.
- <sup>8</sup> The term *rcmunebuli* means “representative,” so it is used both to describe government representative in the region (governor) and *gamgebele* representative in individual villages of municipality.
- <sup>9</sup> Such as a *parish* in the United Kingdom, *solectwo* in Poland, *kmetstvo* in Bulgaria, or *mesna zajednica* in Serbia. See more in Péteri 2008.
- <sup>10</sup> The concept of submunicipal council that is appointed rather than elected, however, is not so unique. See, for example, the experience of appointed councils in districts of Scandinavian cities (Bäck *et al.* 2000).
- <sup>11</sup> How the position of the village *rcmunebuli* is perceived by the local population has been one of the research questions that could not be completed.
- <sup>12</sup> This is a little bit more complicated, as we do not know how many from this group of respondents have changed their residence during the last two years. In our calculations we assume the immobility of the respondents’ places of residence.
- <sup>13</sup> Survey conducted by “GfK Polonia” in October 2005 on a representative sample of citizens over 15 years old.
- <sup>14</sup> The actual turn-out in 2006 was 47 percent (Khomeiriki 2007).

- <sup>15</sup> This pattern of variation is very similar to that observed in many other countries. See Swianiewicz 2002 for comparisons with other countries of Central and Eastern Europe.
- <sup>16</sup> This also corresponds with Paddison's (2004) statement: "it is almost a law of local boundary restructuring that there will be powerful forces interested in maintaining the status quo." In this context, the lack of social resistance in Georgia is very meaningful.



Less Than  
Consolidation Reform,  
More Than the Status Quo



# The Voluntary Union of Municipalities: Bottom-up Territorial Consolidation in the Czech Republic?\*

*Michal Illner*

## EXECUTIVE SUMMARY

Extreme territorial fragmentation is considered to be one of the most relevant obstacles to improving the effectiveness of local government in the Czech Republic. Since 2001 the total number of municipalities in the Czech Republic has stabilized at about 6,250 with slight oscillation around this figure since then. The average population of a municipality has been about 1,650 inhabitants and its median size about 380 inhabitants, about 80 percent municipalities have had less than one thousand inhabitants. Spontaneous fragmentation of large rural municipalities occurred in the first years after the 1989 revolution to redress the previously forced amalgamations enforced by the Communist regime in the 1970s and 1980s. Separation fulfilled local ambitions, enhanced local feelings and activated, in many cases, local initiatives and civic participation. Sometimes it also brought economic advantages for the separating municipalities. In the mid-1990s the adverse consequences of the fragmented territorial structure started to become visible and to attract criticism. The primary causes of concern over the fragmented structure of local government were with respect to economic sustainability, the administrative efficiency of small municipalities, and management of their financial assets. Small municipalities were also often politically unstable and unable to discharge their responsibilities competently, particularly those regarding the provision of services. They cannot mobilize sufficient personal, political, economic and organizational resources, cannot launch more ambitious developmental projects, they are often too small to function properly as political and administrative units. With a fragmented structure, inter-municipal differences in

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the provision of services increase and equity is difficult to attain. Dissatisfaction with the adverse impacts of the fragmented local government structure and an intention to do something about it was shared by relevant national-level political actors. On the other hand, most small municipalities themselves enjoyed their autonomy and were not willing to give it away or to accept its reduction. In spite of the problems which the “small” municipalities faced or were supposed to face, the fragmented structure of local government remained fairly stable. Several successive measures were applied by the authorities and by the municipalities themselves to slow down, prevent and offset the fragmentation:

1. Interrupting the process of fragmentation and preventing its continuation. An amendment was passed to the law on municipalities which tightened the rules applying to separation of municipalities. These rules stopped the process of fragmentation which had in any case more-or-less run its course in the mid-1990s.
2. Facilitating voluntary amalgamation of municipalities—a measure which did not bring much effect.
3. Introducing measures in support of inter-municipal cooperation. Municipalities have been encouraged by the legislation to associate on a temporary or more permanent basis in order to carry out joint projects. While mergers rarely occurred, the possibility to associate and cooperate with other municipalities in the sphere of their own responsibilities has been used by Czech municipalities on a large scale since the 1990s.
4. Entrusting the execution of transferred responsibilities of small municipal governments to larger urban municipalities. Depending on their population size, centrality and geographical location, all municipalities were divided into three categories:
  - Municipalities whose Municipal Offices discharge none or just the basic transferred responsibilities, executing them only within their own administrative territory. They are small municipalities, usually in rural areas, the overwhelming majority of the existing local governments belong to this category.
  - Municipalities with Commissioned Municipal Offices (about 5 percent of all municipalities) whose offices execute a number of transferred powers in surrounding areas.
  - Municipalities with Extended Powers (about 3 percent of all municipalities) whose Municipal Offices execute a still wider range of transferred responsibilities, discharging them in larger surrounding areas.

5. Drafting a plan to stimulate and to support creation of Communities of Municipalities. Principles of a potential bill amending the Law on municipalities were put forth by the state administration in 2004 according to which municipalities would be actively motivated by the state, mainly by financial stimuli, to voluntarily associate, establishing what were termed „Communities of Municipalities“ that would take over and perform some of the independent responsibilities of member municipalities. The French system of inter-communal cooperation was explicitly mentioned as the inspiration of this project.
6. Voluntary networking of municipalities. A bottom-up mechanism facilitating cooperation of municipalities and helping them to overcome the handicaps of fragmentation has been in full swing for more some seventeen years. Municipalities appreciate its flexibility, its voluntary character and the fact that by entering the Unions they do not have to sacrifice any of their independent powers. A wide range of interests in the spheres of education, health service, social welfare, culture, fire protection, public order, protection of the environment, tourist traffic, waste disposal, water provision, construction of sewages, and severall other matters may be promoted in this way. According to the available sources more than 70 percent of the total number of municipalities existing in the country in 2005 were involved in the Unions. The Unions are not authorized to impose special levies or to collect special taxes from their members and a scarcity and unpredictability of financial means available to support their activities is their main handicap. For the territories of the individual Unions the term „microregions“ has been coined. Nowadays microregions are scattered across the entire territory of the Czech Republic, covering about two-thirds of the country’s area. The spontaneous proliferation of intermunicipal cooperation is one of the most remarkable phenomena that has occurred in Czech public administration after 1989.

It is yet to be seen which of the above-mentioned two ways of overcoming the fragmentation of municipalities—the Communities of Municipalities promoted by the state, using powerful top-down levers, or the spontaneously emerged Unions of Municipalities will prevail in the future, if they will coexist or if a mixture of both will be the final solution.



## INTRODUCTION

Extreme territorial fragmentation is considered to be one of the most conspicuous obstacles to improving the effectiveness of local government in the Czech Republic. This paper characterizes the fragmented territorial structure of Czech local government, mentioning its positive—as well as negative—consequences, explains the background of the hostile attitudes of local actors towards consolidation, mentions the measures adopted to prevent further fragmentation of local authorities and to facilitate formation of their cooperative structures. Furthermore, it examines the experience of the voluntary bottom-up unions of municipalities, which have been spontaneously mushrooming in the Czech Republic since 1990 as a politically feasible form of overcoming the fragmentation. Outcomes of a survey of these unions carried out in 2004–2005 by Vajdová and Čermák are used in this context.

## THE TRADITION OF FRAGMENTED LOCAL GOVERNMENT STRUCTURE IN THE CZECH REPUBLIC AND ITS COUNTERPRODUCTIVE CONSOLIDATION FROM THE 1960S TO THE 1980S

The settlement structure of the Czech Republic is dense, consisting of a large number of villages, townships, and small towns, but relatively few medium and large cities. It is distinguished by its ancient roots, continuity, and relative stability. The fragmented settlement structure has been accompanied by a fragmented structure of local authorities: even very small villages typically have had their own elected mayor and councilors. Along with the fragmented settlement network, the rural population has traditionally had a strong attachment to the places where they live, no matter how small, and has insisted on self-administration. This is why the fragmented local government structure persisted well into mid-twentieth century, until the Communist regime undertook to reform it.

Massive, centrally-orchestrated waves of amalgamation of municipalities that radically changed the territorial structure of local government took place in 1960, and then again in the 1970s. In 1960, almost 20 percent of all municipalities existing at that time were abolished at the stroke of a pen, and were administratively merged with their larger neighbors. Eleven years later, in 1971, another large-scale consolidation of local government structure was launched in connection with a campaign aiming to implement the “*a settlement system based on central places*.” The stated aim of the campaign was to simplify and stratify the country’s settlement structure and also the territorial structure of local government. The categorization of rural settlements into three categories—the *central*, *permanent*, and *other* places—that carried implications for their developmental chances and administrative identity—was used by the central authorities as a pretext

for initiating a campaign of administrative mergers of rural municipalities, many of them involuntary. Hence, between 1970 and 1989, the number of municipalities was reduced by almost 50 percent (See Table 1).

*Table 1.*  
Number of Municipalities in the Czech Republic 1950–2007<sup>1</sup>

1950	1961	1970	1980	1989	1991	1993	1995	1997	1999	2001	2003	2005	2007
11,459	8,726	7,509	4,778	4,120	5,768	6,196	6,232	6,234	6,244	6,258	6,249	6,248	6,249

*Sources:* *Historical Statistical Yearbook ČSSR* 1985, tab. 1–1, *Statistical Yearbooks of the Czech Republic*, *Small Lexicon of Municipalities of the Czech Republic* 2008.

*Note:* The data for 1950 and 1960 (i.e., prior to federalization of Czechoslovakia) refer to the Czech, Moravian, and Silesian parts of the former Czechoslovakia.

In retrospect, the reform was a failure. Primarily, two factors discredited it, undermining its legitimacy. First was the rigid, schematic, and often insufficiently substantiated classification of municipalities into three categories. The other discrediting factor was the bureaucratic, authoritarian, top-down method of implementation. Amalgamation antagonized many of those communities that lost their administrative independence due to the reform and became just “local parts” of the new integrated units.

The damage it caused to the territorial structure of local government had to be repaid in the years to come. The negative experience of the forced top-down amalgamations of local government created an antidote against future efforts to reopen the consolidation issue from above.

## SPONTANEOUS FRAGMENTATION OF LOCAL GOVERNMENT AFTER 1989—RECOVERING LOST LOCAL AUTONOMY

The fall of the Communist regime in late 1989 was followed by a wave of reforms of the subnational government along with spontaneous activities intending to remedy the real or perceived damages which the old regime had inflicted. A series of legislative measures began in 1990, and continued during the following years until the end of 2002, when the architecture of the new system was more or less completed.

The first and most important step within this long reform process was the 1990 Act on Municipalities, which laid down the foundations of the new democratic local government system. Although the law did not pay specific attention to the territorial structure of local government, it nevertheless responded to spontaneous bottom-up demands calling for its revision, particularly for the dissolution of central municipalities that had been artificially created during the forced amalgamations of the 1960–1990

period. A liberal clause making it relatively easy for local parts of the existing central municipalities to secede and become independent was incorporated in the 1990 Act.<sup>1</sup>

As a result, an avalanche of spontaneous splits of municipalities was set in motion. In 1990 alone, 1,684 new municipalities were established by splitting away from existing ones. This process of fragmentation continued at a diminishing rate until 2001, when it finally came to a standstill—see Table 1. A total of 337 new municipalities were established in 1992, 104 in 1993, and 36 in 1994. From 1994 until 2001, the annual number of secessions did not exceed 15. By the end of 1995, 2,168 new municipalities had come into existence, having separated from 1,032 municipalities. The territorial changes were indeed massive: they involved about one-quarter of all municipalities that had existed in 1989, prior to the Velvet Revolution (Vajdová and Čermák 2006a: 27–28).

As a consequence of the process of fragmentation, both the total number and the size structure of municipalities have changed profoundly. While in 1989, prior to the collapse of the Communist regime, 4,120 municipalities existed in the Czech Republic, their number jumped to 6,232 in 1995—a 51 percent increase (Table 1). Table 2 reveals the resulting size structure of municipalities as of 2007.

Since 2001, the total number of municipalities in the Czech Republic has stabilized at about 6,250, with slight oscillation around this figure since then.

*Table 2.*  
Size Structure of Municipalities in the Czech Republic (2007)

Population Size Categories	Municipalities		Population	
	Number	Percent	Number	Percent
–199	1,591	25.5	194,563	1.9
200–499	2,019	32.3	656,020	6.4
500–999	1,307	20.9	913,985	8.9
1,000–1,999	685	11.0	950,291	9.2
2,000–4,999	375	6.0	1,135,272	11.0
5,000–9,999	140	2.2	947,225	9.2
10,000–19,999	69	1.1	962,930	9.4
20,000–49,999	42	0.7	1,242,789	12.1
50,000–99,999	16	0.3	1,156,650	11.2
100,000–	5	0.1	2,127,464	20.7
<b>Total</b>	<b>6,249</b>	<b>100.0</b>	<b>10,287,189</b>	<b>100.0</b>

*Source:* Czech Statistical Office (2008) *Small Lexicon of Municipalities of the Czech Republic*.

A total of 78.7 percent of municipalities had less than 1,000 inhabitants in 2007, though they were home to just 17.2 percent of the country's population. On the other hand, the 559 municipalities that had the administrative status of towns or cities were home to 70.3 percent of the country's population. As of 2004, the average population of a municipality was 1,653 inhabitants and its median size 382 inhabitants (meaning that one-half of all municipalities were populated by fewer than 382 people).

Although no representative survey is available regarding the motives that drove the separation, indirect data suggests that its main aim was indeed one of undoing earlier forced amalgamations and regaining administrative autonomy by the formerly abolished municipalities in rural areas. An overwhelming majority of the new municipalities were small communities; about half of them had less than 200 inhabitants and 99 percent less than 2,000 inhabitants (Vajdová and Čermák 2006a). Other potential motives of separation were an expectation of economic gain from the independence, a desire to escape the genuine or imagined discrimination that the seceding communities had experienced within the central villages of which they had been part, locally specific personal tensions, and traditional antipathies among neighboring villages.

## THE POSITIVE AND THE ADVERSE SIDES OF FRAGMENTATION

In the first years after the revolution, the redress of the previous forced amalgamations and the separation of communities that did not want to remain coupled with their larger neighbors were mostly viewed as a positive expression of local democracy and part-and-parcel of the post-Communist transformation. They created opportunities for the manifestation of local interests and local identity. Dissolution of the composite municipalities was just one element in a general process of dismantling the prior regime's institutional structures. Many other institutions—political, administrative, economic, and cultural—were also dismantled or reconstructed at the same time.

Separation fulfilled local ambitions, made up for perceived injustices caused by forced amalgamations of the 1970s and 1980s, enhanced local feelings, and activated, in many cases, local initiatives and civic participation. Sometimes it also brought economic advantages for the separating municipalities.

But as it turned out, not all outcomes of this process were positive. It took some five years, until the mid-1990s, as the experiences of the small municipalities began to accumulate, for the adverse consequences of the fragmented territorial structure to become visible and to attract criticism.<sup>2</sup> By that time, the post-1989 drive for democratization of local government that had originally legitimized the fragmentation had already been more or less exhausted.

The primary causes of concern over the fragmented structure of local government pertained to economic sustainability, the administrative efficiency of small municipali-

ties, and incompetent management of their financial assets (Government 1994). Small municipalities were often said to be economically untenable, politically unstable, and unable to discharge their responsibilities competently, particularly regarding the provision of services. It was mentioned that they cannot mobilize sufficient personal, political, economic, and organizational resources, cannot launch more ambitious developmental projects, and that they are often too small to function properly as political and administrative units. They are also too weak as partners in negotiations with state offices. With a fragmented structure, intermunicipal differences in the provision of services increase and equity is difficult to attain.

Particular sources of concern were instances of incompetent execution of transferred responsibilities by small municipalities. Other warning signals were cases of indebtedness of some small municipalities,<sup>3</sup> the passage of unlawful by-laws, and the need to repeat local elections in some small municipalities that were unable to sustain the minimum size of their local councils. It was also mentioned that small municipalities were not strong enough to provide good living conditions for their inhabitants, who are thus handicapped in comparison with larger locations and tend to migrate to cities, leading to depopulation of the countryside in peripheral regions (Ministry of the Interior 2004).

From the mid-1990s, dissatisfaction with the adverse effects of the fragmented local government structure and an unspecified intention to do something about it was shared by relevant national political actors regardless of their political color. Technical arguments were supplied mainly by the Ministries of Finance and Interior, and also by the District (and later Regional) Offices, whose duty was to supervise the legality of local government activities. The arguments were much the same as those used to support amalgamation in Western Europe and in the United States in the 1990s. Of the six such arguments supporting larger local governments mentioned by Keating in his 1995 writing on the relationship between size of local government, efficiency, and democracy (Keating 1995), five were more or less identical with those used in favor of amalgamation in the Czech Republic:

1. economy of scale;
2. better provision of services;
3. distributional equity;
4. local economic development;
5. strengthening of local democracy.

However, most small municipalities enjoyed their autonomy and were not willing to give it away or to accept its reduction. They complained about insufficient financing and the bureaucratic nature of the state administration.<sup>4</sup> Arguments were highlighted that spoke in favor of smaller municipalities—the community spirit, intensive civic participation, transparency of local politics, efficient social control, etc.<sup>5</sup> It was also mentioned

that the size of municipalities is a relative concept and that it has been only the smallest among them—those with up to 200–300 inhabitants—which tend to suffer from the above-mentioned deficiencies, while the majority of the middle-sized villages, although small if compared with the cities, have functioned properly (Illner 2006). In spite of the problems that the “small” municipalities faced, or were supposed to face, the fragmented structure of local government remained fairly stable. Of the 2,199 communities that became independent after 1989, only 18 had abandoned their autonomy by 2003, and merged again with other municipalities (Vajdová and Čermák 2006a: 36).

## POLICIES AIMED TO COUNTER THE FRAGMENTATION

Several successive measures were applied by the state to slow down, prevent, and offset the fragmentation:

### 1. *Interrupting the Process of Fragmentation and Preventing its Continuation*

An amendment was passed to the Law on Municipalities in 2000, which tightened the rules applying to the separation of municipalities. The amendment stipulated that for a split of a municipality to be permitted, the portion intending to break away from an existing municipality, as well as the municipality from which it wanted to separate, must each have at least 1,000 inhabitants after the separation. Separation, moreover, must be approved by citizens of the portion that intends to separate in a local referendum, and the final decision permitting separation belongs to the Regional Office. For all practical purposes these rules stopped the process of fragmentation that had mostly run its course in the mid-1990s.<sup>6</sup>

### 2. *Facilitating Voluntary Amalgamation of Municipalities*

Another amendment made it easier for municipalities to merge voluntarily. The legal space created by the amendment remained mostly unused—mergers have rarely occurred and the number of municipalities has been almost stable since 1999 (Table 1).

### 3. *Introducing Measures in Support of Intermunicipal Cooperation*

Municipalities have been encouraged by the legislation to associate on a temporary or more permanent basis in order to carry out joint projects. While mergers rarely occurred, the possibility to associate and cooperate with other municipalities in the sphere of their own responsibilities, has been used by Czech municipalities on a large scale since the 1990s. The Law on Municipalities mentions three forms of intermunicipal cooperation in the sphere of their independent responsibilities:

- cooperation based on an agreement whose aim is the joint implementation of a single project;
- establishing legal persons by two or more municipalities according to the Commercial Code;
- establishing voluntary unions of municipalities on the basis of an agreement.

Municipalities also have the right to establish associations of municipalities promoting their joint interests. A number of such associations exist in the Czech Republic, the largest and most influential among them being the Association of Towns and Municipalities of the Czech Republic.<sup>7</sup>

4. *Entrusting the Execution of Transferred Responsibilities of Small Municipal Governments to Larger Urban Municipalities*

Further fragmentation of local government has been prevented by the above measures. The problem of effectiveness of the existing small local governments, however, was not. Reintroduction of the policy of mandatory mergers of municipalities (discredited by the forced amalgamations of the 1970s) was out of question, just as it was inconceivable for political reasons to reduce the scope of independent responsibilities of the self-administering municipalities—the core accomplishment of the post-1989 democratization, or to differentiate municipalities according the extent of such responsibilities. Such measures would violate the constitutional principle that all self-administering communities, irrespective of their size, urban, or rural character, should be equal in terms of their institutional structure, rights, and responsibilities.

What was feasible without infringing upon the Constitution, however, was to differentiate between municipalities according to the extent of their *transferred* responsibilities—i.e., the tasks of state administration and the execution of which had been delegated to the municipalities by law and which they were obliged to execute on behalf of the state. Such differentiation allowed the state to entrust the more demanding tasks to large urban municipalities to execute on behalf of smaller local governments in their vicinity. A reform implementing such measures took place in 2003. Depending on their population size, centrality, and geographical location, all municipalities were divided into three nested categories (the distinction has no impact on the extent of the independent responsibilities that are the same in all three categories):

- *Municipalities of the first* type whose municipal offices discharge none, or only the basic transferred responsibilities, executing them only within their own administrative territory. These are small municipalities, usually in rural areas, involving the overwhelming majority of the existing local governments.

- *Municipalities of the second type (municipalities with commissioned municipal offices—392 urban municipalities, i.e., about five percent of all municipalities),* whose offices execute a number of transferred powers in surrounding areas. These include the registry, civil registration, welfare, social services, some physical planning, road transport authority, water supply and distribution, protection of environment, and other issues.
- *Municipalities of the third type (municipalities with extended powers—205 urban municipalities, i.e., about three percent of all municipalities)* whose municipal offices execute a still wider range of transferred responsibilities, discharging them in larger surrounding areas, such as issuing identity cards, drivers licences, and passports, administration of the register of motor vehicles and issuing certificates about registration of such vehicles, issuing of trade licences, physical planning, state administration of forestry, hunting, and fishing, payment of social benefits, social protection of children and elderly persons, waste management, and a more demanding agenda in the sphere of protection of environment, as well as other issues.

As a result of this reform, a hierarchical three-layer structure of local authorities was established. The vertical differentiation of local authorities depending on the scope of their delegated tasks and the concomitant differentiation of their administrative territories contrasts with their undifferentiated status as regards their independent powers. The reform thus challenged the integrated model of local government and created a complicated institutional and territorial arrangement.

##### 5. *Drafting a Plan to Stimulate and to Support Creation of Communities of Municipalities*

In 2004, to cope with this situation, the Ministry of the Interior announced a plan to apply a similar reform as above to the *independent competencies* of local government—a sphere which had thus far been considered “untouchable.” Principles of a potential bill amending the Law on Municipalities were put forth according to which municipalities would be actively motivated by the state, mainly by financial stimuli, to voluntarily associate, establishing what were termed *communities of municipalities*.<sup>8</sup> The idea was that the communities would take over and perform some of the *independent* responsibilities of member municipalities. Under the proposal, the structure and competencies of the communities will be regulated by the Law on Municipalities (that must be amended for this purpose). As proposed, the communities will be obliged to adopt a prescribed organizational structure, accept obligatory responsibilities, and rules of operation as well as a standard territorial format, whereby their



territories will have to be compatible (though not necessarily identical) with those of the third above-stated type of municipality. The proposal reckoned that financial stimuli that will be offered to the communities by the state will strongly motivate municipalities to associate. The French system of intercommunal cooperation was explicitly mentioned as the inspiration of this project (Ministry of the Interior 2005, Vidláková 2007).

If it materializes, the communities of municipalities<sup>9</sup> would be a major revision of the municipal system introduced in 1990, and could become a “Trojan horse” leading to a *de facto* stepwise amalgamation of smaller municipalities into larger, self-administering communities. This could not only be the undoing the post-1989 fragmentation, but would also lead to a massive consolidation of municipalities. At present, however, further steps towards establishing a legal foundation for this project have yet to be taken. The Association of Towns and Municipalities endorsed the general idea of the project, but demanded, however, substantial modification.

## VOLUNTARY NETWORKING OF MUNICIPALITIES<sup>10</sup>

Whereas the state-sponsored project of communities of municipalities has yet to bear fruit, another mechanism facilitating the cooperation of municipalities and helping them to overcome the handicaps of fragmentation has been in full swing for more than 15 years. This mechanism is based on the existing Law on Municipalities (see above). From the outset, in 1990, the first Czech Law on Municipalities stipulated that municipalities have the right to enter into cooperative arrangements with a view to protect and promote their joint interests. In 2000, the new law elaborated this right, stating that municipalities are authorized to establish *unions of municipalities* intent on cooperation in the sphere of their *independent* responsibilities. The law elaborated the process of voluntary, bottom-up clustering of municipalities and specified the rules regulating the structure and mode of operation of the unions of municipalities.

A wide range of interests may be promoted in this way. The law mentions the spheres of education, health, social welfare, culture, fire protection, public order, protection of the environment, tourism, waste disposal, water provision, construction of sewers, and several other matters. A union has to be constituted by an agreement signed by the member municipalities. Such a union is considered a legal person administered by its own organs, and has its own by-laws, property, and budget. Membership is voluntary: it is up to the individual municipalities to decide if they wish to join a union or even several unions (multiple memberships are permitted). Furthermore, municipalities can join the already existing unions. The unions have no financial resources that could be used as incentives to attract new members, nor does the state apply any stimuli to sup-

port the creation of unions. It is the expected benefits of the cooperation that motivate municipalities to become members, although informal pressure by neighbors cannot be excluded. Just as they are free to enter the unions, municipalities are also free to leave them.

The clustering of municipalities which started in the 1990s, almost parallel to the fragmentation of municipalities, was most intensive around 2000, and has continued with decreasing intensity to the present. According to the Ministry of the Interior, 474 unions of municipalities involving 4,680 municipalities were registered in 2005, i.e., more than 70 percent of the total number of municipalities existing in the country at the time.<sup>11</sup> On average, a union embraced 11 member municipalities with 13,300 inhabitants. The smallest among the unions had just two member municipalities, the largest 247 municipalities. It was mostly the smaller municipalities that sought membership in unions, but also a number of towns can be found among the members.

A survey of the unions carried out in 2004-2005 by Vajdová and Čermák (2006b), revealed that municipalities joined forces most often in the areas of regional development, tourism, and protection of the environment.<sup>12</sup> With somewhat less frequency, they also cooperated in the development of social infrastructure and the construction of power networks, in transborder cooperation, water provision, transport, and waste disposal. The survey also showed that an important and, in some cases, the main motive of establishing the unions was to join forces in the drafting, submission, and implementation of projects to be financed from national and European programs, many of which require a minimum critical size of the projects to be reached and, therefore, participation of several municipalities.

Organs of the unions usually copied those of the individual municipalities. The highest political decision-making body of a union—an analogy of a municipal council—is usually the Assembly of Mayors of the member municipalities. The political executive organ, which is an analogy of the Municipal Board, is elected by the assembly from among its members (in small unions its function is often executed by the Assembly of Mayors). Supervisory organs—such as the audit committees—are also established in some unions. The administrative agenda of the unions is taken care of either by members of the political executive body, by the municipal office of one of the member municipalities, or by an administrator hired and paid by the union (Vajdová 2006: 234–235).

The unions have their own budgets, whose main revenues are subsidies, grants, and membership fees. Although legitimate recipients of potential financial support from different sources, most unions have to rely on the membership fees contributed by the member municipalities. The fees were the only source of their finance for one-third of the unions that took part in the above-mentioned survey and they were the main source for most of the remaining ones. Inasmuch as most their members are small locations with small budgets, this source is usually modest, allowing support for only small developmental projects or no projects at all (Vajdová and Čermák 2006b). The second most

important source of income was subsidies received from the regional authorities, and the third was grants received from bodies of the central government. Other sources were European grants, contributions received from economic subjects, and income from the unions' own economic activities. The unions are not authorized to impose special levies or to collect special taxes from their members. The main handicap of the unions is a scarcity and unpredictability of financial means available to support their activities.

For the territories of the individual unions the term "*microregions*" has been coined and these days microregions are scattered across the entire map of the Czech Republic, covering two-thirds of the country's area (Ministry of the Interior 2005). As observed by Ryšavý (2006: 254–255), two types of microregions can be distinguished as regards their territorial structure:

1. those composed of a dominant central city and a ring of surrounding smaller municipalities,
2. microregions formed by municipalities of similar size and importance.

Names of microregions often reflect this structural difference—those of the first type refer usually to the name of the central city or of the area surrounding it, those of the second type to the name of the respective geographic or ethnographic region, or to some well-known historical event or monument on its territory.

## CONCLUSION

According to Vajdová and Čermák (2006b), the spontaneous proliferation of inter-municipal cooperation is one of the most remarkable phenomena that has occurred in Czech public administration since 1989. Along with municipal self-administration, the *unions* are the second most important new form of political organization of local communities that have emerged since 1989. Municipalities appreciate their flexibility, their voluntary character, and the fact that by entering the unions they do not have to sacrifice any of their independent powers. When asked in the above-mentioned survey which of the two options—either amalgamation of small municipalities and constitution of large and strong municipalities, or the intermunicipal cooperation preserving the autonomy of small local governments—should be the preferable policy strengthening the effectiveness of local administration, 83 percent of the unions' representatives preferred the latter. Moreover, 70 percent expressed the opinion that the existing legislation offers sufficient space for the cooperation (Vajdová 2006: 236–237).

It remains to be seen which of the *communities of municipalities* promoted by the state, using powerful top-down levers, or the spontaneously-emerging *unions of municipalities*—will prevail in the future, if they can coexist, or if a mixture of both will be the ultimate solution.

It is the opinion of the author of this chapter that the bottom-up approach applied by the Unions offers the better formula on how to “square the circle,” i.e., to consolidate the structure of local government in an organic and voluntary way. For such a solution to become feasible, the unions would have to develop along the following lines:

- The wide variance of their size should be reduced by encouraging mergers of the smallest unions as well as splitting-up of the largest ones. Ideally, territories of the microregions should be compatible with territories of the above-mentioned second and third type of municipality.
- Unions should also be founded in regions where they are still nonexistent.
- Regular and predictable revenues from the State Budget should be guaranteed to the unions, depending on the nature and the extent of their activities.
- Municipalities—members of the unions—should maintain their independent responsibilities and must not be forced to cede them to the unions.
- All measures concerning the unions, be they stimulated by political, administrative, financial, or economic incentives, should be negotiated with those involved and implemented in an unauthoritarian way.

Such a voluntary and organic approach would be, of course, slow and uneven and would not guarantee the creation of a standardized territorial and institutional structure of municipal government—such that the state might prefer. It is, therefore, most likely that the outcome of this dilemma will be a hybrid model of the unions of municipalities and the communities of municipalities. In this mixture the former will be the stronger component.

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## NOTES

- <sup>1</sup> A municipality could split into one or more municipalities. To do so, a proposal had to be submitted by that municipality to the Ministry of the Interior on the basis of a local referendum. The Ministry was only permitted to reject the proposal if it was possible to prove that the new municipalities resulting from the split would be unable to fulfill their tasks as specified by the law—an argument that could have been difficult to defend in the “revolutionary” atmosphere of the 1990s.

- <sup>2</sup> The intention “to overcome the dysfunctional fragmentation of municipalities” was mentioned in a programmatic declaration of the Government of the Czech Republic as early as September 1994 (Government 1994) and was reiterated in its policy statement of August 1998 (Government 1998).
- <sup>3</sup> An analysis of financial stability of Czech municipalities carried out by the Czech Credit Bureau showed in 2006 that while in general the financial management of municipalities becomes healthier, small municipalities with their small budgets were particularly vulnerable to just a single case of unsuccessful investment projects that would entirely ruin their budgets (Stoupová 2007).
- <sup>4</sup> The central government’s tax policy punished small local governments by allocating them substantially smaller per capita share of the redistributed tax revenues than to large municipalities.
- <sup>5</sup> See M. Illner 2006 for discussion of the pros and cons of smaller municipalities in the Czech Republic.
- <sup>6</sup> Only seven new municipalities were established by separation in 2000, before the amendment became effective (Vajdová and Čermák 2006: 28).
- <sup>7</sup> The Association organizes some 2,500 municipalities, particularly the urban ones, representing about 70 percent of the country’s population. On the basis of an Agreement on Mutual Cooperation with the Government of the Czech Republic, the Association is regularly consulted as regards bills and other proposed legal regulations touching upon the interests of municipalities.
- <sup>8</sup> A working group for the problems of small municipalities—including representatives of the Association of Towns and Municipalities, the Association for the Renovation of Rural Areas, representation of regions, and the Ministry of the Interior—took part in preparing the proposal (Vidláková 2007).
- <sup>9</sup> Given the financial levers that the state intends to apply in order to put through this project, the purely voluntary character of the communities of municipalities is questionable.
- <sup>10</sup> With consent of the authors, the following section as regards the unions of municipalities, draws upon research done by Zdenka Vajdová and Daniel Čermak on the cooperation of municipalities as an element of local democracy and as an effective instrument of self-government (see Vajdová, Čermak, and Illner 2006).
- <sup>11</sup> The data about the number of the unions is unreliable due to incomplete records. Widely different figures have been mentioned by different sources.
- <sup>12</sup> The survey of the unions of municipalities approached 512 unions, of which 158 responded, representing 2,345 municipalities (Vajdová and Čermák: 2006). Although illustrative of the situation of the Unions, the survey was not representative.



# Territorial Consolidation and Intercommunal Cooperation at the Local Level in the Slovak Republic

*Daniel Klimovský*

## EXECUTIVE SUMMARY

Slovakia is one of those European countries that has experienced high number of significant changes since 1989. The changes have had a different character—political, economic, and administrative—but no territorial consolidation has been introduced in Slovakia.

This chapter is aimed at three points. First, I would like to present a brief overview of central governments' approaches and attitudes to the territorial consolidation issue. Second, I would like to point out both the problems or difficulties that have been linked to a highly fragmented local structure in Slovakia and the cooperative forms that have been used amongst the communities (municipalities) in order to overcome them. Third, I would like to reflect on those expectations associated with territorial consolidation in terms of recent political developments in Slovakia.

The Slovak communities legally obtained self-government status in 1990 and became fully-fledged actors of policymaking at the local level. Further development of the reforms was significantly affected by high political tensions. Local governments were in a very difficult situation in the 1990s (e.g., they did not have a good public reputation, they were very passive in relation to other subjects, and they even refused to cooperate with other local governments, although they were legally allowed to do so).

The qualitative change is associated with the period from 1998 to 2005 when several important reform steps were implemented. The Parliament approved in 2001 both the Act on Self-government Regions and the Act on Devolution that significantly influenced the position of local governments. The Parliament approved an amendment of the Act on Municipalities approximately at the same time (this amendment is linked to territorial consolidation issue because according its rules if there is a proposal for the division of a community, every succession community must have at least 3,000 inhabitants). Although fiscal decentralization was not implemented simultaneously with the decentralization of competencies, and was expected with great concern primarily by the



associations of local governments, immediately after its implementation in 2004–2005 it was clear for all stakeholders that its implementation was nothing but an essential and needful instrument.

However, in spite of the reform steps Slovakia remained a very fragmented country in terms of its local settlement structure, with many commensurate problems. Concerning the mentioned local settlement structure, there are too many very small communities (more than two-thirds of all of them have less than 1,000 inhabitants, especially in the countryside of eastern and southern Slovakia, and only two Slovak communities—Bratislava and Košice—are cities with a population of more than 100,000 inhabitants). The average population size of a Slovak community is about 1,900 inhabitants, and Slovakia—similar to the Czech Republic or France—belongs among the most fragmented European countries. Furthermore, there is a lack of any size categorization, and therefore the smallest communities have the same competencies as the largest ones.

In May 2004, the Government Commissioner for the Decentralization of Public Administration elaborated a document calling for communal reform, which contained *inter alia* justification and proposals for an amalgamation of Slovak communities. The author was inspired by the amalgamation processes in some European countries and proposed two possible solutions: the communities should amalgamate either by way of area, which would be connected with the abolition of amalgamated communities, or by an establishment of local unions/associations, which would be connected through the preservation of amalgamated communities. The document was considered an effective tool in order to start a public debate on this topic but a real and broader public debate was not started because of several political reasons. Some other consolidation proposals that were presented at that time (e.g., a proposal for the reduction of the number of town districts in Košice) had a similar destiny.

There are four forms of intercommunal cooperation which could be described as the most common and could help to overcome existing problems issued from a highly fragmented local structure: national associations of universal character, joint municipal offices (JMO), voluntary institutionalized regional associations, and specific-purpose associations. The most important in terms of fragmentation-consolidation issues are JMOs, and voluntary institutionalized regional associations (also called microregions).

The JMOs are established in order to execute some competencies (e.g., construction proceedings, land transport, nature and environment protection, etc.). Their nature is optional, and there is no possibility to force any community to become a member of some JMO. Although the communities had had a right to establish JMOs since 1990, in fact they did not exercise this right until 2002 (there were approximately 20 JMOs in this time). However, the devolution of some competencies accelerated this process; for example, in August 2003 there were already 147 JMOs that associated 82 percent of all Slovak communities with approximately 60 percent of all inhabitants. The present total number of these offices is 232 (as of May 31, 2008), but their character, activities, and structures vary to a great extent.

The microregions have not been legally defined so far, but usually they are small territorial units involving, at a minimum, a few communities that have a common historical development, economic interconnection, etc. Their nature is based on voluntary association, and sometimes they do not respect official administrative borders. There were, for example, 245 registered microregions in Slovakia in 2004 and they involved approximately 65 percent of all Slovak communities. An interesting point is that their borders often correspond (partially at least) with existing borders of JMOs' areas. However, while the JMOs consist strictly of the communities, the members of microregions can also be other public agencies, various private legal persons, and natural persons (e.g., experts). The biggest problem of these microregions is a question of their activity. Some of them exist only officially, and they are not active at all. Also their legal status often varies—some of them are established as nonprofit organizations, some as civic associations, and some as associations of legal persons. With respect to this, the microregions might both dispose with high-level capability and provide a proper argument linked to the utility of joining and cooperating with the communities.

A serious problem that should be solved in the near future is the excessive fragmentation of communities. Many of the atomized Slovak communities are depopulated or only inhabited by elderly people. Some of them are not even able to perform their tasks, and recently have had to look for various more or less institutionalized cooperation possibilities. Concerning possible continuation of the discussion on territorial consolidation and amalgamation of the communities, we have to take into account that there is a strong opposition founded on various fears. It is likely that the present government (and probably the next government) will not solve the high fragmentation of the local level through any amalgamation scenario, and would rather try to find another solution for unification. Taking into account recent political and economic developments, the most probable continuation of the fragmentation-consolidation issue at the local level in Slovakia is the gradual development of JMOs, and the eventual establishment of a new tier of local government within the frame of JMOs.

## INTRODUCTION

Since 1989, the Slovak Republic has gone through some very important changes in a relatively short period of time. Concerning territorial consolidation at the local level, neither the parties' election programs nor the governments' program declarations have considered it a priority (in comparison with some other kinds of consolidation). However, although territorial consolidation at the local level has not been introduced in the Slovak case, several other reform steps in the administrative field have become the component parts of administrative reality in the Slovak Republic. Due to this, the fragmented Slovak communities have been obliged to look for some suitable cooperative forms that might help them to effectively perform their competencies.

I would like to respond to three basic questions in this chapter:

- Has territorial consolidation at the local level been considered and what attitudes/positions have been represented/advocated by the successive central governments of Slovakia since 1989?
- What problems/difficulties have been linked to the highly fragmented local structure in the Slovak Republic, and what cooperative forms have been used amongst the communities (municipalities) themselves in order to overcome this?
- What is the possible future or what are the possible expectations associated with territorial consolidation in terms of the recent political developments in the Slovak Republic?

## POLITICAL DEVELOPMENTS IN RECENT YEARS

The transformation of the territorial structure of government—its decentralization, and particularly, the introduction of regional and local governments—was considered an essential task in the process of rebuilding political and administrative systems in CEE after 1989 (Illner 1999: 7). Slovak communities obtained a self-government status in 1990 and became fully-fledged actors for policymaking at the local level.

Further development of the reforms was significantly affected by high-level political tensions. After the separation of the Slovak Republic from the Czech Republic in 1993, Slovakia constitutionally characterized itself as a sovereign state based on the principles of democracy and rule of law. Political practice (especially during the period of 1995–1997) demonstrated that the declaration was not the same as the realization. Already during this period some authors—e.g., Konečný (1995), Malíková (1995), Sopóci (1995), and Buček (1997)—pointed out that the local structure in the Slovak Republic had been too fragmented. Moreover, speaking about the period after 1992, in terms of self-government, it is quite clear that public administration reform was not in the central government's policy agenda. Local governments were in a very trying situation in this period. According to the *Analysis of Status and Development... (1995)*:

- Although a holding of the State Budget on GDP increased within the period of 1990–1994 to 10–14 percent, a holding of local government budgets on GDP decreased within the same period from more than seven percent to less than five percent.
- The local governments did not garner a good public reputation, though were very passive in relation to other subjects. They did not attempt to cooperate with other local governments, although they were legally allowed to do so. And

due to the centralistic approach of the central government, there was a lack of real promotion aimed at the idea of using the right to assume some new functions.

- At the beginning, there was an idea that the state should support those local government activities that were linked to investments in infrastructure, environmental protection, and public housing. However, the reality of the first half of the 1990s showed that the state did not accomplish these functions (its system of grants was insufficient, unfair, and unmotivating).
- The state did not have any clear and stable concept of a system for the holding of local government budgets on state taxes income (mainly a residual method was utilized). Due to such an absence, local governments could not develop any real strategic projects.
- Most of the local government budget receipts were unstable and many of them were rather coincidental or irregular.
- There were many differences between rural and urban communities, though the extent of their competences was the same.
- Because of both an absence of regional self-government units and a high number of delegated competences from state administration to local governments, the units of regional as well as district state administration acted as “supreme units” in relation to the local governments.

While the government, which was established in 1998, approached the preparation and implementation of reform steps, the intensity of these steps was limited by the political composition of the government, and their character was quite selective (Mesežnikov 2004: 63-64). The Draft Concept for the Decentralization and Modernization of Public Administration, that had been elaborated by Viktor Nižňanský, Government Commissioner (Plenipotentiary) for Public Administration Reform, was approved by the government in April 2000 (this document developed the ideas involved in the Strategy of Public Administration Reform which was approved in 1999). At the same time the government was deciding on the establishment of regional self-government units and their bodies. Consequently, Parliament approved, in 2001, both Acts on Self-government Regions as well as Regional Election and the Act on Devolution (the Act of the National Council of the Slovak Republic No. 416/2001 Coll. of Laws on Some Competences of Devolution from State Administration Bodies on the Communities and Superior Territorial Units) which also significantly influenced the position of local governments.

As far as competences and their devolution, in compliance with the mentioned Act, these were transferred to the relevant local and regional governments over five periods.

- January 1, 2002: competencies in the spheres of water resource management, registration, regional development and tourism, primary educational system, and environmental protection;
- April 1, 2002: competencies in the spheres of administration of theaters, and administration of museums and galleries;
- July 1, 2002: competencies in the spheres of public healthcare, social support, primary educational system, and physical training and culture;
- January 1, 2003: competencies in the spheres of social support, land-use planning, and administration of land transport;
- January 1, 2004: competencies in the spheres of administration of land transport.

The stakeholders took a phased approach in order to accentuate the necessity to provide adequate time for both the regional and local governments to prepare for the proper execution of those competencies. However, even if such periods had been longer, most communities would not have had enough time to prepare. The problem was that there were too many very small communities (Table 1), especially in rural eastern and southern Slovakia, and that the smallest communities (for example, the community of Príkra had only seven inhabitants) had the same competencies as the largest ones.

Due to the ever-increasing number of communities since 1989 (there were 2,669 communities in the Slovak Republic as of December 31, 1989), Parliament approved an amendment to Act No. 369/1990 Coll. on Municipalities. According to this amendment (it has been in force since January 1, 2002), if there is a proposal for the division of communities, in every seceding unit (i.e., new community) there must be at least 3,000 inhabitants.

The program declaration of the ruling coalition, formed in 2002, presented an ambitious plan of sector reforms concentrated in a short period of time (Mesežnikov 2004: 64). There were some tensions that, in the end, led to the shortening of the government's term of office (in 2006), but despite these problems the government was able to push through a few important reforms.

The issue of fiscal decentralization became a true “hit” in the public debate on public administration reform and its continuation. All major political parties pledged, as stated by Láštic (2008), to decentralize power over public money and all advocated the accumulation of self-collected revenues by local and regional governments (Kling and Nižňanský 2003: 195). Because fiscal decentralization was not implemented simultaneously with the decentralization of competencies, some serious problems occurred. Although fiscal decentralization was approached with great apprehension, primarily by local and regional governments and their associations, it was praised, for its impact after a relatively short period of implementation (Pilát and Valentovič 2006).

*Table 1.*  
Number of the Communities and Their Inhabitants in the Slovak Republic

Size Category (Number of Inhabitants)	Communities (Municipalities)			Inhabitants			
	Number	Share in Percent	Cumulative Share in Percent	Number of Towns/Cities	Number	Share in Percent	Cumulative Share in Percent
Up to 199	380	13.14	13.14	0	47,363	0.88	0.88
200–499	794	27.46	40.60	0	273,080	5.08	5.96
500–999	775	26.81	67.41	0	547,161	10.17	16.13
1,000–1,999	555	19.20	86.61	2	774,448	14.39	30.52
2,000–4,999	259	8.96	95.57	19	753,922	14.01	44.53
5,000–9,999	56	1.94	97.51	45	386,411	7.18	51.71
10,000–19,999	32	1.11	98.62	31	452,325	8.41	60.12
20,000–49,999	29	1.00	99.62	30	844,944	15.71	75.83
50,000–99,999	9	0.31	99.93	9	639,585	11.89	87.72
100,000 or more	2	0.07	100.00	2	660,814	12.28	100.00
<b>Total</b>	<b>2,891</b>	<b>100.00</b>		<b>138</b>	<b>5,380,053</b>	<b>100.00</b>	

Source: *Comunal Reform* 2004.

Viktor Nižňanský, who became Government Commissioner (Plenipotentiary) for the Decentralization of Public Administration, wrote in a document called *Comunal Reform* (May 2004), regarding justification and proposals for an amalgamation of Slovak communities. The author was inspired by the amalgamation processes in some European countries and proposed two possibilities for the elimination of overly fragmented communities in the Slovak Republic. As he emphasized, the communities should be amalgamated either by way of area (Table 2), which would be connected with the abolition of amalgamated communities (amalgamated communities would create a defined and fixed number of municipalities with their own legal personalities), or by an establishment of local unions (associations), which would be connected through the preservation of amalgamated communities (local unions would be a territorial self-government intermediary and a fixed number of such unions would not be defined). The document was considered an effective tool in initiating a public debate on this topic and, according to its author, was not intended as a set of final decisions. In spite of such statements, however, some representatives of local governments rejected it without becoming familiar with its content.

*Table 2.*  
Proposal for Amalgamation of Area

Indicator	Present Situation	Proposal	Comment
Number of communities/municipalities	2,891	239–300	The original communities should not lose their identity; they should have the right to establish honorary offices of mayors. If necessary, there should be established field offices of local government.
Average size (population) of communities/municipalities	1,900	18,000–22,500	Each municipality should have no less than 5,000 inhabitants
Number of the communal boards deputies	Ca. 25,000	Ca. 6,000	They should be elected in one-mandate districts

*Source:* *Comunal Reform 2004.*

The representatives of the Association of the Towns and Communities of Slovakia (ZMOS) stressed that the reform of the local government system is necessary, but that amalgamation is possible only if the principle of spontaneity is adhered to. Real and broader public debate was not initiated for three reasons: first, the fiscal decentralization issue was so serious that it drowned out every other issue linked to local governments during this time. Second, relevant parts of the opposition supported by a high number of local politicians (especially mayors from the small communities) were—in principle—against any sort of amalgamation. And third, the ruling coalition was facing some internal turbulence during this period.

Besides this proposal, some experts, in addition to the politicians, called for the rearrangement of regional division of Slovak territory. Some very interesting debate surfaced within the context of the local government system of Košice. This city is divided into 22 town districts with their own administrative structures, which is both unusual and inefficient because the largest one (Košice-Západ) has more than 40,000 inhabitants and the smallest one (Košice-Lorinčík) has less than 400 inhabitants. Last but not least, there was a proposal related to the possibility of time unification of territorial self-government elections (i.e., local and regional elections). However, these proposals all failed to attract broad political or public interest and support. Most essentially, these issues hardly drew any public attention, and only a few groups of some experts and politicians elaborated their statements regarding them. Moreover, concerning reform of local government systems, the new government elected in 2006 did not even refer to it in its program proclamation; in the case of Košice, on account of strong resistance from the side of small city sections, this debate soon lost its way. Along with reference to the prolongation of regional self-government bodies' term of office, the negative points stressed by its opponents tipped the scale.

The new government (created in 2006) did not mention the continuation of decentralization processes in its program proclamation. Moreover, it started with a huge critique and reappraisal of the policies (and especially concerning the proposed reforms) of the previous government, and attempted their modification. Within the context of possible territorial consolidation, this government stopped all official negotiations and discussions on the Communal Reform document, and deputed Ján Turčan as Government Commissioner (Plenipotentiary) for the Territorial Self-government in February 2007, in order to prepare, by June 2009, a new proposal regarding this issue. However, as mentioned by Nižňanský and Pilát (2008) this task faces a few obstacles. First of all, the government commissioner will prepare a proposal on the procedure of elaboration of the local government reform concept and not the concept of reform as such. Second, there is a legitimate fear that this government will not implement such a proposal, because it must be presented in June 2009, i.e., approximately one year before the next general election. And third, as the prime minister mentioned, during the general session of the ZMOS in 2007, the amalgamation of the communities will not be an essential goal of this government's agenda.

## FRAGMENTATION AT THE LOCAL LEVEL AND THE ACTUAL STATE OF INTERCOMMUNAL COOPERATION

There are at least two potential measures of the size of a local government: population number and surface area. Both of these have some advantages when applied to different public-administration themes (Swianiewicz 2002: 5). However, for purposes of this chapter, population size is primarily utilized.

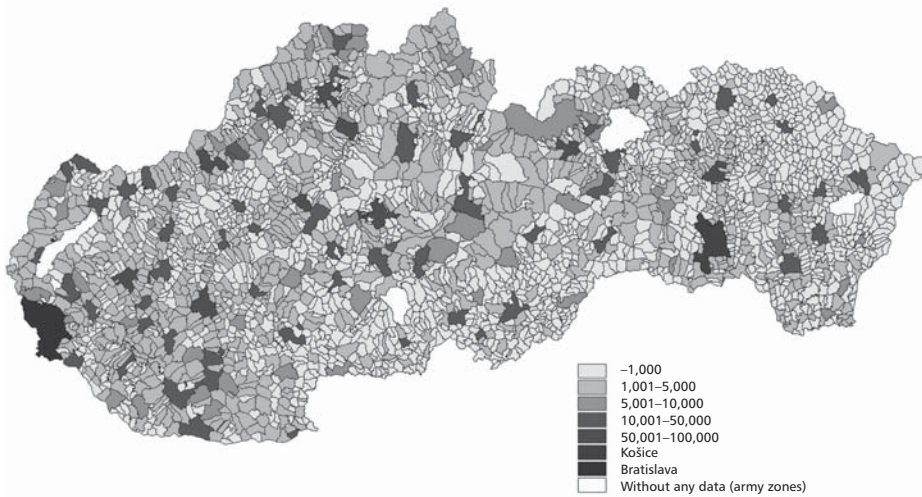
The Slovak Republic is among the most fragmented European countries in terms of the size of local units— i.e., communities (Table 1 and Figure 1). More than 67 percent of all Slovak communities have a population of less than 1,000 inhabitants. The smallest communities (with populations of less than 250 inhabitants) are especially concentrated, in terms of their location, in northeastern Slovakia, as well as in the areas surrounding the Slovak–Hungarian border of the central part of the Slovak territory. Some of them are also situated in northwestern and southeastern Slovakia. In the west, there are a significantly lower number of such communities. On the contrary, only two Slovak communities have a character of city with a population of more than 100,000 inhabitants. These two cities (Bratislava and Košice) are the largest Slovak communities and, under the rule of specific laws, they use a so-called two-tier local government system, where one tier is created by city *en bloc*, and the second tier involves town districts (Bratislava is divided into 17 town districts, Košice into 22 town districts). The other Slovak communities, regardless of their size, have the same structure of local government bodies and extent of competencies. The absurdity of this situation might be proven by



the existence of the smallest community (i.e., Příkra, with seven inhabitants). According to the Act on Municipalities, there was a provision that every communal board has to consist of nine to 60 deputies. Obviously, this was later changed and the minimum number of deputies was reduced to three persons. However, according to the other rules, when there is a local election, every election committee must have at least five members who cannot simultaneously be candidate for deputy. Moreover, a candidate for mayor cannot be a member of that committee too, and cannot become communal board deputy and concurrently hold the office of mayor.

*Figure 1.*

Size Structure of the Communities in the Slovak Republic (2004)



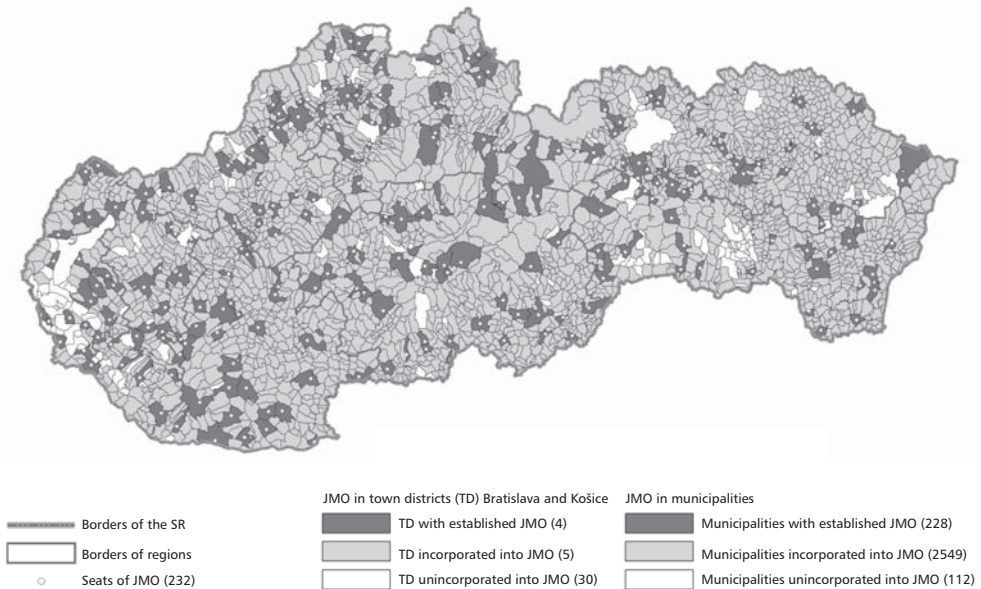
*Source:* Marcel Zvolenský (2005) In: Čavojec and Sloboda.

According to Kling, Nižňanský, and Pilát (2002), there were two forms of intercommunal cooperation that could be described as “most common,” and should help to overcome existing problems issued from a highly fragmented local structure. However, in my opinion, there are currently more such forms: national associations of universal character, joint municipal offices (JMOs), voluntary institutionalized regional associations, and specific-purpose associations. The most important in terms of fragmentation/consolidation issues are JMOs and voluntary institutionalized regional associations (also called microregions). The JMOs were established in order to execute some competencies—especially those linked to construction proceedings, land transport, nature and environmental protection, domiciliary services, the primary

educational system, and other fields like water resource management, flood protection, civil protection, etc. But the most common reason for their establishment is a performance in the construction proceedings field. Their nature is optional, and there is no way to force any community to become a member of any JMO. Every JMO must respect three principles: first, the principle of mutual usefulness; second, principle of equality in regard to the positions of member communities; and third, principle of autonomy in the decision-making processes that belongs to all member communities. It is clear in the view of these principles, that it completely depends on the member communities' decisions how intensively binding JMOs are, and how their activities are controlled.

According to Kling and Pilát (2003), the communities have had the right to establish JMOs since 1990, but, in actuality, they did not exercise this right until 2002 (there were approximately twenty JMOs in this period in the Slovak Republic). However, devolution of some competencies accelerated this process and, in February 2003, there already existed 75 JMOs in the Slovak Republic; in April 2003, there were 129 JMOs, and in August of the same year there were 147 JMOs (that represented 82 percent of all Slovak communities with approximately 60 percent of all inhabitants).

*Figure 2.*  
Communities Involved in Some Form of Joint Municipal Office (2008)



*Source:* ErasData-Pro Ltd., and Ing. Miloslav Kiš, Department for Coordination and Modernization of Public Administration, Public Administration Section, Ministry of Interior (2008).

*Table 3.*  
Joint Municipal Offices in the Slovak Republic (2006)

Size of JMO (Number of Communities)	Total Number of JMOs	Total Number of Involved Communities	Share in Percent	Number of Inhabitants of Involved Communities
Up to 10 communities	108	561	52.9	2,131,900
11–20 communities	48	687	23.5	960,322
21–50 communities	43	1,267	21.0	1,267,996
51 or more communities	5	324	2.6	214,534
<b>Overall</b>	<b>204</b>	<b>2,839</b>	<b>100.0</b>	<b>4,574,752</b>

*Note:* All of them acted in the field of construction proceedings, 92 in domiciliary services, 70 in land transport, 55 in primary educational system, 45 in nature and environment protection, and 38 in other fields.

*Source:* Kiš and Volko 2007: 101.

The present total number of these offices is 232 (as of May 31, 2008), though their individual characters and structures vary to a great extent. There are JMOs that perform their activities for only two communities and, conversely, there are several JMOs that perform their activities for many communities (e.g., JMO Sveržov performs its activities for 80 independent communities). Some of them are centered on one area of activities, and some of them are multifunctional and perform their activities in several areas (e.g., JMO Uhrovec performs its activities in eight fields: construction proceedings, land transport, water resource management, nature and environmental protection, regional development, domiciliary services, fire protection, and public healthcare). Moreover, there are communities with membership in different JMOs for different fields of activities (e.g., in the field of construction proceedings, Slovenské Nové Mesto belongs to JMO Malá Tŕňa, but in the field of primary educational system it belongs to JMO Trebišov).

The voluntary institutionalized regional associations includes two groups of associations—the first group consists of Euroregions; the second one involves so-called microregions. The microregions have not been legally defined thus far, but usually they are territorially small units involving at a minimum a few communities that have a common historical development, economic interconnection, etc. Their nature is based on voluntary association, and sometimes they do not respect official administrative borders (e.g., the microregion called ZRT Dobšiná does not respect the borders of self-government regions). Furthermore, some communities are involved in two microregions (e.g., Viničky and Zemplín are the members of microregion called Tarbucka, while at the same time, they are members of the microregion called Tokajské obce). These associations are

established for many different reasons: for example, in order to promote the locality, in order to prepare and manage some development projects, etc. There were 245 registered microregions in the Slovak Republic in 2004, and they involved approximately 65 percent of all Slovak communities. Interestingly, their borders often correspond (partially at least) with existing borders of joint municipal offices' areas (e.g., JMO Hanušovce nad Topľou performs its activities in the field of construction proceedings for those communities associated in microregion Hanušovce nad Topľou). Many of them also cooperate within the structures of the above-mentioned Euroregions.

The largest problem for these microregions is the question of their activity. Some of them exist only officially and are not active at all. On the contrary, there are also microregions that are very active and successful in terms of the accomplishment of their mission. Additionally, their legal status often varies—some of them are established as nonprofit organizations, some as civic associations, and some as associations of legal persons. However, while the JMOs consist strictly of the communities, the members of microregions can also be other public agencies (e.g., specialized agencies for regional or local development), various private legal persons (e.g., local/regional enterprises, nonprofit organizations, or other NGOs), and natural persons (e.g., civic activists or experts). With respect to this, the microregions might both dispose with high-level capability and provide a proper argument linked to the utility of joining and cooperating with the communities.

## POSSIBLE EXPECTATIONS

A serious problem that should be solved in the near future is the excessive fragmentation of communities. The increasing problems of rural areas in the Slovak Republic have caused a gradual outflow of economically active people to towns or urban areas. Furthermore, young people who leave villages to study in towns tend to not return to their villages after finishing their studies because they see no future there. Rural areas are, thus, becoming depopulated and are increasingly inhabited by elderly people and pensioners (Kling 2003: 473). Additionally, there is a lack of economic initiative, and traditional possibilities linked to economic activities in agriculture or forestry are very reduced (Sloboda 2004: 5). Many of these atomized units are unable to perform their tasks, and recently have had to look for various institutionalized cooperation possibilities.

As far as a possible continuation of the discussion on territorial consolidation and amalgamation of the communities, we have to take into account that there is a strong opposition founded on various fears. On the one hand, the representatives of local governments do not agree with the stabilization of the settlement system of the Slovak Republic through the amalgamation of existing communities. The experience of forced

amalgamation remains a major barrier. As stated by Slavík (1994), while in 1950 there were 3,344 communities in Slovakia, their entire number decreased to 2,694 in 1989 (an almost 20-percent decrease). The forced, and often also unnatural, amalgamation was at its most extensive during the 1970s. Moreover, the support for the central community in an amalgamated municipality and the shutdown of any development in the peripheral communities, during state socialism, caused voluntary amalgamation to be unacceptable. Another barrier to amalgamation is that communities are not willing to give up any of their control to another community once they have gained their independence. There is a widely-held opinion among citizens that if the established municipality consists of several parts (former independent communities), the home of the mayor will be developed the most. It is also perceived that smaller communities in such municipalities are not decently developed. The later opinion prevails among the citizens from the rural parts of the towns and cities. These citizens believe they are being shortchanged in some way. According to their complaints, the town or city council does not pay appropriate attention to the development of rural areas and it only deals with the development of non-rural areas (Kling, Nižňanský and Pilát 2002: 120).

Due to the aforementioned barriers and fears, it is quite likely that the present government (and probably also the next government) will not solve the high fragmentation of the local level through any amalgamation scenario, and would rather try to find another solution for unification. Obviously, in regard to this, there is a question of fiscal sustainability. The share of the local governments' budgets on the entire public expenditures was almost 9.5 percent in 2008, though this means that (in absolute value expression) the expenditures of the local governments in 2008 expanded in comparison with 2006 by EUR 360 million. Such rapid growth is not sustainable in the long term, and territorial consolidation along with rebuilding, as well as consolidation of local fiscal structures, should be introduced in the Slovak situation.

One of the unification possibilities that has been already experienced by some other countries involves the introduction of local laboratories (e.g., so-called free communes) that have yet to exist in the Slovak Republic. The central government could invite local authorities to propose and submit applications centered on regulations from which they would like to be exempted. The local authorities, however, should provide evidence that they would be able (either alone or in cooperation associations with some other neighboring communities) to meet all the needs of their inhabitants. A double pressure (higher responsibility for their own development, and the inhabitants' expectations) might lead to the establishment of various cooperation networks and to the amalgamation of a voluntary nature. Iancu (2007) demonstrated that while this tool brought clear positive results in some countries (e.g., Sweden), there are also countries (e.g., Romania) where it failed to meet expectations. Thus, although it is not automatically effective, it represents a possible tool for bringing the amalgamation of communities into practice in the Slovak Republic. Obviously, there are also other possibilities as well. One of the most prosaic

possibilities is the establishment of different municipal categories. For example, Šutajová (2006) considers the absence of any functional categorization of the Slovak communities to be one of the most serious problems in regard to the policymaking processes at the local level. Besides that it is necessary to stress that there are some postcommunist countries—e.g., Slovenia or the Czech Republic (Belak, Benda, Pinterič 2008; Jüptner 2005)—that already have had good experience with implementing this tool into the framework of their administrative systems. Spontaneous territorial or issue-oriented associations of communities present another possibility. Such an approach is, for example, common and typical in some parts of Germany (Jüptner 2007). However, it is impossible to expect that the implementation of some “successful foreign tool or approach” will automatically apply in the Slovak case. Taking into account the facts mentioned earlier, the most probable continuation of the fragmentation-consolidation issue at the local level in the Slovak Republic is a gradual development of JMOs, and the eventual establishment of a new tier of local government within the frame of JMOs. On the other hand, other possibilities are also still open, and, as previous political development has showed us, it will also depend on central government’s priorities and preferences.

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# Hungarian Public Service Reform: Multipurpose Microregional Associations

*Edit Somlyódyné Pfeil*

## EXECUTIVE SUMMARY

In an attempt to restructure its substantial number of local governments, Hungary has created a system of incentives for municipalities to cooperate together in multipurpose microregional associations. Addressing deficiencies and funding shortfalls in public services, these associations are designed to optimize what resources are available to a system burdened by a principle of “one settlement, one local authority,” meaning all settlements with administrative rights also have the right to local self-government.

However, this unique system allows for the establishment of an independent local authority by a minimum of 300 citizens, and has resulted in the demerger of local authorities, and no examples of amalgamation of local authorities since the regime change in 1989. Every local authority enjoys equal rights irrespective of size and carries an especially wide range of authority (characteristic of large local authority systems) in local public affairs, though this does not match with their low capacity to perform the competencies that are assigned to them.

So far, compulsory basic services have been based on the size, transport connections, or existing capacity of the given settlement but not based on the local needs. Moreover, if municipalities fail to fulfill their individual obligatory tasks as specified by law, there are no legal consequences, since the Office for Public Administration does not have the authority to take over a local authority’s activity. Therefore, in Hungary, the judicial supervisory authority cannot intervene in the organization of public services. Compounding the problem, Hungary’s 19 counties have been contained by a system that favors local governments and discourages cooperation, thereby boosting the significance role of central government.

In 2004, the government introduced multipurpose microregional associations as a way to integrate and streamline public service nationwide, and its basis principle is to establish equal opportunities for access to public services. A microregion can comprise 2–65 municipalities, as designated by the government, and the center of a microregion is, in most cases, a town. Then the microregion is divided into subdistricts covering from

two to five municipalities, something that clearly reflects the lack of a large municipal dimension within basic public services.

Under the auspices of such an association, duties can be undertaken entirely by the multipurpose association itself, through the existing single-purpose intermunicipal associations in microdistricts, or by an established operation of any of the local authorities. Finally, nonprofit organizations with whom the microregional organization signs a contract, help to carry out the tasks, achieving an optimal measure and capacity of organizing basic public services. The stimulation for intermunicipal cooperation by financial resources has had an impact. Nationally, at the end of 2006, the rate of institutionalization was 97.5 percent, since 162 (out of a possible 164) multipurpose associations were established.

This system is fragile and an evaluation has not been conducted to find if there has been a comprehensive improvement in economies of scale. It also depends a large part on the willingness of authorities to cooperate and does not compensate for the trend of towns to agglomerate. Nonetheless, multipurpose regional associations can promote regional thinking and cooperation in public services, especially when matched with subsidy financing for common planning.

## BACKGROUND TO THE FRAGMENTED HUNGARIAN LOCAL GOVERNMENTAL SYSTEM

Hungary—together with other new European Union member states—is struggling with its fragmented and expensive system of local government. In Hungary, the basis of local public administration is the principle of “one settlement, one local authority.” That is, all settlements with local administration rights have, at the same time, the right to self-government. In the past 17 years, the widely-scattered primary local administration adopted only one element of the principle of subsidiarity, the “close-to-client” concept, while other requirements of effectiveness and economy were long neglected. During this time, and with insufficient state incentives, cooperation among local authorities could not be improved as desired, although there was a great need for associations as support mechanisms for optimizing local administration.

The Hungarian local government system is unique, as it is based on the principle of “one settlement, one local authority” and the relevant legislation set the population threshold for the establishment of an independent local authority at no higher than 300 (Table 1). As a result, the number of local authorities in Hungary is ever increasing due to the demerger of local authorities, while there has yet to be an example of an amalgamation of local authorities since the regime change. Every local authority enjoys equal rights irrespective of size and carries an especially wide range of authority (characteristic of large local authority systems) in local public affairs, though this does

not fit with their low capacity to acquire resources. The dominance of the municipal level and its absolute autonomy derives from its political roots.

In local public affairs, municipalities can act at their own discretion, within the legal framework. The Act on Local Governments lists those public services that are to be carried out by local authorities, with the exception that local authorities themselves can decide which tasks to carry out, and to what extent. Before 2004, major territorial differences could be observed in the intensity, quality, and scope of the provided compulsory local services in Hungary. Among them, the accessibility of compulsory basic services was not primarily based on the needs of the local people—rather, it was based on the size, transport connections, or existing capacity of the given settlement.

*Table 1.*  
Size and Fragmentation of Municipalities in Hungary, 2005

Size of Settlements (Population)	Number of Municipalities	Percentage of Total
–100	116	3.69
101–500	914	29.06
501–1,000	690	21.94
1,001–2,000	641	20.38
2,001–5,000	503	15.99
5,001–10,000	138	4.39
10,001–20,000	80	2.54
20,001–50,000	28	0.89
50,001–100,000	26	0.83
100,001–	9	0.29
<b>Total</b>	<b>3,145</b>	<b>100.00</b>

*Source:* Central Statistical Office, Central Statistical Yearbook 2005.

It is extremely important that the principle of “differentiated competency” should appear in the Act on Local Government, although it is less helpful that, in the course of allocating public service responsibilities, the legislator rarely applies this principle, and only a few of these responsibilities which relate to the social sector are linked to a population threshold. Apart from this regulation, several sector-related acts list those public services to be carried out by local authorities, with the provision that they themselves can decide which tasks to carry out, and to what extent. The weak point of the system is that, if municipalities fail to fulfill individual obligatory tasks, there are no legal consequences, since the body that is responsible for the legal supervision of local authorities, the Office

for Public Administration, does not have the authority to take over a local authority's activity. Therefore, in Hungary, the judicial supervisory authority cannot intervene in the organization of public services. We should also mention that the local government system in Hungary differs from the international pattern in which smaller basic units would fit comfortably into a strong meso-level local government system.

Although the Hungarian local governmental system has two levels, the county (county council) is regarded as the territorial unit, and was given only a very limited status—specifically; it was only authorized to maintain certain institutions at the meso-level. The legislature withdrew even the regional development function from the meso-level and took great care that counties should not work counter to the interests of the central government. The 19 counties, with their continuously weakening position, were unable to solve the efficiency problems of public administration, despite the fact that the responsibilities and duties are freely transferable between local and county authorities. In practice, this means that, should any local authority (town or rural municipality) believe that it is incapable of maintaining any of its services, then it is empowered to transfer this unit to the county—based on its own, unilateral decision. The county is obliged to accept the new responsibility and to carry out the work involved. Due to a further legal requirement relating to a subsidiary-related concept, local authorities, or an association that institutionalizes their cooperation, can freely withdraw compulsory county authority tasks. County authorities, therefore, cannot influence—at the meso-level—the system of public service provision. This, in fact, also means that these processes are individual and *ad hoc*—and they are neither regulated nor monitored by the state. This phenomenon reflects a false conception or interpretation of local autonomy, since the state must take responsibility for their citizens and the organization of public services, whilst, at the same time, local authorities are also a part of the state organization.

## The Integrated Service Provision Model

Linked to the implementation of the Hungarian Public Administration Reform Program—which has, over time, been narrowed down to a Program of Public Service Reform—the government, launched an investigation into a number of fields in 2002:

- the development of a regional public administration model,
- the rationalization of local public administration, together with improvements to its effectiveness, and
- the implementation of a municipal finance reform program.

Of these aims, reform has been successful in only one aspect—in public service reform. At the heart of this lies a planned policy of public subsidy that created a microregion-level integration of the local government system, set in accordance with the

boundaries of NUTS 4-level areas. The situation changed radically in 2004, when the government introduced the institution of the *multipurpose microregional association*. Through these organizations, often termed “complex associations,” central government made known (for the first time since the change of regime) the aims of the local government system: effective administration and a nationwide integrated level of public services. The basis principle of the new structure is to establish equal opportunities for access to public services.

This new institutional solution to the problem of organizing public administration did not establish a new level of public administration, nor did it affect the political autonomy of the units in terms of local government. The basis of the reform is that of the voluntary partnership of municipalities, since the Hungarian Constitution does not acknowledge obligatory imposition of associations of local authorities. In addition, a restriction was introduced under which a local authority can be a member of one specific multipurpose association only. The legal objective of the new type of association is to make possible the concerted development of the microregion through the preparation and implementation of collective plans and programs and, furthermore, the organization and improvement of public services and maintenance of the required institutions.

The so-called *multipurpose microregional association* can contribute microregional-level responsibility to the whole undertaking by means of its organizational work and expertise. Under the auspices of the association, duties can be carried out in several ways: they can be undertaken entirely by the multipurpose association itself, through the existing single-purpose intermunicipal associations in microdistricts, or by an established operation of any of the local authorities. Finally, the nonprofit organizations with whom the microregional organization signs a contract, will be involved in carrying out the task. In connection with the establishment of multipurpose associations, we can speak of *the optimal measure and capacity of organizing basic public services*.

The stimulation for intermunicipal cooperation by financial resources has had its impact. Nationally, at the end of 2006, the rate of institutionalization was 97.5 percent, since 162 multipurpose associations were established (out of a possible 164) within the framework of statistical microregional units (Torba 2008). The so-called statistical microregion, theoretically, is an urban area reflecting the relations of the primary and meso-level supply of the population. However, in 1994, the system of districts originally formed for statistical purposes, was reevaluated, and, first, it became the basis of the classification of regions preferred in terms of regional development, and, later, in 2004, it was given administrative substance. The microregion corresponds to NUTS 4, respectively with the modified LAU 1 level within the EU’s nomenclature of statistical territorial units, which denotes the territorial level within the notion of the local public administration unit. A microregion can comprise 2–65 municipalities, as designated by the government. The center of a microregion is, in most cases, a town, but, considering that there are about 100 more town-level settlements than NUTS 4 regions, a microregion often contains several towns.

It should be mentioned that, during the drafting of the framework for microregional public services, it was not clear whether the microregional quasi-level would become a suitable framework for providing meso-level public services, or whether it would aim to provide integrated, high-quality primary services. The model introduced made it clear that the administrative microregion should focus on primary supply within public education, social and health provision, family-, child-, and youth protection, general education, libraries, local transportation, the maintenance of public roads, and municipal internal controlling. Thus, this form of cooperation does not effectively provide regional public services. The practical functioning tasks, and organization of multipurpose associations reveal that the microregional scale, as provided by the new institution, is much too large for most local tasks to be performed; such that, in most instances, activity cannot be adequately managed over the whole of the microregion. Instead, the microregion is divided—mainly with support from the center—into sub-districts covering from two to five municipalities, something that clearly reflects the lack of a large municipal dimension within basic public services.

## Evaluation of the Public Service Reform

It is worth pointing out that even though the so-called microregional administration achieved definitive results in the accessibility of public services, the existing system is fairly fragile, and the conditions of its embedding are still absent. Several factors explain this instability of the system, such as (Somlyódyne Pfeil, and Kovács 2008):

- The integrated organization of public services is expressly maintained by the complementary state subsidies. The weakness of this is that the financing conditions are included in the annual national budgets, so it has no comprehensive and general guaranties, and the legal titles and the volume of subsidies vary every year. This disparity makes the organization of basic public services incalculable. An additional problematic point arises as the Hungarian public administration system does not acknowledge any rights of the county as a meso-level local authority to distribute resources to town, community, or local authorities—subsidies encouraging microregional reform are awarded by means of a normative system to the multipurpose associations. When an association is founded, subsidies support their investments and purchases, but later they can be claimed only as operational expenditure. Moreover, due to the competency for decision-making having been placed in the hands of the Minister of Finance and the Minister for Home Affairs, and to the way in which subsidies are granted, the town or local authority depend even more on the state than before.

- Another segment of the state incentive system is that the surplus subsidy for multipurpose microregional associations results in the reduction of general state support, which actually means that, ultimately, the local authority receives the same amount, that is just a redistribution of resources. Subsidies of basic local services are channelled from multiple sources. The basic budget norm of several tasks is required by the local authority responsible for taking care of the supported inhabitants and transfers it to the service provider institution. This sum does not cover all costs of the basic services since, in order to encourage cooperation among local authorities, the government has reduced the amount of the basic norm, and the remaining subsidies can be acquired via so-called supplementary norms that can only be drawn by the multipurpose association. In the last few years, all the multipurpose associations have received greater levels of state subsidy than they can utilize (they are overcharged), meanwhile the budgetary incomes of the local authorities have decreased, so an increasing number of local authorities have slipped into financial crisis. It is said that multipurpose associations became an unnecessary financial transfer center in the municipal finance system, so the new institution does not demand the principle of transparency. However, even though multipurpose associations have operated for approximately four years, there are no national-level cost calculations in connection with the results obtained in respect of these economies of scale. Conversely, this type of complementary financing compensates the integrated organization of tasks automatically, and, therefore, it is actually independent from the quality of the supply towards the population. Thus, for instance, if in the field of public services, local governments make an agreement on the common maintenance of schools, and they are able to reach the threshold set in the law concerning the minimum number of pupils in one class, they automatically access the state subsidy. The reorganization of educational institutions, or, in some cases, closure, is carried out with a quantitative approach, and the quality of educative and pedagogical work, the quality of means of the given school, or the settlement structure are all absent from consideration. The mentioned criterion also shows that the supportive mechanism focuses on the situation of rural microregions with deteriorating demographic figures and pays no attention to urban microregions struggling with development problems.
- The system is based on the voluntary cooperation of municipalities, so within a given microregion, any of the local governments may resign from or join an association. The existence of the public services network within a microregion is actually consigned to the willingness to cooperate by local actors, and the state has, apart from the financial means, no influence. Nevertheless, local authorities establish functional integrations almost exclusively in the fields of



public matters subsidized by the state, and thus the willingness to associate is steered top-down. Public service reform does not guarantee the provision of all compulsory primary public services. Multipurpose associations have a free choice of the subjects and methods of service provision within the terms of the central financing mechanism. Consequently, different solutions for service provision have been effectuated in different microregions of Hungary, and the comprehensiveness of attendance is not at all common. There is a huge difference from one microregion to another, the number of local tasks, and for which proportion of municipalities to be provided or organized. Formally, we cannot speak about defection from associations, but in several cases in the framework of a microregional association, municipalities fulfill local duties under their own responsibility, because the intervention cannot ensure the complete territorial coverage, whereas the new system aims to reduce territorial inequalities of the accessibility and quality of services.

- Thus, the government commissioned the implementation of the reforms to the local governments. Problematically, though, in the course of the reform, the integration of local task performance was not accompanied by a transportation development concept. However, we have to admit that it is fairly hard to adapt the transportation infrastructure to this extremely mobile institutional system.
- The current legislative frameworks cannot guarantee the evolution of an equal network of basic public services in every microregion, since it is enough if an association overtakes three (education, social services, and healthcare) of the tasks listed in the law, aside from regional development, to gain the maximum amount of subsidies. Beyond these, it is up to local ambitions as to what kind of basic services of the given sector are organized by the association, since the system does not require the full performance of tasks. For this reason it is detrimental that the monitoring system of the functioning of public administration has yet to be established—apart from the accountancy check.
- Possibly the biggest problem of the reform is that the legislature introduced the same system across the entire country. The legislature did not differentiate between rural and urban territories, while the introduced microregional model is better able to treat the problems of the latter. In microregions, including two or more towns, the intermunicipal cooperation generates a certain amount of conflict. The explanation of this phenomenon is that the model does not include the agglomerating role of towns, but rather ignores and replaces this by establishing an artificial unit—the so-called multipurpose microregional association. Therefore, the multipurpose association must agree with the towns, and as a result, the towns may lose functions or a parallel public administrative structure may evolve.

- And, finally, it should be mentioned that, in Hungary, though the spatial and sectoral planning in the micro level is headed in a positive direction, its regional coordination and professional control is absent. This originates partly in the fact that the operation of microregions has become an important preliminary for the operation of public administration, while the seven NUTS 2 regions operate as regional development and statistical units, and as they were shaped to be able to access and receive the European Union subsidies, they have no self-governmental status. As a result, the relationship of the two regional development levels is structurally unresolved.

In spite of criticism, however, the newer type of organization designed to promote cooperation between local authorities and which reinterprets the concept of “association,” can clearly be regarded as progress. Hungary is, in effect, on the way to closing the gap between its own regulations and those of European nations (Somlyódyne Pfeil 2003). In this respect, it should be emphasized, that the government has empowered multipurpose associations to set up economic organizations and to participate in undertakings. Moreover, the fact that the method of dividing revenues deriving from local taxes can be included in the complex association agreement reflects, in terms of international comparison, an extremely liberal attitude. This opportunity could boost the cooperation of local authorities in economic and tourism development, and, additionally, the basic forms of real estate and property management. To date, however, no experience has been recorded on the actual results or on the reception from side of the authorities. For the time being, all their energies are tied up in the effective and professional organization of primary service supply—something which the government also prioritizes through its incentives.

Finally, however, we can emphasize the following positive aspects of the introduction of microregional public services:

- It promotes regional thinking and cooperation in the scope of public services.
- At the regional level, the types of public services, the categories of supply, and the existing and missing capacities are taken into consideration and, as a result, in the settlements that to date have not been provided with certain administrative services, public services are organized in a cooperative or regional form.
- With the participation of all the microregions—and subsidy finance—common planning may start. At first, concepts will be created for regional development and there is hope that planning and development administrative activities can be organized in a harmonious way.
- Now is the first time that towns as regional centers and as municipal units with special knowledge can appear in the structure of public administration.

## CLOSING REMARKS

Hungarian public service reform, although aimed at the cost-effective and rationalized operations of local government, cannot be regarded as a functional reform in public administration. True functional reform would have had to determine the interrelationships of local, regional, and central levels. In other words, from a functional point of view—within the framework of total government operation—it ought to have resulted in the redistribution of public duties, and, consequently, in the shifting and regional decentralization of certain spheres of authority. Moreover, from an historical perspective, in each country introducing functional reform, the handling of the issue is regarded not merely as a problem of public administration science, but one of constitutional law (Zehetner 1982). For the time being, the Hungarian public services reform program also gives an impression of centralization rather than of decentralization.

In the case of Hungary, the government places the total responsibility for carrying out (centrally ordained) reforms upon local actors, and to date even the cost-effectiveness of the new method remains unproven. It is logically a subject for future discussion, as to whether or not the virtual dimension of the local authorities, negotiated by local politicians and formed for the optimisation of public service organization is satisfactory.

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# The Evolution of Ukraine's Administrative and Territorial Structure: Trends, Issues, and Risks<sup>1</sup>

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## EXECUTIVE SUMMARY

Since independence in 1991, Ukraine has not reorganized its administrative and territorial structure. Widely criticized for its weaknesses, the current spatial division reflects the political principles of territorial organization inherited from the Soviet era, when territorial units were shaped in proportion to the number of party members residing in a region.

As a unitary state with three levels of local government, Ukraine has a top tier of 24 oblasts, the ARC (Crimea), and two cities of special status (Kiev and Sevastopol); a subregional level that includes 488 rayons and 177 cities “of oblast significance;” and a third tier that includes over 12,000 villages, settlements, and towns “of rayon significance.”

This system, resulting in mismatches in responsibilities, administrative overlaps and enclaves, and the sheer number of government units, makes it hard to effectively divide responsibilities and achieve cooperation among different levels of government, not to mention between legislative and executive authorities at the local level. So far, any attempts at reform have been paralyzed in the Verkhovna Rada (Parliament), though some fiscal reforms of sub-oblast budgets partially succeeded in 2001.

Political and administrative relations between levels of government remain ambiguous, ineffective, and have created conflicts of interest, especially for regional executive authorities that are essentially subject to triple subordination to more powerful officials in the central government. Likewise, the clash between technocrats and politicians has also contributed to the failure to seriously develop governmental reform.

Debates on the desired shape and place of local self-government, and political concerns about sequencing the reforms, and a very real fear of state disintegration, coupled with a lack of consensus or progress, have allowed the central government to brush aside any concrete suggestions or demands for reform for nearly two decades. Indeed, some support the view that Ukraine must first properly centralize before it can decentralize

and that a new compact between government and society is needed before Ukraine can redesign its governmental system.

## BACKGROUND

Ukraine is a unitary state with three levels of local government. The top tier includes 24 *oblasts*, the ARC (Crimea), and two cities of special status (Kiev and Sevastopol). The subregional level includes 488 *rayons* and 177 cities “of *oblast* significance.” The third tier of government includes over 12,000 villages, settlements, and towns “of *rayon* significance.”

The current administrative and territorial structure has not changed since independence and has been criticized for a widely recognized list of weaknesses. The current spatial division reflects the political principles of territorial organization inherited from Soviet times, when territorial units were shaped in proportion to the number of party members residing in a region. An overview of problems arising from the current structure is provided in the new draft concept for regional policy developed by the Ministry of Regional Development and Construction of Ukraine. It includes:

- Excessive variety among units of the same level (e.g., in population, area, size, etc).
- Mismatch between responsibilities and organizational capacities of various units;
- Administrative enclaves, exclaves, and overlaps, when territorial units include other units of the same administrative level;
- Large amount of local governments (over 12,000) and *rayons* (around 500) that can be considered obstacles for effective management and control.

These problems make it difficult to effectively divide responsibilities and achieve cooperation between different levels of government, not to mention between legislative and executive authorities at the local level.

Analysis in this text coincides with the take-off of several new governmental initiatives for reforms in intergovernmental fiscal, administrative, and political relations.

- One such initiative is the new concept for regional policy, which supersedes the strategy advocated earlier by the Ministry of Economy (with support from international community) and was approved by the Verkhovna Rada in 2006, and actively resurrects plans for a territorial reform.
- Another initiative includes proposed changes to Ukraine’s Budget Code, backed jointly by the Ministry of Finance and the Parliamentary Budget Committee.

- Finally, in early September 2008, the Verkhovna Rada considered a set of significant changes to legislation that redesigned political organization of intergovernmental relations in Ukraine.

At the time of writing this article, the future of these changes remained subject to political negotiations.

## POLITICAL ECONOMY OF INEFFICIENCIES IN ADMINISTRATIVE AND TERRITORIAL STRUCTURE

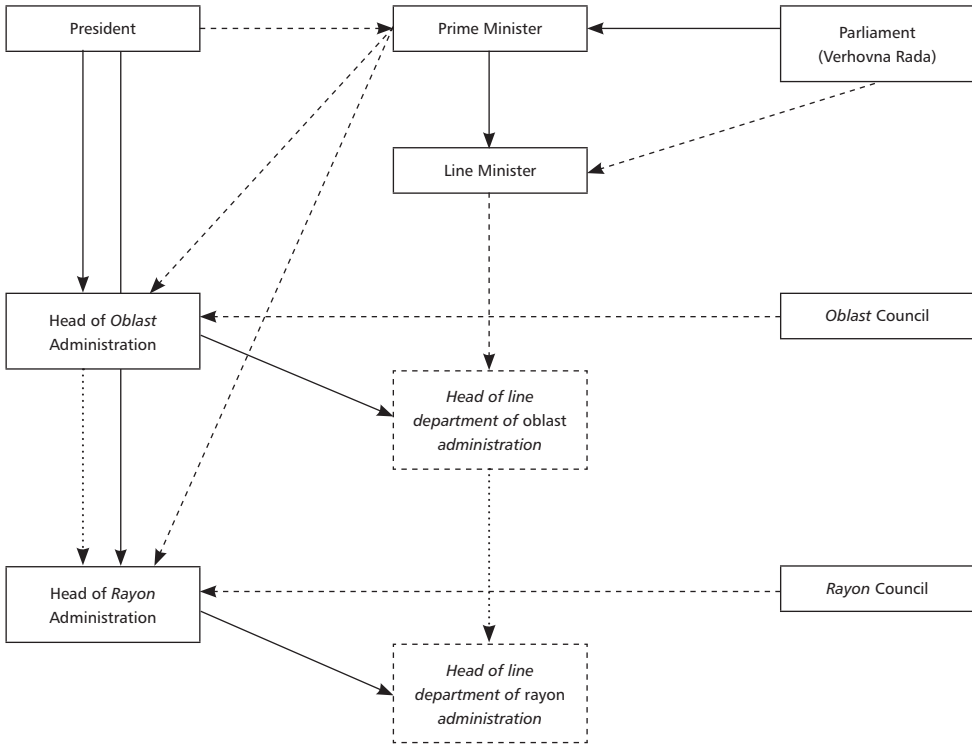
The history of the “*matryoshka*” (quasi-feudal) type public administration in Ukraine left the state's capacity for partnership relations with regional governments underdeveloped. In a quasi-feudal system of public administration, the central authority is fragmented into pieces and traded down the vertical chain to regional authorities through individually negotiated agreements in return for political loyalty. Such arrangements, by definition, rely on a very strict and static administrative hierarchy. Accordingly, the central government in a *matryoshka* type public administration system does not have effective tools for holding regional governments to account for their policies with regard to local self-government units. One most frequently cited dimension of such a system was the fiscal *matryoshka*, where the budgets of each level were defined manually by the upper-level government. This fiscal arrangement was among the targets of a 2001 reform, which established direct flows of equalization funds from the central budgets to sub-*oblast* budgets.

However, this reform did not cover the full range of rules in public administration and was therefore incomplete (it also left out fiscal equalization rules within *rayons*). As a result, the delegation of administrative and fiscal powers to regional authorities is still questioned by many stakeholders, mostly representatives of local self-government.

Political and administrative relations between levels of government remain ambiguous, ineffective, and create conflicts of interest, especially at regional and subregional levels. As illustrated in the diagram, regional executive authorities are essentially subject to triple subordination. On the one hand, heads of *oblast* and *rayon* administrations are appointed directly by the president. At the same time, while the president approves candidates, they are nominated by the prime minister, so, in practice, appointments are subject to political bargaining between both. Moreover, although regional councils cannot appoint heads of administrations, they can dismiss them by a two-thirds vote. Sector departments of local administrations are also under the effect of this arrangement. While heads of these departments are appointed by heads of local administrations, they have to be approved by the line minister (or *oblast* administration, for *rayons*). This means, first, that regional elected councils do not rely on locally accountable

executive authorities. Secondly, local administrations are simultaneously responsible for the execution of local policies and for the representation of a vertical control function over the implementation of such policies. This intrinsic conflict of interest makes it difficult for administrations to effectively perform either function.

*Figure 1.*  
 Appointments within the Executive Authority on  
 Central and Local Levels (as of August 2008)



Ukrainian local councils are elected on proportional representation basis, which is a dubious arrangement.<sup>2</sup> Ukraine’s electoral system assumes proportional representation of parties and is the subject of wide criticism for a number of explicit and implicit reasons. However, since it was introduced for the first time in 2006, it proved to bring about a number of positive, as well as negative implications for the local governments.

On the negative side, the biggest disadvantage was that local councils elected on the basis of party lists have weakened the links between the councils and their communities. Many local councils were filled with nonresidents of the respective communities, especially businessmen anchoring their interest in politically and economically power-

ful cities. Second, the proportional system was introduced without a quota for all the *rayons* in the *oblast* councils (under the previous system, each *rayon* had a minimum quota of three seats). This created a significant obstacle for *oblast* councils in representing the interests of all communities, since many *rayons* remained completely outside without the quotas.<sup>3</sup> Third, it should not be expected of political parties, by definition, to represent local issues and concerns in their programmatic appeals. Fourth, with party lists, it became relatively more difficult for communities to relate to their councils and raise issues with their deputies (it was easier for them to contact a familiar name, rather than a party unit). Finally, the proportional system coexists with elections of mayors in one round, which often results in councils with political majority which differs from political standing of the mayor, which paralyzes their activities.

At the same time, studies analyzed for this research observe that the proportional system has increased the overall level of political responsibility within the councils. In making political decisions on local issues, local deputies feel an additional accountability constraint forcing them to “keep the party’s face.” Furthermore, political affiliation (and membership in respective council factions) made it easier for deputies to coordinate in marginal situations, where they would have normally been tempted to surrender in the face of individual benefits. Like in the prisoners’ dilemma, when it is highly uncertain whether others would support a mutually beneficial decision, each individual decision-maker is tempted to act for his or her own good. In such circumstances, a faction may help the deputies to unite. One positive consequence of this change was that many councils have shaped palpable oppositions to local majorities.

## DEBATES ON THE DESIRED SHAPE AND PLACE OF CORE LOCAL SELF-GOVERNMENT

Reform champions differ in their views on the fiscal implications of the current territorial inefficiencies and the desired shape and place of core local self-government. All studies and reform initiatives agree that the current basic level of self-government (villages, settlements, and towns in their current setting) is too weak to continue performing this function. The amount of units at this level is too large, they are too diverse, and, on average, too small to effectively administer basic sector functions. In 2007, the number of village councils was reported at 10,279, with an average population 1,450 people—growing from 9,211 (1,800 people on average) in 1991, despite a major overall demographic decline.<sup>4</sup> If we consider both rural and urban areas, the average size of the lowest tier of government is under 4,500 citizens. Potential amalgamation reform of the lowest tier would mainly affect rural areas, although it would probably mean also merging of some small towns with surrounding village councils into single local jurisdictions.



However, views differ on how to address this problem. One view, reflected in the current concept for administrative-territorial reform mentioned in the beginning of this article, is that an appropriate local level should be created through community amalgamation and a redrawing of territorial boundaries.

This approach was advocated in Ukraine earlier, during 2005, when a team of experts in the new government that took the office after the Orange Revolution, proposed a package of proposals to change Ukraine's administrative and territorial organization. This package proposed significant consolidation of governments at the lowest level to create a much larger local tier—*bromadas* (communities). It also proposed amalgamation of some *rayons* and other innovations, such as the creation of city regions. The package proposed to transfer some significant competences from *rayon* level to the newly created *bromadas*. However, at the same time, it proposed to introduce locally elected executive authorities at the *rayon* level (replacing the mechanism of presidential appointments), effectively making *rayons* eligible to act as local self-government units. Although this package addressed some of the existing inefficiencies, it was widely criticized for weak argumentation and understanding of fiscal and political consequences of creating an additional local tier, as well as its costs. It was also criticized for being developed by an isolated group of experts and presented as a ready-made draft legislation, for lack of consideration of alternative opinions, and lack of statistical evidence in the argument. The package was never implemented and was not picked up by the subsequent government.<sup>5</sup>

An alternative view (advocated by, among others, the recent World Bank Public Finance Review) is that the current *rayons* are more cost-effective candidates to perform the functions of the lowest level of government, while creating new sub-*rayon* layers would represent political and economic risks. According to this view, it would be difficult to quickly upgrade the administrative capacity of amalgamated communities enough to overcome current issues of administrative weakness and inefficient economy of scale for the major sector functions. At the same time, the new layer of government would increase administration costs. For this reform alternative to become effective, *rayons* would have to become a clearly defined self-government tier, with locally elected and locally accountable executives.

## CONCERNS ABOUT SEQUENCING THE REFORMS AND POLICY PROCESS

There is a considerable anxiety and divergence in views among stakeholders regarding the process of territorial reforms: e.g., what their political origin should be, and what the sequence, coverage, and speed of changes should be.

Spatial shifts in administrative functions raise a number of fears among political stakeholders, civil servants, and the general public. One concern is the protection of the interests of small communities whose position would change. Another concern is access to public services, in terms of both quality and distance. An interview with the Association of Ukrainian Cities revealed that there is considerable anxiety over amalgamation among small communities, which fear uncertainty and tend to oppose change.

Of course, many of these fears could be allayed by proper communication of reform initiatives and by incorporating legislative safeguards against major concerns into any initiative at its earliest stages. However, the most recent initiatives in Ukraine suffered from rather weak analysis of conflicting interests and anxieties, and were imposed on stakeholders in a rather straight-forward manner (e.g., the 2005 reform was presented to the stakeholders as a set of draft legislation).

One interviewee (during consultations on which this text is based)<sup>6</sup> noted that Ukraine's territorial reforms are driven "neither bottom-up nor top-down, but rather sideways." In other words, there is no strong political demand for amalgamation either at the local or at the central level, which would impart a clear bottom-up or top-down vector to the reform process. Current initiatives usually result from groups of experts who are perceived by many stakeholders as isolated, and these initiatives are targeted at addressing specific issues raised by these experts or think tanks, without acknowledging the overall disposition of interests. In this way, such initiatives seem to originate "from the sidelines" of the general political picture.

Because of this weakness, after the first communication of the current territorial reform initiative of the Ministry of Regional Development, the reaction in the media was predominantly anxious or hostile.<sup>7</sup>

## UPDATE ON RECENT DEVELOPMENTS

The two recent initiatives (mentioned in the beginning of this note) include (1) the new package of draft legislation proposed by the Ministry of Regional Development (which includes administrative and territorial redrawing), and (2) an already approved set of changes to rules of political subordination (but with a significant risk of veto).

1. The recent proposals for administrative/territorial reform, led by the Ministry of Regional Development and Construction, cover a wide range of changes (territorial, administrative, political), though stakeholders still assess them as incomplete. The reform initiative under discussion includes, apart from the concept and a Draft Law on Regional Policy, legislative proposals on the following reforms: local self-government reform, administrative/territorial reform, and improvements to professional development for local civil servants and elected

deputies. These proposals are subject to continuous revision by the Ministry. An assessment of the draft concept by Council of Europe experts in May 2008<sup>8</sup> noted that the reform remained alarmingly vague in defining links between regional policy and local self-government, as well as its fiscal dimension.

2. In early September 2008, amidst growing political turmoil, the Parliament swiftly approved draft Law No. 3112 on Amendments to Some Laws (including the Law on Acting Heads of Local State Administrations).<sup>9</sup> Essentially, this law transferred the right to appoint the heads of local state administrations to the Cabinet of Ministers. Earlier, the president could veto governmental candidates for this post; from now on, if a candidate is vetoed, the Cabinet of Ministers has the right to appoint an acting head. Moreover, the new law abolished the right of *oblast* and *rayon* councils to impeach heads of administrations by a two-thirds no-confidence vote (moving *rayons* even further from a concept of a basic tier of self-government). All they could do, from now on, was submit an appeal to the Cabinet of Ministers proposing a dismissal. At the time when this report was produced, political negotiations remained at their peak, with this legal change being one of the central contested issues. The president declared that he was planning to veto this law, though the amount of votes behind it (350) was enough to overcome the veto.

## COMPLICATIONS RELATED TO POLITICAL REGIONALIZATION AND FEAR OF DISINTEGRATION

Ukraine suffers from strong social insecurity over its ability to maintain state unity, though this rests on misguided historical analysis. A widespread concern over state integrity often refers to historical evidence, showing repeated failures to create a nation-state on the territory of modern Ukraine. This analysis also refers to the considerable share of ethnic Russians in Ukraine's population, implying that the country is historically predisposed against forming a sustainable state, leaning towards the influences of its larger neighbors with an older state history. Arguments along this line have considerable influence on the development of opinions and approaches in initiatives for territorial reorganization and any related vertical shifts in power.

The reference to historical roots of national states in this analysis is misguided, however. In reality, while some of the world's nation-states do date far back in history (like Portugal or Japan), and most of Europe's current nation-states did not exist until the nineteenth century. Most of the states that existed until that time were either multiethnic empires (the Austro-Hungarian, Russian, Ottoman, French, and British Empires) or smaller states that now represent a "subnational" government layer. Furthermore, the current ethnic division in Ukraine into two almost equal halves was not shaped until

the end of the Second World War, when this territory was subjected to ethnic cleansing, territorial reallocations of ethnic groups, massive urbanization of ethnic Ukrainians, and significant inflows of ethnic Russians. Prior to the late twentieth century, the territory of modern Ukraine was considered one of the most ethnically diverse in Europe.<sup>10</sup>

Therefore, neither the lack of an empire-state history, nor the presence of a significant portion of citizens with ethnic and cultural self-identification similar to those of neighboring countries do not, by themselves, represent historical grounds to doubt Ukraine's chances to preserve state unity in modern times (despite popular beliefs).

Sensitivity over state disintegration is not rooted in current differences on major economic, social, or political issues, where Ukraine's population is overwhelmingly united. Since 1994, and up to 2006, surveys around major elections showed that voters throughout Ukraine had very similar attitudes to political freedoms, civil rights, market economy, private property, and private business.<sup>11</sup> In the surveys conducted by International Institute of Sociology in Kiev, responses to these questions were similar and of no statistical significance to voting preferences.

The only factor that has statistically significant influence on difference in political choices is the degree of linguistic heterogeneity. Sociological research suggests that there is one specific factor that creates two distinct groups of diverse attitudes among Ukraine's population: the linguistic heterogeneity of Ukraine's regions.<sup>12</sup> In particular, there is a distinct regional segmentation between territories populated predominantly by monoethnic Ukrainians (those who identify themselves exclusively as Ukrainians, regardless of their family background and nationality), and territories populated by a mix of multi-ethnics (who identify themselves as both Ukrainians and Russians), and Russian monoethnics.

The significance of the linguistic factor for self-identification is widely exploited by all political parties, contesting around the role of the Russian language and Ukraine's foreign policy. All political parties readily focus their campaigns on issues related to linguistic heterogeneity and impose on voters a political choice between two extreme scenarios—compulsory linguistic unification versus ostentatious recognition of the Russian language as the official alternative to Ukrainian. This divisive approach spills over to sharpen the divide in regional preferences for foreign policy objectives (in terms of relations with Russian Federation), which is not immediately linked, but could be easily associated with self-identification on linguistic grounds.

Weak political dialogue and public communication over central policies (including foreign policy) blurs the distinction between policy decentralization and political regionalization. In political debates over the country's cultural divides, political leaders increasingly apply decentralization arguments (such as the need for stronger local accountability in public service provision) in one line with possibilities for regional takeover in areas related to foreign policy, national defence and security, and other state-defining central functions. The specific term "regional opposition" appeared recently to label coun-

teraction to national policies by opposition parties that declare their opposition through support to declarations approved at the regional level (where opposition dominates local councils) in contradiction to central decisions. Without effectively consulting and communicating with the electorate on central issues, without linking these consultations to statistical evidence and feedback analysis, the central government, regardless of its political affiliation, remains vulnerable to such potential pressures.

The risks of political regionalization are not systemically addressed, and are therefore legitimate and growing. If factors outlined above are not alleviated, a degree of legitimate risk exists in delegation of considerable political power to the subnational level. Without sufficient research and consultations, it is not immediately clear whether deeper political decentralization would provide a sustainable equilibrium to the current tensions. Moreover, it would be difficult to address these tensions without dealing with their origins, related to current political policies and weak capacity of the central government.

Political parties are united on the core arguments for policy decentralization and strengthening local self-government.<sup>13</sup> All core parties agree on general arguments for fiscal and administrative decentralization, including better quality of service provision and stronger local accountability. They also agree that the current size of the lowest tier of local government is, on average, far too small to effectively perform this function. At the same time, representatives of all parties expressed concerns over preserving the rights and interests and addressing the concerns of smaller communities, whose current responsibilities would be more effectively performed by covering larger catchment areas (either through an amalgamated unit or through centralizing these functions under reformed *rayons*). Furthermore, representatives of all political parties agree that meaningful local self-government is not possible without the establishment of executive authorities accountable to local councils elected by majoritarian voting, with oversight from a prefecture-type system of central control. To summarize, political accord on these ideas is very expressive.

Political parties are, however, divided on the role for local self-government in addressing risks of political regionalization. There are, broadly, two general strategies for decentralization reforms in terms of the role assigned to stronger local government in supporting national unity. One view suggests that while local governments should become operational and much stronger, Ukraine also needs to address larger tensions, in the form of interregional divides, by delegating sufficient administrative and political powers to regional authorities. Proponents of this view do not necessarily insist on legal federalization, but insist that federalism should be observed as a principle of voluntary agreement and cooperation between central and subnational authorities. An alternative view is that risks of political regionalization are too high, and should be offset by taking political decentralization as far as economically and administratively possible, so that strong local self-governments would dissolve centrifugal tendencies of regional magnitude. In other words, this implies that decisions on

fiscal and administrative decentralization should be made not only based on the usual set of efficiency considerations, but also based on political grounds, to offset the possible role of regions, leading to higher degree of local autonomy (for cities and subregional communities) than would be expected by a purely economic argument.

However, given the origins of disintegration risks, they could be addressed at the central level, without implications for decentralization policies. As explained above, the existing evidence (which should be expanded) suggests that there is no factor behind existing separatist tendencies that could not be addressed by central-level policies (or, in fact, by discontinuing counterproductive current policies). If this hypothesis is correct, the risk of state disintegration has origins which are different from any given structure and degree of regional or local autonomy. Accordingly, this risk should not be addressed by choosing appropriate degrees of autonomy (that could be left to economic reasoning and democracy building), but through targeted campaigns to embrace linguistic heterogeneity and through appropriate regional consultations with all parties concerned.

Political parties agree that overcoming current divisions will take much time and energy. At the same time, expected political costs of any existing initiatives implying political decentralization are too high for any government to be willing to undertake them. In interviews with representatives of major parties, all major parties (and observers) view administrative decentralization reforms as the biggest challenge Ukraine has faced since independence, and feel unsure about their prospects and feasibility. They agree that all the previous steps, such as certain legislative changes, and approval of concepts and programmatic statements, remained purely declarative. Representatives from all three core parties at the time of the interview emphasized the complexity of the decentralization challenge and the risk of focusing on only one of its components, including the territorial component. One view, encountered during the consultations of this project, was that any government which would go forward with a meaningful decentralization reform (including an administrative/territorial reform) would unavoidably lose political points because of how unpopular this reform will certainly be.

## CONCLUSIONS

The lack of consensus and the lack of progress in making decisions on the future of Ukraine's territorial organization is a direct consequence of the general problems of building a system of sustainable relations between different levels of government in Ukraine.

Despite much work and active legislative developments, Ukraine's public administration suffers from excessive centralization, and attempts to decentralize it—including through territorial reorganization implying the creation of stronger local self-govern-

ment—have systemically failed. The historical record also shows that all previous reforms and policies in this area have faced a set of similar, often identical, obstacles to change. This suggests that it would be difficult to accept progress in the future without addressing these root causes of failures in the policy process. These challenges include:

- lack of strategic two-way public communications,
- lack of policy dialogue,
- lack of comprehensive policy process, with strong diversified viewpoints, a full spectrum of policy roles such as gatekeepers, facilitators, associations, etc.,
- lack of comprehensive vision for decentralization and the role of local self-government,
- distorted and conflicting views on political regionalization,
- lack of evidence behind policy process,
- weak systems for professional development of the civil service.

Accordingly, central reform initiatives that include proposals for territorial reorganization in Ukraine tend to suffer from a major imbalance between the political and technocratic arguments. The technocratic argument is rather weak, as most initiatives rest on insufficient evidence, poor fiscal modelling, and little understanding of the reform costs. The political factor tends to be strong but misguided (since it originates from an intuitive, unresearched understanding of political risks). The political argument for territorial reform is also overwhelmed with conflicting views on the role and shape of the local government tier as well as the regional tier. Some reform champions suggest that Ukraine should focus on eliminating risks to state integrity created by regionalization by strengthening, fiscally and politically, the lowest levels of government to the maximum possible extent, even if at some economic cost (preferably, an amalgamated sub-*rayon* tier). Other views oppose these ideas as technically irresponsible and politically myopic, arguing for preservation of the current territorial structure, and concentrating, instead, on strengthening existing regional units (*rayons* and *oblasts*), including the creation of a proper self-government tier at the level of the current *rayons*. However, this difference in views is not visible in a structured and open discussion, and was first documented through a report quoted in this article.

Although this report describes a significant conflict, it also has one common theme from all interviews, in that most of the key challenges relate to weaknesses that should be addressed, first of all, through central policies. Quoting Anatoliy Chemerys, Vice-president of National Academy of Public Administration, “in order to properly decentralize, Ukraine needs to first properly centralize,” so that the power delegated to local authorities is a meaningful and effective instrument.

The challenges implied by today's context converge to the overall need for Ukraine to build a "national compact,"<sup>14</sup> between government and society, around the benefits of central state functions. Without such a compact (achieved through strategic evidence-based communications, consultations, and planning), it would be difficult to achieve an agreement on delegation of public function to subnational governments, and avoid political abuse of decentralization slogans. Because of its centrality and importance to state unity and effectiveness, this one issue could be labeled the one-millennium challenge for Ukraine, with footprint implications for its neighboring countries.

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## NOTES

- <sup>1</sup> Report based on research conducted in July–September 2008, with support from Local Government and Public Reform Initiative of the Open Society Institute.
- <sup>2</sup> D.S. Kovryzhenko (2006) *Local Elections in Ukraine: Legal Issues*. Agency for Legislative Initiatives; *Summary Materials for the Conference "Interaction between Civil Society and Authorities at the Local Level,"* Chasopys Parlamentu, February 2006; *Ukraine: One Year After Elections; 2007;* Agency for Legislative Initiatives, Civil Network OPORA, Committee of Voters.
- <sup>3</sup> For example, in Volynska *Oblast*, the *oblast* council does not include representatives from four *rayons*, Khersonska *Oblast* council—nine *rayons*; Cherkaska *Oblast* council—seven *rayons*. Moreover, *oblast* centers and large cities (of *oblast* significance) are overrepresented in most *oblast* councils: e.g., deputies from large cities represent 54 percent of the Volynska *Oblast* council and 73 percent in the Khersonska *Oblast* council.



- <sup>4</sup> *Адміністративно-територіальний устрій України: Шляхи реформування, Авторський колектив, Київ, 2007 рік.* [Administrativno-terytorialnyi ustriy Ukrainy: Shlyahy Reformuvannya. Avtorskyi kolektiv, Kyiv, 2007 (Administrative-Territorial Structure of Ukraine: Directions for Reform. Team of authors, Kyiv, 2007)]. It is astonishing that no precise official information on the distribution of size of local governments by size cohorts is available.
- <sup>5</sup> For detailed analysis of this initiatives see the concept paper “Analysis of the Budgetary and Fiscal Consequences of Territorial-Administrative Reform in Ukraine,” prepared with support of DFID-funded project “Sustainable Financing of Territorial Administrative Reform” in 2005. Available online: <http://www.fisco-inform.com.ua/?module=an&action=preview&id=69>.
- <sup>6</sup> In view of institutional and political complexity surrounding decentralization reforms in Ukraine, the findings of these consultations were publicized as generalized observations from individual interviews with representatives of the government and stakeholder organizations conducted by Fisco experts, without references to individual names and posts. Authors of the final report, K. Maynzyuk and Y. Dzhygyr, are responsible for content and recommendations of this analysis.
- <sup>7</sup> For an illustrative example, see *Delovaya Stolitsa*, 23/373, July 7, 2008, p.12 “Tymoshenko to ‘form-up’ the regions: Cabinet of Ministers will be changing mayors as gloves.”
- <sup>8</sup> Appraisal Report on the Draft Concept Paper on State Regional Policy for Ukraine, Council of Europe, May 2008.
- <sup>9</sup> News coverage on these events is available online: <http://www.fisco-inform.com.ua/?module=news&action=view&id=1059>.
- <sup>10</sup> *Kleine Eschichte der Ukraine*, by Andreas Kappeler.
- <sup>11</sup> Валерій Хмелько (2006) «Через що політикам вдається розколювати Україну», *Дзеркало тижня* [“Cherez shcho politykam vdaet’sya rozkolyuvaty Ukrainu” (Valeriy Khmelko (2006) “Why politicians are able to divide Ukraine,” *Dzerkalo Tyzhnya*)] 24 (603) 24–June 30, 2006.
- <sup>12</sup> Ibid.
- <sup>13</sup> This and further observations on programmatic views of core political parties are based on pre-election analysis in 2007 led by *Mirror Weekly*, including an interview with representatives of key parties, published in Y. Mostova and S.Rahmanin (2007) “How shall we set up Ukraine; or what to do with the Administrative—Territorial Reform?” *Mirror Weekly*, 31 (660) August 24–31.
- <sup>14</sup> In this paper, we define “compact” as a term originating from a diplomatic concept of a *pact*, or a multiparty agreement, and widely used to describe an agreement between government and the civil sector, aimed at improving their relations for their mutual benefit.

# Territorial Consolidation of Municipalities in Armenia

*David Tumanyan*

According to the Law on Administrative-territorial Division of the Republic of Armenia (1995), 930 municipalities were created in Armenia. Currently, there are 926 municipalities, of which 48 are urban, 866 rural, and 12 district municipalities within the capital city Yerevan. The average population per municipality is 3,480 (January 1, 2007), or 2,317 if we exclude city of Yerevan. The mean area is 20 square kilometers. Almost half (48.2 percent) of Armenia's municipalities have less than 1,000 residents.

The municipalities of Armenia differ greatly from each other by the size of population, as well as by their financial and human resources. Despite these differences, all municipalities have exactly the same set of functions and competencies, as stipulated by law. The existence of numerous small and weak municipalities is one of many problems of the Armenian local self-government system. Local governments of these municipalities are not able to deliver some of the public services prescribed by law. Consolidation of municipalities could be one possible solution.

This issue is regulated by the Article 110 of the Constitution of Armenia. It states that:

The municipalities may, based on the interests of the public, be merged with each other or separated by law. The appropriate law shall be adopted by the National Assembly upon the recommendation of the Government. The law shall define the principles and procedure for consolidation or separation of the municipalities as well as the terms for the election of local self-government bodies of the newly formed municipalities.

The consolidation issue is discussed both by the current Government Program of Armenia (approved by the National Assembly on April 30, 2008) and the Poverty Reduction Strategic Plan (approved by the government of Armenia on August 8, 2003). It is also mentioned in the draft of the revised Poverty Reduction Strategic Plan (PRSP-2). Paragraph 4.2.2. of the Government Program of Armenia states that: "practical actions will be taken towards consolidation of municipalities." In the Poverty Reduction Strategic Plan one can read that: "Within frames of poverty reduction activities consolidation of municipalities and reduction of their number is considered to be important for the

development of local self-governments...” (paragraph 6.3.1.2, point 188). The draft of the revised Poverty Reduction Strategic Plan says that “consolidation of municipalities is important” (paragraph 10.1.1, point 423).

Despite the constitutional basis of municipalities’ consolidation and its reflection in the programs, no real action was undertaken before 2008. More serious preparatory works started after the adoption of the Government Program in 2008. It has been decided that by the end of 2008, the Ministry of Territorial Administration would develop the concept of municipalities’ consolidation together with action plan for 2009–2010. This should go hand-in-hand with the list of activities providing implementation of the Government Program for 2008–2012. The Ministry will collaborate with the Communities Finance Officers Association (CFOA) on this issue.

The Communities Finance Officers Association, in the framework of the Support of Local Self-government Fiscal Reforms in Armenia project, funded by LGI, has developed two papers: “Municipalities Consolidation in Armenia: Preliminary Study” and “Pilot Project on Municipalities Consolidation (Aragatsotn Marz).” These papers have been submitted to the Ministry of Territorial Administration for further consideration.

The papers present the suggestion of criteria for territorial consolidation of municipalities. It is suggested that:

1. Consolidation should affect neighboring municipalities;
2. The new administrative center of the municipality should be centrally located, have at least 500 inhabitants, and relevant infrastructure;
3. The distance of settlements from the center of the newly-formed municipality should not exceed five kilometers;
4. In each of new municipalities there should be minimum infrastructure (kindergarten, primary healthcare clinic, a cultural center/club) necessary for implementation of mandatory local self-government responsibilities as well as a school;
5. There should be roads allowing for the organization of public transportation among settlements of the newly-formed municipality;
6. Existence of joint governing body in the past (rural soviet, settlement soviet, city soviet) of settlements of the newly-formed municipality;
7. Compatibility and mentality of inhabitants of the newly-formed municipality’s settlements.

The municipalities’ consolidation version in one *marz* (region)—the Aragatsotn region—has been developed on the basis of these criteria in the latter of the two papers mentioned above. The paper suggests the creation of 55 instead of the existing 114

municipalities in the region (20 municipalities would remain in the same territorial boundaries, the remaining 94 would be consolidated into 35 municipalities).

The two papers discussed above are currently under discussion with the Ministry as of October 30, 2008.



# Territorial Consolidation —Related Issues



# Intermunicipal Cooperation: A Viable Alternative to Territorial Amalgamation?

*Robert Hertzog*

## EXECUTIVE SUMMARY

Two major kinds of remedies have been applied by European states that have sought to reform their government systems: either they choose to amalgamate them or oblige them to form agreements for intermunicipal cooperation (IMC). As a third option, they also may opt for the status quo. Each solution has its set of advantages or problems, but the choice of one or the other is often dictated by politics or doctrine. France is one country that allows communes both choices to amalgamate or cooperate after its own amalgamation program failed in the 1970s as it tried to copy Belgium, Denmark, and Germany.

French communes were created in 1789 in one of the first decisions after the French Revolution, whereby each parish (more than 40,000) became a municipality with elected organs and a public status, effectively creating the conditions for a rudimentary decentralization of power in the nineteenth century. By 1890, a “general clause of competence” had begun to expand communes’ powers and responsibilities and mayors were also granted great influence at this time and the system remained in place until the 1960s when intermunicipal cooperation was introduced, in parallel with efforts to modernize public services, as a technical solution to a demographic explosion and rapid urbanization.

In 1959, an ordonnance allowed for the creation of multipurpose municipal unions that can be seen as a sort of public company. In the long-term they have had a very positive effect. All basic public services are now available everywhere, and they created solidarity and confidence between local politicians and bureaucrats who worked together fruitfully, even amidst competition for the presidency. From a high of 19,000 in the 1980s the number has decreased in the 1990s because of the creation of communities.

In 1966, another law created four compulsory *urban communities* in specially fragmented metropolitan areas (Bordeaux, Lille, Lyon, and Strasbourg) to function as strong, dynamic regional capitals. However, the government wanted to decrease the number



of communes and planned an amalgamation reform in 1971, though the result was disappointing, proving that France would not accept such bullying. “Municipal liberty” emerged from this experience as mayors protected their communes.

France recoiled for a decade from any further reforms until it began a large decentralization reform in 1982, whereby communes gained even more freedom and powers, at the expense of regions and the central state. By 1992, new “communities” were also legislated and by 1995 the forms of cooperation were simplified. And, once attractive financial incentives were offered, IMC became very popular, especially a clause giving exclusive use of the business tax to communes. This incentive was matched with a rise in the national subsidy given to larger communities, reinforcing the tradition of participative democracy and local government autonomy for which France is a model.

## INTRODUCTION

Many European countries with a fragmented territorial organization at the first level of local self-government, and with a large number of small communes, have carried out reforms (starting in the 1970s) or are still debating implementing them. Two types of remedies have been used: amalgamating the existing communes into new, much larger ones with a more rational perimeter or inciting the communes—sometimes obliging them—to create forms of intermunicipal cooperation (IMC).

Each solution has its own advantages and problems, but political or doctrinal positions may dictate that only one of them is correct. In reality, one does not preclude the other. Large communes may also need to cooperate for specific reasons. French municipal legislation contains amalgamation procedures and provisions on different forms of cooperation. A group of communes can freely opt for one way or the other. None is absolutely definitive. There are examples of communes that merged and then split. An institution for intermunicipal cooperation (IMC) can be dissolved or a commune can pull out, though this does not happen frequently. The same possibilities exist in other countries.

The strategic choice is not between amalgamation and cooperation but includes a third option: *status quo*. Should government and Parliament keep affairs as they are; launch a nationwide process of compulsory municipal merger, like the one initiated in Georgia in 2006; or urge the communes to enter into IMC formulas?

France<sup>1</sup> is known as a country that tried and failed in the municipal amalgamation process that took place in Belgium, Denmark, and Germany in the 1970s. As compensation, it developed an extended IMC system. This is a good case study, in which many lessons can be learned about policymaking (i.e., why no consolidation, and how best to stimulate IMC?) as well as about legal forms and institutions. It was not a doctrinal option but a long and pragmatic construction. History matters here; so let us tell a

story. We will then try some methodological reflection on the evaluation of the two techniques and compare their issues, advantages, and problems.

## A FRENCH CASE STUDY: IMC INSTEAD OF AMALGAMATION

It is impossible to understand France's current administrative divisions without keeping in mind the historical process, which explains the political background of the options that have been taken and the reasons why more rational solutions have not been adopted. The size and number of communes have been a problem since the dawn of the modern state. Nearly all French political parties, in different constitutional regimes, conceived ambitious reforms that never attained their aim, even when they were effectively launched. A full system of intermunicipal cooperation, covering nearly all the country, has only been accomplished in the last 10 years, as a substitute of amalgamation and perhaps as a preparatory step for amalgamation in future.

### Why So Many Communes in France? A Return to 1789

French communes were created by a law of December 22, 1789, one of the first decisions of the French Revolution following the "Declaration of Human Rights" (August 26, 1789). After an involved debate, it was decided that each parish (more than 40,000) would become a municipality with elected organs and a public status. The motivation was to create a public democratic power in place of the old feudal authorities and the Catholic Church whose priests were then in charge of civil status registers. The new Constitution of 1795 created "cantonal municipalities" with at least 5,000 inhabitants. Merging the parish-communes would have divided the total number by about 10. The implementation generated outstanding discussion, but was delayed and ultimately failed. In 1800, Napoleon restored the former structure.

The progress of decentralization during the nineteenth century benefited all communes equally, whatever their size and means. An important advance in municipal autonomy was made by the "great municipal law" of April 5, 1884 when the Republican regime no longer feared the royalist grip in rural regions. Considering that there was no danger of local associations going against the central government, a law of March 22, 1890 issued the first model of municipal unions. This public entity had legal personality and could assume a public function in place of the communes. Though the creation needed unanimity of the members, the number grew progressively, mostly regarding technical matters: water supply, garbage collection, electricity, and gasworks.

The local government domain then expanded slowly, thanks to the "general clause of competence," recognized to the communes by the Administrative Court. In the

political field, the electoral regime of members of Parliament, both deputies and senators, in force since the end of the nineteenth century, granted great influence to the mayors, whose political position was much stronger than their mere legal powers reveal.

Municipal reform was actively discussed in the 1930s, in order to reduce expenditure and generate greater efficiency in delivering public utilities. The Second World War did not stop the debate and an important amalgamation program was prepared but never implemented, and several projects were issued in the immediate postwar period.<sup>2</sup> Nothing changed until an effective process of IMC got off the ground in the 1960s, in parallel with a strong effort to modernize public services in a country experiencing rapid demographic growth, especially in the urban areas, as well as economic development. This jumpstarted the generalization process of IMC, yet it was restricted mainly to technical domains.

*Figure 1.*

#### Timeline of Relevant Laws Regarding Communes

- Law of December 22, 1789: all 44,000 parishes become communes
- 1795 Constitution: no commune with less than 5,000; not implemented
- 19th century progress of decentralization (election of councils and mayor; law of April 5, 1884)
- Law of March 22, 1890: single-purpose union; creation by unanimity of communes
- 1930–1947: projects for amalgamation (nurture economies)
- Ordinance of January 5, 1959: single-purpose union by majority; multipurpose union by unanimity and later by majority; urban district, multipurpose with fiscal power
- Law of December 31, 1967: creates four obligatory urban communities
- Law of July 16, 1971: national plan for merging communes; reduced the number from 38,600 to 36,600
- Law of February 6, 1992 on territorial administration: creates “communities” with fiscal power, minimal competences; some success but was complicated
- Law of July 12, 1999 on simplification of intermunicipal cooperation: creates three types of *communities*; immediate and unexpected success; whole national territory is now covered by communities
- 2009: the government launches a new process to rationalize the size and perimeters of communities; those called “metropoles” can get delegation of powers from the department so that they have full competence in certain domains (social assistance, roads...). Provisions on new forms of amalgamation are discussed.

## Functional IMC—A Limited and Technical Solution

A decisive step was taken by a government-issued law (*ordonnance*) of January 5, 1959, immediately after a new constitution had been promulgated by President De Gaulle (October 4, 1958). It allowed for the creation of multipurpose municipal unions. A later modification of the law permitted their creation by special majority (one-half of the communes and two-thirds of the population or the reverse). For metropolitan areas, this law established an “*urban district*,” with direct taxation power and minimal legal competences (housing and fire protection); its charter could add as many others as decided by the founders. Some dozens of districts were created with rather limited competences. The initiative was primarily in the hands of prefects who tried to build consensus and unanimity. Prefects used four incentives to achieve this: political bargaining, legal advice, technical support for the studies by the powerful deconcentrated state administrations with cohorts of engineers of the “technical ministries” (equipment, agriculture), and specific grants from national or department budgets.

These single-purpose or multipurpose unions must be seen as kinds of public companies, sometimes called “*pipe unions*” because their activity was the construction of networks that needed large investment expenses, a pertinent perimeter, and technical expertise: water distribution, transport, waste collection and disposal, roads, etc. In fact, many of them are small institutions, often for practical reasons (water distribution has geographical constraints). Few had their own staff because the tasks were done by the employees of one of the municipalities or because the given service was delegated to a private contractor (concession) that made the investment and/or manages the service. Though the municipal law applies to these unions, they are not considered as a level of local government. The total number approached 19,000 entities in the 1980s but has been in decrease since the end of the 1990s and the creation of communities.

In the long-term they have had a very positive effect. All basic public services are now available everywhere. They created solidarity and confidence between local politicians and bureaucrats who worked together fruitfully, even amidst competition for the presidency. Many of these unions were transformed into communities in the 1990s.

In 1966, the law created four compulsory *urban communities* in specially fragmented metropolitan areas (Bordeaux, Lille, Lyon, and Strasbourg). The aim was to allow better regional development policies, as a region needs a strong and dynamic capital. Others were subsequently created on a voluntary basis (the total is 16 since January 1, 2009). They have a very wide range of competences, full fiscal power, and are a well-integrated form of IMC.

The second half of the 1960s was a period of active debate on municipal reform, but other priorities came first on the political agenda.<sup>3</sup> The law of December 31, 1970 extended the “municipal liberties” and modernized the management rules. It was followed by the law of July 16, 1971 on municipal amalgamation (*fusion de communes*).

*Figure 2.*  
Single- and Multipurpose IMC Unions

1/1/2009	<p>15,688 <i>functional</i> cooperation entities (number decreases: 18,504 in 1999)</p> <ul style="list-style-type: none"> <li>• 11,179 single-purpose IMC unions (<i>syndicats à vocation unique</i>)</li> <li>• 1,445 multipurpose IMC unions (<i>syndicats à vocation multiple</i>)</li> <li>• 3,064 unions with communes and other public legal persons, department, region, chambers of commerce, and even communities (<i>syndicats mixtes</i>)</li> </ul>
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## A National Amalgamation Policy, Its Failure, and the Long-Lasting Consequences

Amalgamation had been attempted several times: in 1795, 1942, and 1947, and municipal legislation contained an adequate procedure for that, but until 1971 only 350 mergers had been registered, concerning 756 communes, nearly always a marriage between two communes. A “window of opportunity” seemed to open after the local government elections of March 1971. The law of July 16, 1971 was presented by the government as a national strategy to dramatically reduce the number of communes. In each department a plan had to be prepared under the authority of the prefect for all the communes (on average 300 to more than 400). This plan had to determine which communes had to group together into a cooperation form (*regroupement*) and which ones should be fully amalgamated (in the view of the government, a majority) or become a new commune comprising “associate communes,” a merger that kept some minimal signs of identity (electoral district, deputy mayor). Referendum could be used in certain circumstances. Government instructions urged the prefects to act quickly.

The plan had to be discussed with a committee composed of delegates from communes (mostly mayors) and department-elected councilors. Their immediate position was *consensus*, meaning that no solution should be imposed on any commune without acceptance from its council. No politician wanted to struggle with others to impose a solution that they rejected and that would bring them no profit. Thus, the local political community, often with the complicity of the prefect, slowed the process down. By the end of 1972, all parties had already entered the preparation of the disputed National Assembly elections in March 1973 and the government stopped pressing the prefects. The window of opportunity was closed.

The final result was extremely disappointing. The proposals of the departmental committees were mainly to create municipal unions and a few mergers. These unions took a long time to become effective and they were few, though the communes had a great

liberty to discuss their size and competences. But, probably because it was imposed by government, they were reluctant to do so. Technical unions were founded but only one urban *community* was established thanks to that process (Brest). Amalgamation, though it received supplementary grants, had little impact, and the total number of communes was reduced by only 2,000, down to its present figure of 36,682. This number was a little smaller but several merged communes divorced afterwards.

*This failure had an immense and long-lasting political impact.* It proved that a systematic and global process of amalgamation and even an overly authoritative union policy were impossible in France, and will be for a long time. The opposition came not only from a great majority of politicians, but also from the citizens who were behind them. Government could not play the electors against “conservative” leaders. In this matter, electors were just as conservative. The whole political class and state administration knew that it was no longer worth dreaming of a resumption of such a policy.

Since then, the will of mayors is taboo. “*Municipal liberty*” became a principle of political prudence and a warning signal. Any project for municipal reform has, until today, to demonstrate from the beginning that there will not be the slightest aggression against communes. The “*liberty of communes*” is a nonnegotiable prerequisite. Any decision to change the municipal perimeter, the size of the cooperative entity, the list of communes, or its competences must be accepted by the municipalities concerned.<sup>4</sup> This is the constant message from the powerful “*Association des maires*.”

Politicians learned from that experience, which also explains how the next steps have been prepared and why they succeeded.

## ‘Territorial IMC’ (Communities): A Successful Policy, an Ambiguous Model

The great decentralization law of March 2, 1982 strengthened local government’s autonomy in a dramatic manner. The communes gained more freedom thanks to a modification of the powers of the prefect, who was only allowed to control the legality of municipal decisions and no longer their appropriateness, and also thanks to the suppression of earmarked state grants that were a very efficient way for ministries to orient local policy decisions. However, communes were much less affected by the reform than departments and regions. Most important was the transfer of the executive power from the prefect, who kept only state competences, to the president elected by the department’s and region’s assembly. Thus, the architecture of the whole local government system was deeply modified. It generated more competition between cities, departments, and regions, often with rivalry between their leaders, apart from the party affiliation.

The law of February 6, 1992, on “territorial administration” created new forms of IMC where the “*communities*” became much more integrated, especially in the field of

local business taxation that is the cities' main revenue. As the great majority of mayors were politically center or right wing, the Socialist minister of the interior took the time needed to negotiate with their national associations and accepted many amendments in Parliament.<sup>5</sup> The law accelerated the creation of IMC entities, which remained slow, however, for several reasons, one being the complexity of the legislation.

In 1999, after new negotiations, another Socialist minister of the interior succeeded in making Parliament adopt a progressive "law on the simplification of intermunicipal cooperation." It reduced the number of possible legal forms, though the matter remains nevertheless quite complicated. Its long-term aim—covering the whole territory with integrated IMC organizations—was not strongly proclaimed because the government and its administration were not convinced that this could happen quickly. Yet it succeeded in an unpredictable way; this aim was nearly achieved by 2005.

There are many cumulative explanations. For one, opinions had changed: municipal patriotism is lower, especially in metropolitan areas where people are very mobile. The political weight of rural mayors, compared with mayors from urban areas, is regressing. There is a large consensus in political parties in favor of the IMC, divisions being more dependant on persons or local situations than party doctrines. For half a century, cooperation has been part of municipal administration, and everybody was familiar with it. High ranking local government managers found interest in big IMC structures.

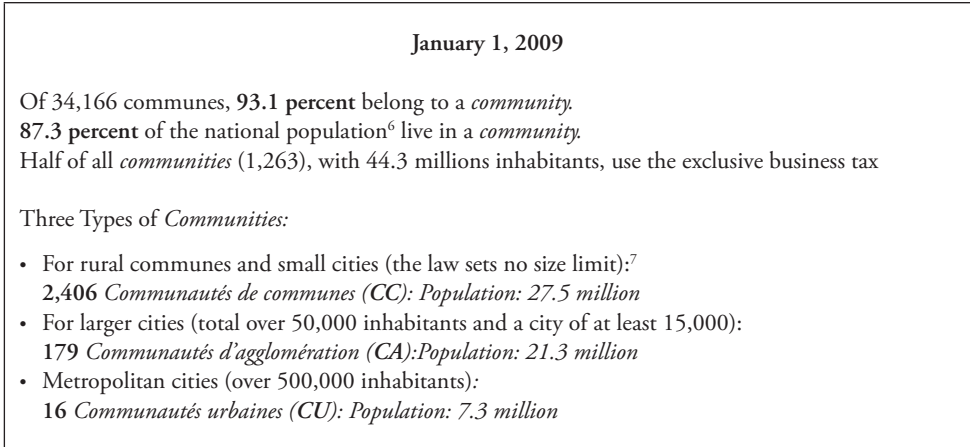
The generous and attractive financial incentives were ultimately decisive.

One incentive was the exclusivity given to the community of the business tax, in place of communes. It is the most productive local tax, strongly dependent on the location of enterprises, which generates great disparities of tax revenues for the communes and disparity of tax rates for the enterprises, depending on in which commune they have their activity. The enlargement of the tax limits and an equal treatment of enterprises in this broader zone was a very positive step, which also secured a strong financial capacity for the IMC entity.

The second measure was the increase of the state general subsidy to the new communities. To make it a real incentive it was initially fixed at a high level that was so attractive that the number of communities was above the government's expectations. Though this had a high cost for the National Budget, it was impossible to cut the figures. In a period of fiscal stress, getting more subsidies was extremely attractive and created sharp competition between the local governments.

The CU and CA have very similar characteristics and could be easily considered as a single category. All communities are legal entities, with compulsory minimal competences in economic development and urban planning. All other municipal competences are open for transfer, except state-delegated competences that belong to the mayor. It is possible to add new competences at any time, and many communities are in a continuous process of extending their functions.

*Figure 3.*  
Communes and Communities



The community council is elected by municipal councils; each one elects a number of delegates in approximate proportion to the population; the smallest ones have at least one delegate, who is generally the mayor. The president and deputy presidents of the community are elected by the community council. The community has its own administration and staff but can, by contract, share it with one of the communes.

The budget follows the same rules as the municipal budget. The resources are general local taxes, additional to municipal taxes in the CC, though they can opt for exclusivity on the local business tax. In the CA and CU, business tax is for the community alone. The community council can create an *internal* financial equalization, thanks to which the community redistributes part of its tax income to the communes.

### Some Conclusions on This Experience

Territorial organization is strongly rooted in French society. Cultural and political structures are very difficult to overcome. Extra time for negotiation and explanation is essential. There must also be some incentive—the most efficient one is in financial resources. This has been a long-term policy, by left- and right-wing governments, with resistance by politicians from all sides, and often initiatives by the central government bureaucracy and the variable enthusiasm of local state representatives (prefects).

Today's municipal structure in France has been decided, in fact, by local governments themselves or, more exactly, by the local political class, very strongly mixed with the national one. Considering that nearly 90 percent of deputies and senators in the



National Assembly are mayors, presidents of an IMC entity, or currently or previously held a mandate in local government, we see how directly the legislator is interested in that matter. In the field, these politicians decided, with the control of state authorities (prefect), on the creation of the IMC institutions, their limits, their competences, and financial arrangements. Everything in the charters founding the communities, which are the result of bargaining and compromises, resembles political contracts rather than unilateral regulations. Thus, this is their legal nature because they are promulgated by a formal decision of the prefect.

This can be presented as a model of participative democracy and local government autonomy. It is a perfect illustration of the principle of subsidiarity: what communes cannot do themselves is transferred to the IMC body. In municipal affairs, the government has been very respectful of local self-governments' liberties just because it is much weaker than one might assume.

*More importantly: citizens are happy with IMC.* Eighty-nine percent of them think that it is a positive thing for their commune to be part of an IMC; 67 percent consider that they have sufficient information on the IMC where they live; the majority consider that IMC is the best level for managing garbage collection, transport, water supply, sanitation, and economic development. However, people prefer the commune for environmental protection, housing, and social services.<sup>8</sup> Only a very small minority would like to see the communes disappear.

*Still, there are less attractive sides.* The system is awfully complex. Each IMC has its own configuration of functions. No one entering a city hall can know the exact competences of that particular commune. The creation of the communities should have brought a drastic decrease of the technical unions, amalgamated within the communities. But the constraints for water distribution or waste disposal are different from those for economic development and town-planning, so it is difficult to harmonize the limits of many overlapping IMC entities.

The expenditures of *communities* grew quickly: EUR 10.7 billion in 2000, EUR 33 billion in 2007.<sup>9</sup> The Financial Court issued a very critical report on this situation, citing overlapping expenses, prestige operations, and uncertainty about the exact competences.<sup>10</sup> And, oddly, the expenses of communes still grow by 3.5 percent to four percent annually. Yet, the proportion of municipal and IMC expenses in the total local government budgets decreased from 65 percent in 1984 to 57 percent in 2007.<sup>11</sup>

The system also has *a natural instability*. The IMC is in a long-term evolution process. Philippe Seguin, President of the Financial Court, told the National Convention of Mayors, in November 2005, that the overall conclusion of the Court's audit was that IMC is still *unfinished*. Many IMC structures continuously modify their competences and characteristic, which can be seen as positive or negative.

The Committee for a Reform of Local Government, chaired by former prime minister Edouard Balladur, proposes in his report<sup>12</sup> to President Sarkozy (March 3, 2009) major

modifications concerning IMC: revise the whole map of IMC before 2014 and reduce the number of technical unions; direct election of the members of the community's council by marking them on the list for municipal elections, so that the electors know who will represent the commune in the IMC's council if this list has a majority; create a new statute, compulsory by law, for the biggest urban areas (about 13), called "*Metropole*," which will benefit enlarged competences, some transferred from the department; allow all IMC to opt for a full local government statute; reduce by one-third the number of deputy-presidents in the IMC, who are often excessively numerous, in order to create political consensus and allow a representation of a high proportion of mayors in the executive board. Five bills have been introduced by the local government in Parliament in October 2009 to reshape local self-government in a quite substantial manner. The one about territorial reform modifies the rules for merging communes in order to stimulate amalgamation process; it asks for a full revision of the IMC map in order to rationalize the perimeters and reduce the number of technical cooperation bodies that should be amalgamated with the communities; it creates the *Metropole*, a new entity that can receive delegated competences from department and region. There is rather consensus on this part of the reform, political contest being much stronger on the provisions related to department and region.

So, in France, IMC is certainly a viable alternative to amalgamation. It was the only one possibility, but it is perhaps also the long way to a form of amalgamation.

## INTERMUNICIPAL COOPERATION AS AN ALTERNATIVE TO AMALGAMATION: METHODOLOGY FOR A COMPARISON

Both the notions of IMC and amalgamation seem to be well-known. But looking at them closely, we see quite complicated realities. These are not doctrinal creations, but the product of empirical experiences in different countries. It is difficult to compare such objects because they are by themselves subjective. We can take a strongly integrated form of IMC and show that it is very similar to a merger, or choose a low integrated one and come to a totally different conclusion. Is it even legitimate to compare two municipal governments, one in a country that practiced amalgamation and one in a country that chose IMC? Differences between French and Danish or British communes, for instance, are due to many other factors. Thus, we need some methodological elements to carry out a systematic comparison.

## Amalgamation and IMC: Problems of Definition

Amalgamation looks like a single process, easy to describe and rather similar in all places. In reality it is also complex. Yet, intermunicipal cooperation is even more complex with its great variety of forms.

- **Amalgamation**, in this paper, means that two or more existing communes merge into a single one that will have the same territory and population as the former ones, but with only one legal personality, one budget, one assembly, and one executive staff. It will remain an ordinary commune, just larger than before. Let us call this *horizontal amalgamation*. Comparative study shows that amalgamation is not a single model, identically reproduced in all states where it happened. There are many differences: voluntary or compulsory; with a great liberty to fix the number of communes that will merge with a pre-established obligatory perimeter (as with the *rayon* in Georgia); the figure of the permitted minimal size for new communes; with competence transfers from other levels or not; with some remaining from former communes (electoral district, municipal offices, etc.). However, in the end, the result is clearly visible: X communes have changed into a single one.

There may be another policy of amalgamation with quite different objectives. It aims not only to create bigger communes, but also to change the nature of the municipal administration in order to perform tasks and functions that were not traditionally municipal. This can lead to a kind of *vertical amalgamation*. The typical examples we have in mind are not exactly a full amalgamation of entities from two different tiers. They, rather, show the will to create—thanks to the merger of communes—a new public entity which will be different from the former communes and will assume new functions.<sup>13</sup> Denmark's or England's large "communes," with nearly no state territorial administration, have not been merged just to enhance the population figures. They also became an original tier of local self-government<sup>14</sup> with wide competences, especially in the field of welfare, that are, in other countries, in the hands of the second-level decentralized administration (*kreis* in Germany, provinces in Italy, departments in France), or even state offices. The latest reform in Denmark, which has modified the division of competences between the communes and the counties, is typical of that trend.

The doctrine should pay more attention to this phenomenon, which is not clearly described in papers on this subject. Larger communes can be a way to produce *another local government system and not only another municipal mapping*. Rethinking the nature of "municipal" government leads then to a real breach in the tradition, although it is difficult to say what is typically municipal and what belongs merely to another kind of administration. We should recognize, in comparative studies, that there is as much

heterogeneity in the category “commune” (the first level of local self-government) than in other local government categories such as region, department, county, or province.

Prescriptions concerning the size of communes, and their competences or resources, should be issued in a very cautious and relative manner, in order to comply with the specific objectives and nature of a *commune* in any given country. In eastern and south eastern Europe, a territorial reform has two objectives: alternative or cumulative. The main one is to have communes with a critical size and sufficient capacities (financial, human) to implement the basic competences that are already in the law; the second one is to make economies and save money, which is often unrealistic because of the low level of existing resources.

- **Intermunicipal cooperation** (IMC) is complicated to define because there are so many legal forms. Let us try to give an **operational definition** starting from *cooperation*: “a situation in which parties agree to work together at some cost to produce new gains for each of the participants that would be unavailable to them by unilateral action” (I. William Zartman). Its constituent elements are: working together; a formal agreement to do so; a cost (less freedom to act, financial and human commitment); a common objective (create new gains for all parties).

IMC is cooperation deliberately organized between two or several communes,<sup>15</sup> for a certain duration or permanently, on matter(s) falling into the legal competences of the communes, with the aim of improving municipal functions and obtaining mutual benefits (efficiency, economy, etc). It is an agreement between communes to manage together one or more of their competences and to share the costs.<sup>16</sup> This is a common practice in many countries. It can be done without specific legal provisions, but most often there are special rules for the procedures and the structure of the institutions.

IMC is very heteroclitic in its aims, procedures, legal forms, financial arrangements, and political conditions. It is formalized in many different ways.<sup>17</sup> We can identify six main forms, sometimes used all together in one given country: (1) *Informal cooperation* (meetings between leaders or staff to solve practical questions or coordinate a policy, ending with handshake agreements that can be quite efficient); (2) *Contract*: a legal agreement with binding provisions; (3) *Private NGO status* is very popular in France for cultural events, tourism and social services; (4) *Business firm*, several communes—and often private investors—have shares of an enterprise that activity produces commercial revenues; (5) *Public entity for a single service*; (6) *Multipurpose public body*.<sup>18</sup>

Here is the main difference from municipal amalgamation, which is a one-way procedure resulting in the birth of a new commune. IMC has many paths leading to numerous places, ranging from lowly cooperative procedures, sometimes temporary ones, to highly united and permanent institutions. It can be compared to federal models that range from loosely confederate to nearly centralized. Fitting to different situations, flexibility is its prime quality.

When analyzing IMC forms in France, it is useful to make an important distinction between two of the main ones.

Some are real **horizontal cooperation** between the communes whose delegates meet, discuss, try to reach consensus, and participate with the municipal budgets for the financing of the IMC program. This can be achieved on the basis of a simple contract.

Quite different are the integrated IMC institutions, especially the *communities* described above. They have a legal status, own competences and fiscal resources, an assembly that decides by majority, own executive power and staff. They are called *intermunicipal cooperation bodies* by law because the communes are still there and elect their representatives at the community council. However, there is no longer an active cooperation *between* the communes themselves. There is partly a **vertical cooperation** with the community, mainly to ensure that it improves its services on the territory of the given commune. Such cooperation is not even specific to IMC; it can happen with region, department, or state administration.

*This form of IMC is, in reality, a partial (or incomplete) amalgamation:* competences and resources given to the community are implemented exactly as if there had been a merger in this field. There is a unified decision-holder for the whole territory of the IMC. Only political analysis shows the differences with amalgamation, in so far as the “central power” (president) of the community must carefully watch the interests of the communes and take into account the demands or objections of their mayors, even for questions that are under full community responsibility. But this is business as usual in politics. And, as the competences of these communities are constantly extended, it has become a commonly-held idea that they are an original process of progressive amalgamation. The advantage here is that the communes—and electors—can decide the rhythm of this amalgamation, which will be different in each case, and preserve the unique political and cultural signs of the commune.

## Amalgamation and IMC: Alternative and Complementary Solutions, with some Common Problems

Is there a hidden paradigm: “*amalgamation is the logical and best solution to deal with a municipal system that has too many small communes?*” Any other formula is only a last resort with much fewer positive effects. This would seriously contradict the reality. Amalgamation is *also* a problem and one cannot consider that it is the general rule and that IMC is an exception; there are more countries with legislation and practice of cooperation than countries with an achieved process of municipal merger. Thus, the question about the choice between amalgamation and IMC makes sense—because they are possible solutions to the same problems and, therefore, have to face the same difficulties. However, they are not just alternate choices; they may even be complementary.

Both mergers and IMC have to overcome a common paradox. These reforms are undertaken in the name of economic rationality but they cannot succeed without strong political opportunism. The government must find a window of opportunity to launch the operation and use much time for negotiation at the national level, and then again at local level, to concretely implement the merger or the IMC forms. Incentives must be used in both cases, with the possibility that they create windfall profits or waste. Thus, we should not overestimate the factor rational thought should play in both procedures.

Amalgamation is a difficult political problem. There is never a quick and easy consensus to vote a law deciding that numerous communes merge into bigger ones. Such a law may be strongly contested and boycotted by local governments, as happened in France in 1971. Even if a majority believes that this must be done, there will be different opinions on the procedure, the time period, the minimal size of a municipality, the way the new perimeter must be drawn, the financing, etc. A most difficult question, for which there is no definite answer, is the minimal or optimal size of the new entities. It depends, at the basic level, on geography (mountains, coasts, plains), demography (density of population), economy (rich or poor communities), and the structure of territorial administrations (the existence of a second level of local government). The criteria can come in different forms: mainly regarding population, but also the level of financial resources, the nature of public services and the competences of the communes. In metropolitan areas, the pertinence of the perimeter is more important than the size of the population.

So, amalgamation is not an easy solution, nor does it give any guarantee of success in itself. We have learned from past experiences that it also has negative side effects and that cities that are too large are neither best adapted for good management nor participative democracy.

*Amalgamation and cooperation are not mutually exclusive.* Even after amalgamation, a municipality may not have the optimal size in all domains and may be obliged to cooperate with other communes<sup>19</sup> for services such as garbage collection, water supply, transport, or even in more strategic domains like urban planning, economic development, environmental protection, tourism, etc. Conversely, a country with mainly IMC institutions can have provisions for amalgamation, like in France.

The evaluation of public policies currently complies with a common interdisciplinary methodology. In a field where there are no absolute references and no universal standards or ratios, the heart of the method is to identify and spell out the true objectives of a policy and then to measure the extent to which it has been achieved, at what cost, and with what efficiency. This can be applied to the policies of amalgamation and IMC. The general objective is to create a more efficient public administration, one that is much better able to finance and manage public investments and services, and to bring greater satisfaction to the citizens, at the best cost, within the limits of municipal competences,

as defined by law. A larger local government will also have a stronger negotiation capacity with its partners or competitors, inclusive of state authorities.

*The rational approach is thus to make an exhaustive diagnosis of the situation in the country and to issue an explicit definition of the objectives of the “territorial reform.”* Are there too many small communes in rural areas? What are their defects and shortfalls? In what public policies? Is there a lack of financial resources and will the addition of poor communes bring a substantial improvement? Is there an absence of trained staff? Does municipal fragmentation create strong fiscal inequalities and distortions? This may also be an obstacle for harmonious planning and development policies in metropolitan areas. The problems being well-identified, find then the best solution—which is often a compromise—because neither amalgamation nor IMC may be the right answer for *all* aspects.

Amalgamation seems to be the simplest solution. However, its real impact depends on the ways it is implemented. For example, will the different settlements (villages) keep minimal administrative services, or do the citizens have to go to the main location for any public formality? What about the fair distribution of public services? Community identity and local autonomy are important to citizens and cannot be converted into economic figures. Intermunicipal cooperation may be, then, an acceptable compromise in a given country, if not an optimal solution.

## The Perimeter of the New Local Government and the Structure of Municipal Administration

**Amalgamation** creates a single municipal institution and unique political governance. All functions belonging to municipal competences are implemented in the same geographical limits, and with but one budget. The need to have a more appropriate size of municipal administration leads to two questions. One is: should there be a minimum size of commune, whatever the density of population or the geographical conditions? The other one is: how do we draw a pertinent perimeter for amalgamation in a given place?

We know by experience that there is no optimal size that fits all municipal activities. So inadequacy will remain for a certain number: either too large or too small. Large cities are often divided into districts or neighborhoods and smaller ones still need to participate in certain IMC structures for specific functions. Yet, the main number of services in the commune and the municipal scheme is rather simple. The pertinence of the territorial outlines depends heavily on the way the mergers have been implemented. No one can certify that the perimeter of *each* new amalgamated commune is optimal. Strong municipalities also allow (like in Denmark or in the United Kingdom) to reduce the importance of local state administration and to avoid a double-intermediate local

self-government tier (region, department). This has historical reasons and is characteristic of these countries. Germany presents a counter-example: it has still the *kreis* and sometimes special IMC structures.

IMC is definitively complicated. There are two tiers of municipal administration, the commune and the community.<sup>20</sup> The perimeter is “functional,” chosen for specific activities, yet negotiated at a political level. This can generate as many different perimeters as possible functions, and one commune can belong to several specialized IMC. When several functions can be fulfilled in the same spatial area, a multipurpose union is created. These “intermunicipal enterprises” are well-adapted for service delivery to customers who will control the service on technical criteria rather than by political procedures. The perimeter of *communities* may be very political, not so much for party reasons, but because the rich do not want to share with poor, and mayors want to keep power on construction and housing policy, etc. All communes may not be interested in all the functions; so French law allows an asymmetric distribution of competences, a kind of *menu*.<sup>21</sup>

This new municipal map is not drawn by the state, due to some economic and technocratic rationality. In fact, it has never been as such. Most communes are the continuation of the old medieval parishes and “free cities.” Today’s map of IMC in France is drawn by “contract,” bargaining, and compromises within the political class with slight state interference. As each community is free to decide its perimeter and the list of its competences, after respecting the minimum required by law, there are nearly as many municipal systems as communities. However, in a complicated society, complicated administration is probably inevitable. The growth of strong IMC feeds the critics regarding the number of tiers of government in France, and especially the existence of departments.

## Competence Distribution

After *amalgamation*, the new commune has all the legal competences of a commune. Basically, there is no need for competence distribution, the new entity being specifically justified by the desire to keep all municipal competences under a unified authority.

IMC is an illustration of the subsidiarity principle, which is a method of power distribution. The associated communes decide which functions cannot be performed with sufficient efficiency by each one, and must then be transferred to a more pertinent level of public management. They decide the size of that level (three communes or 100) and can sometimes be much larger than any amalgamation would have been,<sup>22</sup> the nature of competences transferred, the financial system, etc. It is a satisfactory compromise between economic rationality and local government autonomy.



This is often the way things happen. But as we are in a political setting and as the risk of bias is great, there is a need for setting some precautionary rules. The law can have provisions that make it obligatory to have a transparent and methodical procedure, with cost-analysis studies to decide on competences.<sup>23</sup> It may list the competences that must be transferred, as a minimum, to the IMC entity. There must be some state control on the IMC creation in order to avoid arrangements that would be unacceptable; the prefect can try to modify certain projects or even go to administrative court for annulment of a decision that violates the law. He can force a decision by asking for a majority vote in a certain area without seeking unanimity.

The most critical point is the risk of opacity of IMC system: citizens cannot see and understand the general framework. There are two responses to that. One is that the citizens do not care about the legal structures; they know exactly who is in charge of water, cable television, or garbage collection and they can phone the right place or send their claims. The second response is that the commune, i.e., the mayor and his staff, are still considered accountable for all public services delivered on the territory; the citizens just go to the city hall to find the adequate political go-between.

## Municipal Finances

After *amalgamation*, the commune has one budget, and one tax system that are both as good or bad as all the other municipal ones in France. Relevant questions might be: how much improvement is brought by amalgamation when comparing the new situation with the former one: on tax moderation and equity, public service delivery, and spending in the different neighborhoods (former communes)? Did amalgamation save money? Amalgamation of employees and services can bring a more rational distribution of tasks and human resources. Some services will be completely amalgamated (finance, human resources, secretary general, data processing, etc.) and this should curtail expenses. However, these gains are often recycled in expenses and the final effect is said to be better services for the same cost. But to prove this is difficult.

The evaluation of IMC is even more complex because of the different forms of IMC.

- The *financial autonomy* of the communes is reduced, but only in so far as they accepted the IMC. Furthermore, their representatives participate in the decisionmaking process of the IMC which has, if it is a community, the same autonomy as the communes.
- *Are there more financial resources?* Yes, if the government has created special incentives, but sometimes for a temporary period only. More money can become available for new investment or services if the new administration has the

capacity to conceive programs that are eligible for extra financing (EU Funds, World Bank, NGOs). Improving financial resources is, in any case, the decisive motivation for most IMC.

- *Do they save money?* Decreasing the budget expenditure was never an aim for the founders of IMC in France. All empirical studies on specific IMC,<sup>24</sup> the global statistics, and the reports from the Financial Court<sup>25</sup> show that there is no drop in expenses after the creation of an IMC. Many communes use the reduction of charges due to the transfer of competences to perform other tasks or to improve their current activities. “Economy of scale” allows improvement in the technical quality or quantity of the service, but there is seldom a merger of services that really saves money. This is a true difference with amalgamation. The aim of IMC for garbage collection is not to reduce costs: it is to be able to carry out the service in a better way. The cooperative system typically produces what the “Public Choice” doctrine (Buchanan) describes as “logrolling” (council bargaining)—pushing expenses high by the addition of demands: each commune asks for more spending, for street maintenance, garbage collection, housing, etc., and arbitrage becomes very complicated because the president is under the control of a council that represents the communes. IMC bureaucracy has its own costs that are sometimes pushed up by political megalomania: a prestigious building to show the greatness and independence of the new *community*. At the beginning of a community, there is no debt and the tax rate is low, so there is the belief that spending is easy.
- *Is there solidarity?* This question depends on the tax system in the IMC and the way the expenses are decided in the budget. There is no general answer. In France, the community council can or must decide that a certain proportion of the community taxes is distributed to the communes in an equalization manner. In functional IMC, without tax resources, the contribution of each commune can be calculated by the number of inhabitants, the fiscal richness of each one or any other objective criteria. So the level of solidarity is decided by the founders themselves.
- *Is there tax equity?* This question depends primarily on the legal tax system itself. In functional IMC, the resources are mostly fees or prices paid by the customers, which may be considered as rather fair. In territorial IMC there is a distribution of local taxes between the two levels. The community has access to business tax and some special taxes for garbage collection or public transport; the communes, however, keep the “domestic taxes” (land and propriety tax). This can be considered as an equitable way to pay for public services, even if it is impossible to draw a precise dividing line between services for enterprises and services for families.

- *Is there equity in public expenses?* This is well-protected and is probably one of the most “rational” motivations why people prefer IMC to amalgamation: politicians of each commune will stay efficient advocates for the interests of their citizens. A mayor, in an IMC council, is a good protector of his population. This also explains the high cost of IMC. Each mayor wants more from the community than what he could have done alone. In a large community, if we compare a city of 25,000 inhabitants and a simple neighborhood with the same population but located in the main central city, we see that services, maintenance of equipment—even of community competence—and social life are generally better in the commune.

## Governance and Democracy

After *amalgamation* governance has the qualities and defects of any commune. Any merger with too great a perimeter, or which mixes settlements that are too far away from each other, can create a disappointing democratic performance: representation, proximity with the population, accountability of leaders, etc. It can also be poor in service delivery in certain parts of its territory.

IMC is genetically complex. Its success depends not so much on the capacity of municipalities to cooperate between themselves, as on the capacity of the IMC administration and political board to create confidence and cooperate with municipal administrations and leaders. *Vertical cooperation is much more decisive and problematic* than horizontal cooperation. In communities, the latter is no longer through direct relations between the associate communes (only in informal and personal relations) and is performed through the organs of the IMC structure. Field studies show that all possible situations exist.

The management of an IMC entity is sometimes carried out by the employees of one of the communes on the basis of a contract and financial arrangement. Common in small organizations, it also exists in some large ones (Strasbourg). It is now a popular subject for debate under the word “*mutualization*,” in order to generate economy of expenses and easier decisionmaking processes.

The question about democracy has little relevance for functional IMC. It is much disputed in large communities. Critics focus on the lack of direct election of the council, composed of delegates of the communes elected by the municipal councils. This second-level democracy is considered to be of lower quality and not very compatible with the tax power and spending competence of the community. However, other formulas could have much more perverse effects. Direct election with no representatives specifically attached to the communes would generate constant conflicts between politicians and technicians

with no place for arbitrage or conciliation. In addition, community delegates elected outside the city councils would create a conflict of legitimacy. As noted above, solutions are proposed by the *Balladur Report*. The bill on territorial reform introduced in October 2009 proposes that the delegates of communes in IMC councils become visible on the list of candidates for municipal council elections so that one can consider that they have been elected for this function by the citizens. This will probably be adopted.

In our opinion, a central point is that there should be a direct election for the community in order to provoke a debate on its priorities and strategies. This is the real weakness and inadequacy of communities in France, today. As full direct election cannot be for the council; the only option would be for the president. But this is too great a change in France and has already been rejected by the president himself. There is the definitive objection: what will happen if the majority in the council is of a different political persuasion from the elected president? Well, they would have to... cooperate.

### THREE GENERAL CONCLUSIONS<sup>26</sup>

- The political alternative is primarily about aims: what kind of commune? Then we have to discuss the possible methods and finally the structure. The right method is the one that is politically enforceable in France.
- Amalgamation as well as IMC needs a national policy, well-prepared and seriously negotiated at the political level, with many supportive measures, especially financial ones.
- IMC is a complicated solution, but also very flexible. It can be well-adapted for both political and technical issues. It must be considered—and accepted—as essentially progressive in the long term, the question being about the rhythm of the evolution.

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## NOTES

- <sup>1</sup> On January 1, 2009, the structure of local government in France was as follows:
  - 26 Regions (21, + Corsica, + 4 overseas)
  - 100 Departments (4 overseas)
  - 36,570 Communes; 27,200 with less than 1,000 inhabitants and a total of only 9.5 million.
  - 2,601 Intermunicipal “communities” (56.4 million inhabitants)
  - 15,688 Technical intermunicipal unions.
- <sup>2</sup> The authoritarian government of Marshal Petain promulgated the law of February 28, 1942 that generalized municipal associations and contained an amalgamation plan of the communes. It was not put into effect. The same idea was proposed by a Socialist government in 1947, without being adopted. Another Socialist government decided in 1957 that all metropolitan areas must create a specialized union to manage the main structural facilities, but this was left uncompleted.
- <sup>3</sup> In 1969, President De Gaulle wanted to create powerful *regions* as new local self-government entities, but the referendum of April 27 was negative and he resigned. A majority of local politicians were opposed to this reform and they showed here their grip on the electors.
- <sup>4</sup> The law gives some guidelines. Decisions that are too irrational, such as a union between communes without territorial continuity, are forbidden. The creation of a new entity can be decided by a special majority of the communes, but prefects and local leaders try to build up consensus and unanimity as often as possible.
- <sup>5</sup> Left-wing parties had a short majority in National Assembly but not in Senate which is, by the constitution, the “protector” of communes.
- <sup>6</sup> For a total of about 61 million living in the European territory of France.
- <sup>7</sup> Nearly 700 CCs, out of 2,406, have less than 5,000 inhabitants. Only 33 have a population of more than 50,000.
- <sup>8</sup> National poll, September 14–15, 2008, for the *Assembly of French Communities*. Another poll for the same *Assembly*, in September 2006, showed that strengthening IMC was a priority for 54 percent of persons (communes 47 percent; regions 51 percent).
- <sup>9</sup> Consolidation of the budgets of the technical unions is difficult and data is uncertain because there are many concessions and other contracting out forms; they amounted approximately to EUR 17 billions in 2007.
- <sup>10</sup> Cour des Comptes (2005) *L'intercommunalité en France, rapport au Président de la République*, Paris: *Ed. Journaux Officiels*, November 2005. p. 387. Available online: <http://www.ccomptes.fr/fr/CC/documents/RPT/RapportIntercommun.pdf>.
- <sup>11</sup> Because expenses of departments and regions rose more quickly. The annual report of Observatoire des Finances locales, *Les finances des collectivités locales 2008*, Ministère de l'Intérieur, p. 223.
- <sup>12</sup> *Journal Officiel*, March 6. Available online: <http://legifrance.gouv.fr>.
- <sup>13</sup> In France, there is also a debate about departments and regions. One possible solution is to create larger regions by merging two or three in order to reduce their number. Another one, considered in certain regions, is to keep the size of the region but to merge it with the departments that are inside of its division; this would create a totally new administration.
- <sup>14</sup> In this volume, Colin Cobus, “English Local Government: Neither Local Nor Government,” demonstrates the heavy influence of the technocratic approach and the specificity of the English model.

- <sup>15</sup> The degree of liberty to create an IMC is variable. In France, a law of 1966 created directly four CU, yet without the list of the communes; the law of 1971 intended to make IMC compulsory for all communes that did not merge, but this failed; creation of an IMC entity is possible by decision of a special majority of communes in a district designed by prefect: two-thirds of the communes with at least one-half of total population or one-half of the communes with two-thirds of the population; thus, some communes are in IMC against their will.
- <sup>16</sup> Here, we are only considering cooperation between neighboring communes and excluding transborder cooperation, city networks to lobby in Brussels for European funding, national associations of mayors, or communes, etc. They all have quite different aims.
- <sup>17</sup> Some possible classifications: functional/territorial; contractual/institutional; technical/strategic; single-purpose/multipurpose; private/public forms.
- <sup>18</sup> A full local self-government form may have some similarity with intermunicipal cooperation: German *kreis*, in which the council comprises delegates from communes and the budget of which gets contributions from municipal budgets; merged communes of which former communes keep some identity: electoral district, deputy mayor, etc. But this is no longer IMC.
- <sup>19</sup> Although Germany fulfilled an ambitious merger program in the 1970s, most Western *Länder* have a law on municipal associations and many ones have since been created.
- <sup>20</sup> Communes, members of a community, can even belong, for certain competences that are not community ones, to specialized unions for waste, water, urban heating, etc.
- <sup>21</sup> We may have large community libraries or sports facilities (stadiums, swimming pools) *and* also smaller municipal ones in certain communes that have the money or the will to do it.
- <sup>22</sup> The smallest number of communes in a *communauté urbaine* (CU) is five, the highest is 85: most have between 20 and 30. In the *communautés d'agglomération* (CA), it ranges from two to 59, with the majority between 10 and 20. Some *communautés de communes* (CC) unite more than 100 communes, which would never have been possible with amalgamation.
- <sup>23</sup> In France, a committee organized at department level has some responsibility for supervising the IMC process and drawing a rational map of IMC. However, being composed mainly of mayors and department councilors, it is very weak and passive, because the commissioners avoid any conflict with other political leaders. The absence or low quality of preliminary feasibility studies is most open to criticism in France.
- <sup>24</sup> Albert, De Briant, Fialaire, Doaré (2008) *L'intercommunalité et son coût*. Paris: L'Harmattan. p. 311.
- <sup>25</sup> Cour des Comptes *L'intercommunalité en France...* Main criticisms: still complicated; lack of transparency in the creation process; accumulation of means, institutions and resources, additional lines on the taxpayer form, rather than saving money, seeking performance, and mutuality.
- <sup>26</sup> Bibliography: there is much literature on IMC in France; mainly legal analyses or articles. For general legal information, laws, codes, jurisprudence, parliamentary reports, partly in English, available online: <http://legifrance.gouv.fr>—«BAsE NATionale d'informations sur l'InterCommunalité en France», gives exhaustive information: [www.banatic.interieur.gouv.fr](http://www.banatic.interieur.gouv.fr) – Also: [www.ladocumentationfrancaise.fr/dossiers/intercommunalite/index.shtml](http://www.ladocumentationfrancaise.fr/dossiers/intercommunalite/index.shtml)—Website of Assemblée des communautés de France: [www.intercommunalites.com](http://www.intercommunalites.com). David Guéranger *L'intercommunalité en questions, Problèmes politiques et sociaux n° 951–952*, La Documentation française, 2008, 168 p.



# Municipal Size, Economy, and Democracy

*Kurt Houlberg*

## EXECUTIVE SUMMARY

The question of size and democracy has always been an important one in political philosophy. More than 30 years ago Dahl and Tufte named two central dimensions of democracy. “System capacity” refers to the capacity of the political system to “respond fully to the collective preferences of its citizens,” whereas “citizen effectiveness” refers to the extent to which citizens “acting responsibly and competently fully control the decisions of the polity.” On one hand, the possibilities of the citizens to participate in and effectively control the political decisions of the polity and, on the other hand, the capacity, autonomy, and sovereignty of the political system in order to control all or most aspects of importance for the citizens. In relation to municipal size, this implies a dilemma in which—simply expressed—the smaller the community, the better the potential for citizens to participate in and control political decisions—and the less there is to decide upon. Consequently for Dahl and Tufte, it is an open question whether larger democratic units impede or stimulate citizen interest for and participation in politics.

The Dahl-and-Tufte-dilemma, at the municipal level, has been translated into a dilemma stipulating that larger municipalities tend to be more effective providers of municipal service—but less democratic—while smaller municipalities tend to be more democratic—and less efficient. Actually, the reforms of local government in Europe over the last decades can be interpreted as attempts to close the gap between democracy and efficiency.

The dilemma between democracy and efficiency is discussed in the paper on basis of theories of economies of scale and of size and democracy, a review of Danish and international studies, and empirical data from Denmark from the years prior the Amalgamation Reform implemented on January 1, 2007.

The empirical findings in the literature do not give a clear answer to the question as to whether larger municipalities are more effective in service provision while smaller municipalities facilitate a more democratic basis for the local government. On the contrary, results are scattered, ambiguous, and inconsistent. The results depend on the design and



the focus of the study, the operational definition of dependent variables, as well as the institutional setting, the size, autonomy, and the tasks of the municipalities.

The most recent Danish studies point in the direction that neither economy nor democracy are so closely related to size, as predicted earlier. There may be some economies of scale—especially regarding administration—but they are marginal compared to total expenditures. Democracy, on the other hand, does not seem to be significantly better functioning in smaller municipalities (apart from a little higher participation in elections and individual contacting along with slightly higher satisfaction with the services delivered by the municipality).

The ambiguous results of the international studies do not mean that research cannot and does not play a role as a knowledge-base for reforming local governments. Research, however, leaves tremendous autonomy for normative and political judgements. Depending on your attitudes and interests, you can find studies that support the thesis that larger municipalities are more efficient and smaller municipalities are more democratic. Or the opposite. Or that size does not matter.

The report of the Danish Commission on Administrative Structure should be interpreted in this light. Among all studies of size and democracy, the Commission gave primacy to one single study, concluding that larger municipalities are not less democratic than smaller municipalities, and that the consideration for a well-functioning local democracy in itself does not apply as a reason for maintaining the small municipalities. Coming to economies of scale, the Commission reported more studies. But when summing up, the Commission concluded that the potential economies of scale if amalgamating municipalities are—with uncertainty—1.5 percent of the net operating expenditures. The 1.5 percent happens to be the highest percentage found in any of the studies reported by the Commission.

In the political context of the Danish Commission on Administrative Structure there was no dilemma between effectiveness and democracy. The Amalgamation Reform in Denmark, following the work of the Commission and implemented on January 1, 2007, can, therefore, be labeled along with major local government reforms in Europe as an efficiency-oriented reform—along with a legitimate concern to not harm local democracy.

## INTRODUCTION

The question of size and democracy has always been an important one in political philosophy. In Dahl and Tufte's widely-cited *Size and Democracy* from 1973, the topic can even be considered classical in empirical political science. More than 30 years ago Dahl and Tufte named the two central dimensions of democracy as “system capacity” and “citizen effectiveness” (Dahl and Tufte 1973: 20). System capacity refers to the capac-

ity of the political system to “respond fully to the collective preferences of its citizens,” whereas citizen effectiveness refers to the extent to which citizens “acting responsibly and competently fully control the decisions of the polity” (Dahl and Tufte 1973: 20). On one hand, this means the possibility of citizens to participate in and effectively control the political decisions of the polity and, on the other hand, the capacity, autonomy, and sovereignty of the political system in order to control all or most aspects of importance for the citizens. In relation to municipal size, this implies a dilemma in which—simply expressed—the smaller the community, the better the potential for citizens to participate in and control political decisions—and the less there is to decide upon. (Dahl cited in Newton 1982: 190). Consequently for Dahl and Tufte, it is an open question, whether larger democratic units impede or stimulate citizen interest for and participation in politics. Dahl and Tufte conclude that “no single type or size of unit is optimal” (Dahl and Tufte 1973: 138).

Dahl and Tufte were primarily interested in the national level of democracy and did not deal much with the question of municipal size and democracy, but their thinking has had a great impact on the successive thought. For practical reasons, the Dahl-and-Tufte-dilemma, however, at the municipal level, has been translated into a dilemma between effectiveness and democracy: a dilemma stipulating that larger municipalities tend to be more effective providers of municipal service—but less democratic—while smaller municipalities tend to be more democratic—and less efficient. Or as Dearlove puts it, “Small is to democracy as large is to efficiency” (1979: 60).<sup>1</sup> Actually, the reforms of local government in Europe over the last decades can be interpreted as attempts to close the gap between democracy and efficiency (Kersting and Vetter 2003), or what have been labeled “the input legitimacy and the output legitimacy of local democracy” (Kersting and Vetter 2003: 12).

This dilemma is the theme of this paper, i.e., the question as to whether larger municipalities are more effective in service provision while smaller municipalities facilitate a more democratic basis for local government.

The paper draws on three sources of information:

1. Theories of economies of scale and theories of size and democracy,
2. A review of Danish and international studies,
3. Empirical data from Denmark from the years prior to the Amalgamation Reform implemented on January 1, 2007.

It should be noted, however, that although the paper has references to international studies, the empirical focus is on Denmark and the particular Danish context prior to the Structural Reform, that by January 1, 2007 amalgamated 270 Danish municipalities to 98 municipalities and 14 counties into five regions, along with major changes in the distribution of tasks between municipalities, regions, and state.

## THE THEORY OF ECONOMIES OF SCALE

As the volume of a service or good expands, the average cost per unit of output falls until it reaches its lowest average cost of production. This is called *economies of scale*. From a production point of view, municipalities can be seen as production units where the production function and economies of scale are the decisive factor. The municipalities have to be large enough to minimize average costs and there must be forces working to ensure efficient exploitation of these factors. In more theoretical terms, one might say that economies of scale are when the average cost is larger than the marginal costs of production (Houlberg 1995), and the optimal size for local authorities is where marginal benefits equal marginal costs (Martins 1994: 456).

In order to further the discussion, it is appropriate to distinguish between three levels of economies of scale:

1. Product specific,
2. Business specific/plant level,
3. Concern specific/firm level.

First of all, there might be some economies of scale attached to the production. The economies of scale will rise in mass production of a single product or in connection to a mass solution of a certain type of task (Boyne 1995: 214, Mouritzen 1991: 34). “Learning by doing” is a key concept in this assumption, where a specific capability is utilized in order to repeat the same job over and over again (Scherer and Ross 1990: 82). A teacher educated in teaching physics in lower secondary school could, for instance, use his skills in more than one class.

The second one is attached to the size of the production unit or the size of the plant. That could be an individual school or a home for the elderly. As long as the school has the capacity for more pupils, the marginal costs of adding another pupil will be less than the average costs and you will have economies of scale. Up to the limit where you have to build another school, the production will probably have falling unit costs. So, from an economic point of view, it is better to have one school with many pupils than two schools with fewer pupils. If business-specific economies of scale are the primary source of economies of scale, the focus has to be on having larger schools, etc., more than having larger municipalities. It may be the size of the plant that is important, not the size of the firm (Boyne 1995: 220).

The third theoretical level of scale economies is the *concern* level, which, in this case, is the municipal level. Potential economies of scale at this level are primarily related to administration and the costs of political representation. The costs per capita of having a local council may decrease as the number of inhabitants increase, as well as the costs for

having a Chief Executive Officer, in addition to other administrative personnel. Every municipality will need a minimum amount of personnel, buildings, and machinery to even start a production, and this also includes having a minimum of administration. The costs of having different tasks or having tasks on various geographical locations may not increase proportionally as the number of tasks or locations increase. The administrative costs for running 10 schools may, for instance, not be twice as high as for five schools. Larger municipalities *may* also have larger schools, thus facilitating economies of scale at the plant level as well. But even if larger municipalities do not have larger schools (Blom-Hansen 2004), there may still be theoretical gains at the municipal level in administering the schools.

### **Diseconomies of Scale**

After a certain level of production is reached, diseconomies of scale may begin to emerge and unit costs rise (Boyne 1995: 215), implying that marginal cost are larger than average cost. Specialized personnel may give economies of scale but may also give diseconomies of scale. The personnel can be so specialized that they can only focus on their own narrow field, no longer capable of being flexible and their potentials not optimally used (Scherer and Ross 1990: 84-85, Møller and Houllberg 2001: 144). Large units are difficult to readjust when a new situation arises.

Larger units are known to have more comprehensive bureaucracy and may suffer from “bureaucratic congestion” (Boyne 1995: 215). You might say that it is a necessary condition in order to make things work. It becomes negative when the leaders are no longer able to see through the organization and prioritize (Lundtorp 2000: 10), and thus the number of tiers in the administration rises along with transaction costs.

Another potential negative side effect when operating with large units is the tendency towards a division into sectors. This might create a power struggle in order to get the best assignments, etc. The sectors will no longer think as one unit and will eventually not work in the interest of the common good.

At the theoretical level, potential economies of scale may, at a certain level of production, be replaced by diseconomies of scale, and the average cost of production therefore be U-shaped. In a multipurpose municipality, this could mean, that there—from an economic point of view—are different optimal sizes in different service areas, either out-balancing the economies of scale or giving no unique answer to the question of the optimal size of the municipality.

## Where Do We Expect to Find Economies of Scale?

Economies of scale are most likely to be found in capital-intensive production and not so often in personal-intensive areas (Houlberg 2000: 10), as the fixed costs are higher in more capital-intensive production. The expectation is, therefore, that economies of scale are most likely in the more technical areas municipal services like roads, refuse disposal, sewage disposal, domestic water supply, etc.

We might also find economies of scale in administration. Every municipality needs a certain minimum of administration personnel, regardless of its size. A small municipality is therefore likely to spend more money per capita on administration than larger municipalities (Houlberg 1995: 67). Most of the municipal service production is related to labor-intensive services. Schools, nursing homes, kindergartens, etc., are all labor-intensive services, but all of them also need buildings and equipment, so there still might be some economies of scale. Of these, schools are most likely to generate economies of scale, as the number of pupils in each classroom is more variable than the number of children in each group in kindergarten, or the number of elderly in each organizational unit of the old folks' homes.

In general, labor-intensive and customer-oriented services generate few scale economies because their specialized nature means that an increased volume of services requires a correspondingly large number of employees. By contrast, capital-intensive services usually yield significant economies of scale, since the cost of fixed assets can be spread across a greater number of homes (Dollery and Fleming 2005: 9).

## STUDIES OF ECONOMIES OF SCALE

Municipal economies of scale have, over the years, been the basis for many studies, and in the discussion of amalgamation and structural reforms, results and support for any attitude can be found—depending on the study, the methods, and the institutional settings of the country studied. Because of the complexity of the production of particular municipal services and/or simultaneous production of more services and tasks, it is very difficult to estimate a production function. Most of the studies, therefore, have used expenditure models with per-capita expenditure as the dependent variable, although the population is probably a very poor proxy for service outputs. Actually “the local population are the potential beneficiaries and purchasers of a service. They are not its output” (Boyne 1995: 219). This has to be kept in mind, as most of the studies reported below are guilty of this methodological flaw, including my own studies. As there is no way to estimate the total production, no decisive conclusion can be made as to whether differences in expenditure levels are due to differences in productivity or differences in service levels (Houlberg 2000).

By nature, it is difficult to compare analysis of municipalities among different countries because of differences in institutional settings, tasks, local autonomy, etc. The optimal size of a municipality in one country, therefore, cannot be generalized along with other countries. However, it is worthwhile to look at the results and see if they point in the same direction, despite the country-specific differences.

Appelbaum, Follett, and Hirsch, back in the 1970s, investigated the many analyses made in the United States. Appelbaum and Follet (1978) found no effects of size, when controlling for various test factors. Hirsch found very mixed results concerning schools, but did find economies of scale in his investigation of fire departments and some of the technical service areas (Houlberg 1995: 69). The investigation of the fire departments showed a U-shaped curve, but no conclusion could be made when deciding the optimal size. Ostrom (1983: 90), on the other hand, found diseconomies of scale in police departments, and Hutcheson and Prater (1979) accordingly, found diseconomies of scale with regard to the number of municipal employees due to bureaucratic entropy.

Newton's studies from 1978 examined several European countries and concluded that local government reforms in European countries have, in most cases, resulted in larger units of government, though there is not much evidence to support that large units of local government are more effective and efficient than small ones. "We can conclude with confidence that, under certain not well understood circumstances, it may, or may not, be more, or less, economical to have larger, or smaller, local authorities" (Newton 1978: 193). Rather than drawing an arbitrary line between big and small, the relationship between size, on the one hand, and the various dimensions of functional effectiveness, and democracy, on the other, should be examined. Optimality varies according to service and type of authority.

Martins (1994) concludes: the dramatic reduction in the number of municipalities in several European countries stem from the idea that local government efficiency would be increased by the creation of large authorities, but also finds very blurred evidence in Denmark, Italy, Holland, Germany, and the United Kingdom to support that economies of scale exists in local government.

In Norway, economies of scale have been found in municipal administration, but only up to a size of 5,000 inhabitants (Kalseth *et al.* 1993).

Danish studies have also generated inconclusive results, but some studies show similar tendencies. In Mouritzen's study (1991: 98) from the 1980s and early 1990s, he found economies of scale when examining the road unit. This was also the case for several studies made by the government in 1995 and 1998 (Houlberg 2000: 11).

Houlberg (1995) examines whether differences in total municipal (tax-financed) net expenditures per capita are related to population size. *Prima facie*, the relation between expenditures per capita and size is U-shaped, with the lowest expenditures per capita in municipalities with 8,000–12,000 inhabitants, and rising expenditures beyond this size and all the way up to the largest municipalities with more than 100,000 inhabitants. But

this simple bivariate picture does not hold when taking a closer look at the relation. A multivariate analysis reveals that the higher expenditures in the large municipalities are not a result of diseconomies of scale, but rather due to higher expenditure needs in the large municipalities. When controlling for socio-demographically induced expenditure needs, the local resource base, and the share of seats for the Socialist parties in the local council, the largest municipalities do not have the highest per-capita expenditures. Instead a U-shaped relation is found between expenditures and size with municipalities of 30,000–50,000 inhabitants as the size with the lowest per-capita expenditures, and with the important addition that urbanization is a more influential determinant of economies of scale than population size. After controlling for urbanization, there still seems to be some economies of scale up to a population size of 30,000–50,000, with diseconomies of scale for larger municipalities. In a theoretic experiment, an amalgamation reform that optimizes the municipal structure in such a way that all municipalities with less than 30,000, and without any geographic obstacles, could be amalgamated to municipalities of 30,000–50,000 inhabitants, a theoretical gain of DKK 650 million can be calculated—equivalent to 0.7 percent of the total municipal net-operating expenditures. This calculation is, however, based on the unrealistic assumption that the new municipalities become densely populated urbanized cities just like the existing municipalities with 30,000–50,000 inhabitants.

The most recent review of international evidence was made by Byrnes and Dollery in 2002. They used the investigation to compare the Australian results with the general results from other countries. The review contains 23 investigations from five different countries and the overall result is that 29 percent of the research papers find evidence of U-shaped<sup>2</sup> cost curves, 39 percent find no statistical relationship between per-capita expenditure and size, eight percent find evidence of economies of scale, and 24 percent find diseconomies of scale (Byrnes and Dollery 2002: 393).

The article concludes that there is uncertainty as to whether economies of scale exist in local government service provision. The study of Australia did not produce results that could support any of the other results from the international evidence. Even when a relatively homogeneous good is being analyzed, one cannot say with any certainty that economies of scale do or do not exist (Byrnes and Dollery 2002: 394).

## MOST RECENT DANISH STUDIES OF MUNICIPAL ECONOMIES OF SCALE

Two large Danish studies were carried out in 2000. Both examine the municipal expenditures on the overall expenditures financed by taxes in five different service areas. Both studies indicated economies of scale on child-care with a U-shaped curve. Primary and lower secondary schools also show signs of economies of scale. The analysis con-

cerning services for the elderly finds very limited economies of scale, and in the large municipalities they even find significant diseconomies of scale (Houlberg and Møller 2001: 152). One of the studies finds that the administration area can save as much as 10 percent of its expenses if the municipalities are amalgamated so that the smallest municipalities have 18,000–25,000 inhabitants and 1.5 percent of total net operating expenditures (Indenrigsministeriet 2000). The other study finds a saving of six percent on administration as a result of a municipal merger up till 30,000–50,000 inhabitants and 0.7 percent of the total net operating expenditures (Houlberg 2000).

The most recent studies of municipal economies of scale in Denmark were carried out by Blom-Hansen (2004, 2005) and Christoffersen and Larsen (2007). Christoffersen and Larsen (2007) find that the expenditure structure for Danish municipalities has shifted from 1980 to 1990 and 2000, so that small municipalities now exhibit higher unit costs than larger municipalities, i.e., that economies of scale have been rising over the last 20 years.

Blom-Hansen (2004) finds that if economies of scale exist with regard to schooling, the significant unit is not the municipality but the school. The potential scale economies are rooted at the *plant*, not at the concern/firm level, and realization of potentials therefore requires larger schools, not larger municipalities. Structurally and politically, it may be easier to organize larger schools in larger local governments, but this was the case in Denmark at the beginning of the century (Blom-Hansen 2004). More *urbanized* municipalities have larger schools, but when controlled for urbanization, larger municipalities do not have larger schools. In this sense realization of economic gains requires people living in larger cities, but this will not be affected by an amalgamation reform.<sup>3</sup>

Blom-Hansen (2005) also took a closer look at what consequences decentralization to institutions has for the analyses of administrative costs and eventual scale economies in the administration. The traditional dependent variable has been administrative costs per capita, where administrative costs are calculated as costs of the *central* administration of the municipality. According to Blom-Hansen, this blurs the fact that administration also takes place at the decentralized institutions, and as the degree of decentralization to schools, kindergartens, and homes for the elderly is higher in the larger municipalities, this biases the traditional analyses of administrative costs in favor of economies of scale in larger municipalities. Blom-Hansen instead counts municipal personnel on the basis of their functions and titles, and concludes that the administrative personnel becomes relative larger, as the municipality becomes larger. This will have to be taken into account when interpreting the results of Houlberg below, as these are based on the traditional dependent variable of administrative costs per capita. All costs will, of course, be included in the total net operating expenditures, but administrative costs at schools and kindergartens etc., will not be included in the particular analysis of administrative costs.



Houlberg's 2000 results are summarized in Figure 1 (Houlberg 2000). The original regressions of daycare, schools, and services for the elderly were made with dependent variables as expenditures per capita in the relevant age group (0–5 years, 6–16 years, 67+ years), but to allow presentation in one figure, all the results have been transformed to expenditures per capita. The five service areas covered in Figure 1 are the three major service areas in the Danish municipalities (daycare, schools, and services for the elderly) as well as roads and administration.

Still, there is no way to estimate the overall *production* of a municipality, neither the total production nor the production in each service area, since the “production” is not a single product, but is composed of a variety of “products” of which many are not physical products but immaterial services like learning and care. Therefore, the analysis of economies of scale is not based on production functions and productivity but on policy models, where expenditures per capita, school expenditures per pupil, etc., are controlled for differences in expenditure needs, local resource base and share of seats for the Socialist parties in the local council.

The coefficients in Figure 1 show the un-standardized regression coefficients for a set of dummy variables of different sizes of municipalities (with the size of 8,000–16,000 inhabitants as the reference), when controlled for differences in expenditure needs, local resource base, and share of seats for the Socialist parties in the local council.

The same pattern between net operating expenditures per capita and population size, as in Houlberg 1995, is found in a U-shaped curve with expenditures per capita falling from the smallest municipalities up to a size of 30,000–50,000 inhabitants, and then rising a little again for larger municipalities. The steep upward shift for municipalities with 50,000–100,000 is not explainable, but must be related to some of the service areas not covered by the five particular service areas selected for analysis, such as culture or social welfare.

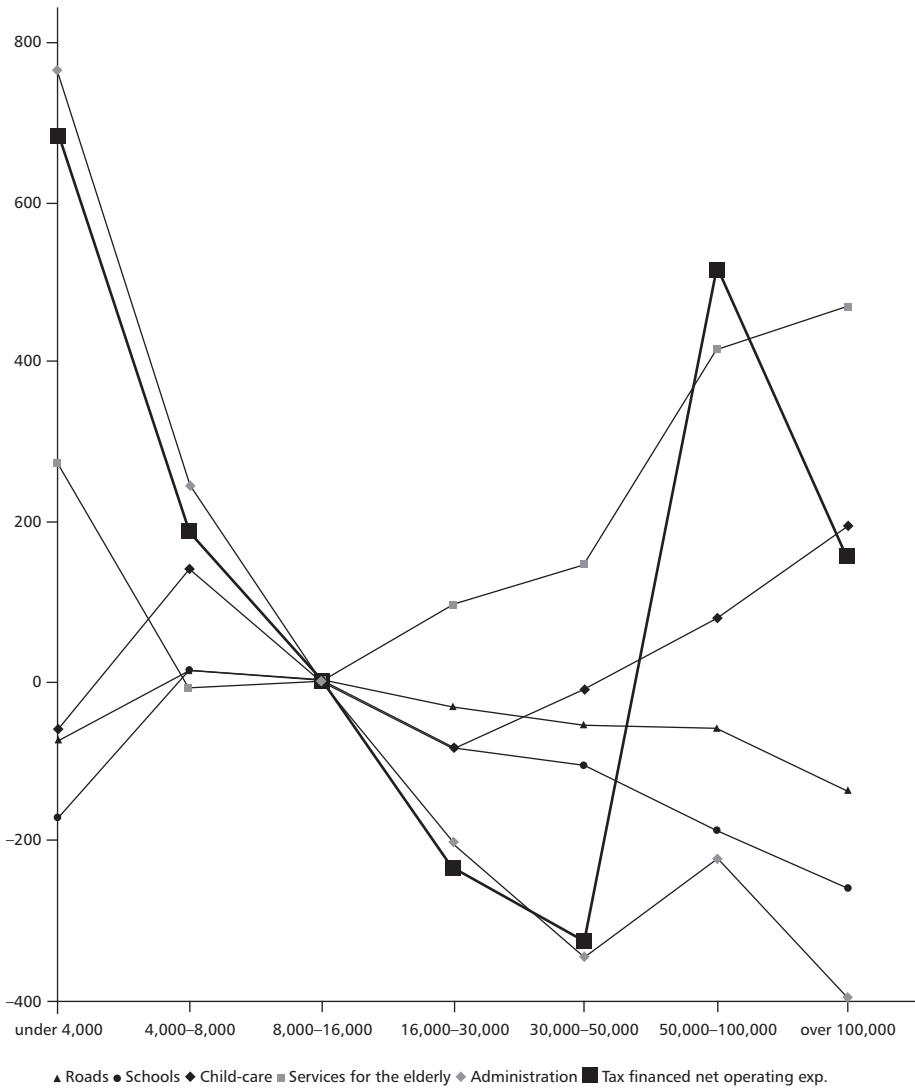
Looking at the five selected service areas, minor economies of scale for schools and roads are found—and diseconomies of scale with respect to care for the elderly. For daycare, there seems to be economies of scale up to a population size of 16,000–30,000 inhabitants, but diseconomies of scale for large municipalities. The most comprehensive economies of scale are found for administrative expenditures, with an optimum size of 30,000–50,000 inhabitants, and diseconomies of scale beyond this size. For administrative expenditures, the relationship between size and expenditures reveals the same picture as for the total net expenditures, namely a U-shaped relation with an optimum size of 30,000–50,000 inhabitants.

Actually the two curves almost fit each other perfectly, meaning that total economies of scale are almost equal to the economies of scale for the administrative expenditures. In amalgamation terms, what may theoretically be gained in one of the other four service areas is equaled by a loss in another. The potential economic gain in an amalgamation reform has, for all intents and purposes, to be found in the area of administration. A

theoretic amalgamation experiment, where all municipalities with less than 30,000 are amalgamated to the optimum size of 30,000–50,000 inhabitants, reveals a theoretic gain of DKK 750 million—equivalent to a mere 0.7 percent of the total municipal net operating expenditures. The theoretical gain if splitting larger municipalities into municipalities with the optimum size of 30,000–50,000 inhabitants results in the same amount.

*Figure 1.*

Regression Coefficients for Municipal Size in Five Service Areas, 1996



In the Danish case, therefore, the economies-of-scale argument could hardly be a prime argument for an amalgamation reform. The argument, however, was used to recommend an amalgamation reform by the Commission on Administrative Structure together with arguments on more professionalism, a more simple public sector, and reduction of economic vulnerability (Strukturkommissionen 2004).

## DIMENSIONS OF DEMOCRACY AND THE DESIRABILITY OF CITIZEN PARTICIPATION

Democracy is a widely-used concept and a concept with a lot of very positive connotations. But it is not a well-defined concept, at neither the theoretical nor empirical level. The ambition of analyzing whether size matters for democracy, therefore, is inevitably followed by two supplemental questions: which understanding of democracy and which dimension of democracy?

Do we talk about responsiveness, accountability, representativity, political self-confidence, political trust, satisfaction with the services, identification with the municipality, or participation in or between elections? (See, for instance, Rose 2002 or Kjær and Mouritzen 2003.) In this paper, the focus is on the participation aspect of democracy, being confident that this is far from the only relevant dimension of local democracy—and not even an unquestioned aspect with regard to the normative desirability of participation.

More studies have shown that not only does participation at elections fall when the size of municipalities become larger, but that the same holds for participation between the elections (Larsen 2000: 457, Mouritzen 1991: 203-212, Mouritzen 1999: 26-31, Rose 2002: 840-845, Verba and Nie 1972: 231). It should be added, that the higher degree of participation in smaller municipalities is not followed by higher interest in or knowledge about local politics (Larsen 2000: 461) nor does it mean that the citizens in the small municipalities have a more positive view of local politicians (Larsen 2000: 465).<sup>4</sup> Likewise, it is essential to add, that the negative relationship between size and participation is with regard to individual participation. If you look at the organized participation in organizations and political parties, this participation increases with the increasing size of the municipality (Dahl and Tufte 1973: 98, Mouritzen 1991: 211-212, Mouritzen 1999: 25).

### Participation—Is It Desirable?

Depending on the normative model of democracy (Held 1987: 13-139), participation between elections may be more-or-less desirable.

According to “Competitive Elitism,” the backbone of democracy is the Parliamentary Election Act, where the citizens elect, re-elect, or de-elect the politicians making the parliamentary decisions. Schumpeter uses the word *methods* when he talks about democracy, meaning that it is an institutional arrangement for arriving at political decisions (Held 1996: 165, Pateman 1970: 3). The role of ordinary citizens is to control the political elite through their suffrage. Participation is not an aim in itself, but it is a means of selecting political leaders. Thus, participation between the elections is not a democratic gain. On the contrary, participation between elections can entail negative consequences, because it can act as a disruptive element in the competition between the elite and thereby hinder the decision-making ability of the political system.

According to “Pluralism,” associations and groups are central players in the political process. Democracy concerns the aggregation of different interests in society and, thereby, relatively independent organizations promote reciprocal dependency and mutual control (Dahl 1982). The competition among interest groups constitutes the backbone of democracy and the existence of interest groups and coalitions of minorities is what ensures the democratic character (Held 1996: 193). The participation of interest groups (including the political parties) and the fact that these groups are open to participation of individuals is of crucial importance to democracy. Thus, the individual participation of citizens, in the form of personal contact to the local politicians and public servants, is not the salient point. More important is to have a high degree of participation *in* political parties and interest groups. This would indeed be considered a sign of democratic health. According to Newton, participation in organizations is probably the most obvious—and perhaps the only—opportunity for less resourceful citizens to participate: “Organizational involvement can be particularly important because organizations provide collective resources for those who have relatively few individual resources to rely upon” (Newton 1982: 201).

According to “Participatory Democracy,” democracy is not just a method. Instead it is an ideal, which can only be realized through the active participation of citizens in everyday political life—not just on the day of election. Being a democratic citizen is not an inborn ability but something you must learn through participation in democratic life, and participation—therefore—is an aim in itself. Democratic participation fosters human development, enhances a sense of political confidence in oneself and in the politicians, reduces a sense of estrangement from power centers, nurtures a concern for collective problems, and contributes to the formation of an active and knowledgeable citizenry (Held 1996: 258). Participation is the key to initiate the integrative processes, which is the primary function of democracy (March and Olsen 1989: 181, Larsen 2000: 455).

Participation can take many forms, both at elections or between elections, individual or collective participation, direct or indirect (Mouritzen 1991: 204, Rose 2002), but to simplify: participation between elections should be as low as possible from an elitist

point of view, while participation between elections ought to be as high and broadly rooted from a participatory point of view, both individually and collectively. According to pluralism, the most important thing is not the size of participation from the individual citizen, but the degree to which organizations and pressure groups are active.

## THEORIES OF SIZE AND DEMOCRACY

As noted earlier, Dahl and Tufte did not focus much on municipality size and democracy. Verba and Nie (1972) more directly addresses the question of municipal size and participation, and discuss two competing models: the Mobilization Model and the Decline-of-Community Model.

The assumption in the mobilization model is that the participation of citizens in general will rise with increasing municipality size, both because there is more to gain influence over in larger municipalities, but also because it is assumed that there will be a larger degree of exposure to political information, and a higher degree of social interaction, which is assumed to stimulate political involvement (Rose 2002). With regard to the level of information, Newton agrees with the mobilization model. Newton (1982: 201) argues that it requires a certain size if we want serious daily mass-media coverage of the local political affairs.<sup>5</sup>

On the contrary, the “decline-of-community model” predicts that citizen participation will decrease when moving away from the smaller municipalities toward larger and more urban municipalities. The argument is that identification with the local area and knowledge about fellow inhabitants are a precondition for local political involvement (Rose 2002), together with information and knowledge about the function of the political system. According to the “decline-of-community model,” smaller communities are characterized by intimacy, proximity, and familiarity with local politicians, while in larger units politics is more complicated, impersonal, and distant (Verba and Nie 1972: 231), leading to a hypothesis of a decline in participation when communities become larger and more modern.

The expectation must therefore be that increasing municipality size has a negative influence on the contact between citizens and politicians and public servants, because proximity and knowledge will decrease with increasing size of municipality (Rose 2002). The physical proximity in the small municipalities strengthens the contact, or, at least, takes away a potential barrier for contact (Rose 2002). For the simple reason alone that increasing municipality size will result in more citizens per elected officials,<sup>6</sup> and thereby less citizenry who know the elected politicians (Lundtorp 2000: 28), we must expect that the contact between citizens and the local politicians will be more sporadic with increasing municipality size. Participation in the larger municipalities is not only undermined by the lack of physical proximity, but also by the fact that the local politi-

cal and administrative structure is more complex. At the same time, the higher degree of mobility, together with a less clear definition of the social surroundings, weakens identification with the local area (Rose 2002). Mobility might advance the allocative efficiency (Tiebout 1956), but according to the decline-of-community model, it undermines the attachment to the local community, and with it the local democratic involvement, especially between elections.

The question is, therefore, whether it is the size of the municipality *in itself* that is the cause of a possible decline of community. Instead, a possible connection could be that the social and demographic composition is different in the larger municipalities and that there is a higher degree of mobility, change of jobs, and commuting in more urban areas (Oliver 2000). If we want to investigate the impact of municipality size on the participation in local politics, it is of crucial importance not only to take into account the respondents' characteristics such as gender, age, education, and income (Rose 2002), how long the respondents have lived in the municipality, and whether they are commuting, because these conditions can influence the attachment to the local community, and according to the decline-of-community model, this is significant for citizen participation. But we should also control for a wide range of conditions at the municipality level, which is typically closely correlated with the size of the municipality, e.g., the municipality's social and work-related independency from other municipalities (Verba and Nie 1972: 237–242), population density (Dahl and Tufte 1973: 98), and/or the degree of urbanization (Larsen 2000: 455).

## STUDIES OF SIZE AND DEMOCRACY

Looking into the empirical findings in earlier studies (Verba and Nie) in the context of the United States, it is shown that there is a *negative* correlation between municipality size and participation. They concluded that: "There are some ambiguities, yet the overall pattern lends support to the 'decline-of-community-model'" (Verba and Nie 1972: 242).

Dahl and Tufte, on one hand, refer to an American study which concludes that participation does not relate to municipality size (Dahl and Tufte 1973: 62), while on the other hand, they refer to a Swedish study which concludes that, when looking at efficiency and participation, the most optimal municipality size in Sweden was a densely populated municipality with under 8,000 inhabitants (Dahl and Tufte 1973: 63). Dahl and Tufte also find—when looking at studies in United States and Sweden—that more indirect/collective participation in organizations and political parties gains ground with increasing municipality size (Dahl and Tufte 1973: 98).

Newton does not find much empirical support for the argument that participation is higher in small municipalities. There seems to be a tendency toward higher participa-

tion in the smallest municipalities, but—first of all—the size effects are insignificant compared to variations with regard to age, gender, education, and how long the respondent has lived in the municipality (Newton 1982: 197), and, secondly, the focus was on the direct, individual participation and, therefore, it was overlooked that size is stimulating for the more collective forms of participation through political parties and organizations (Newton 1982: 204).

Martins, like Newton, does not find empirical support for the belief that democracy thrives better in small municipalities (Martins 1985: 456), and like Newton he stresses that participation does not only include individual participation, but also collective participation through political parties and organizations (Martins 1985: 452). Martins refers to a Norwegian study which shows that on one hand, there is a higher degree of party membership and closer personal contact between citizens and politicians in small municipalities, but that there is also a higher degree of participation in protest actions, and a more intensive political communication in the large municipalities (Martins 1985: 452).

A more recent American study (Oliver 2000) reveals a more unambiguous negative correlation between municipality size and participation, including participation in protest actions. The validity of these findings is strengthened by the fact that the analysis is multivariate, and thus controlled for individual level (e.g., gender and education) and municipality level (e.g., level of urbanization) characteristics: “Controlling for other individual and city-level characteristics does not alter generally the negative relationship between civic participation and city size” (Oliver 2000: 366).

The Danish conditions have also been studied, in the recent decade by Mouritzen (1991, 1999), Rose (2002), and Larsen (2000), among others. Mouritzen (1991) finds that when it comes to participation in election campaigns and individual contact with politicians and public servants, there is an unambiguous negative correlation between municipality size and the degree of participation (1991: 205-207). Concerning the collective form of participation through political parties, associations, and different kinds of actions, the correlation with the municipality size is not as clear. But looking at the participation of political parties and associations in the political process, the correlation is yet again unambiguous. In accordance with Dahl and Tufte (1973: 98), Mouritzen finds that political parties and unions are most active in the large municipalities (1991: 210–213). The conclusion is that individual participation decreases with increasing municipality size, while the participation of political parties and associations increases.

In a comparative analysis of Norway, Holland, and Denmark, Rose (2002), using Danish data from 1993, and running both a bivariate and multivariate analysis, finds a significant negative correlation between municipality size and participation in local political meetings, signing petitions, and contacting local public servants (Rose 2002). Vice versa, the participation in action groups and organizations increases with increasing municipality size. Rose also finds that the contact to local politicians in Holland and

Norway decreases when the municipality size increases. In the Danish case this correlation is not significant. Contrary to the findings of Mouritzen in an earlier study (1991: 205), Rose cannot conclude that the contact to local politicians in Denmark decreases with increasing municipality size. But, interestingly, Rose finds that education generally is more important than municipality size. Thus, participation increases with an increasing level of education in all five analyzed forms of participation (Rose 2002).

In his studies, Larsen finds a negative correlation between municipality size and the contact to politicians and public servants (combined in one variable)—a correlation which is also apparent when controlled for the degree of urbanization, age, education, vocational training, and share of seats in the municipality (Larsen 2000: 457). Together, the participation in citizen meetings, political parties, and associations also decrease with municipal size—but when running a multivariate control this correlation is no longer significant. Besides taking an interest in the connection between municipality size and participation, Larsen is also interested in the effect of municipality size and participation on the interest in and knowledge of local politics, the opinion about the responsiveness and credibility of the local politicians, and the trust in local politicians. He concludes that: “the electoral participation, the broad organizational participation and the direct contact to politicians and public servants is larger in smaller municipalities. This does not, however, translate into a greater interest in, a greater knowledge of, or a more positive view of the local democracy”<sup>7</sup> (Larsen, 2000: 467).

## MOST RECENT DANISH STUDIES OF SIZE AND DEMOCRACY

The most recent and comprehensive study of municipal size and democracy made in Denmark is part of a comparative research project called *Size and Local Democracy in Europe* and involving surveys in three countries besides Denmark, namely: Norway, the Netherlands, and Switzerland. Unfortunately, the international part of the project has not been published yet, so the presentation below has to be limited to the Danish results reported in Kjær and Mouritzen (2003).

The overall conclusion is that municipal size plays a very modest role for democracy in the Danish municipalities. After controlling for individual socio-economic factors like sex, education, and commuting, size has no significant influence whatsoever on:

- The citizens attachment to the municipality,
- Interest for local politics,
- Knowledge about local politics,
- Political trust,
- Political self-confidence.



With regard to three dimensions of democracy, a significant influence of size can be identified:

- Participation in elections,
- Satisfaction with services,
- Non-electoral participation.

Electoral participation and satisfaction declines when the size of the municipality enlarges, but the substantial effects are modest. Individual socio-economic factors are much more important.

Looking at participation between elections, there is no indication of a size effect on the overall participation. But the *form* of participation seems to be influenced by the size of the municipality. It appears that the most widespread forms of non-electoral participation are attending meetings regarding a local issue, contacting a municipal civil servant, and signing a petition. One in three citizens report that they have participated in one of these three activities within the last two years.

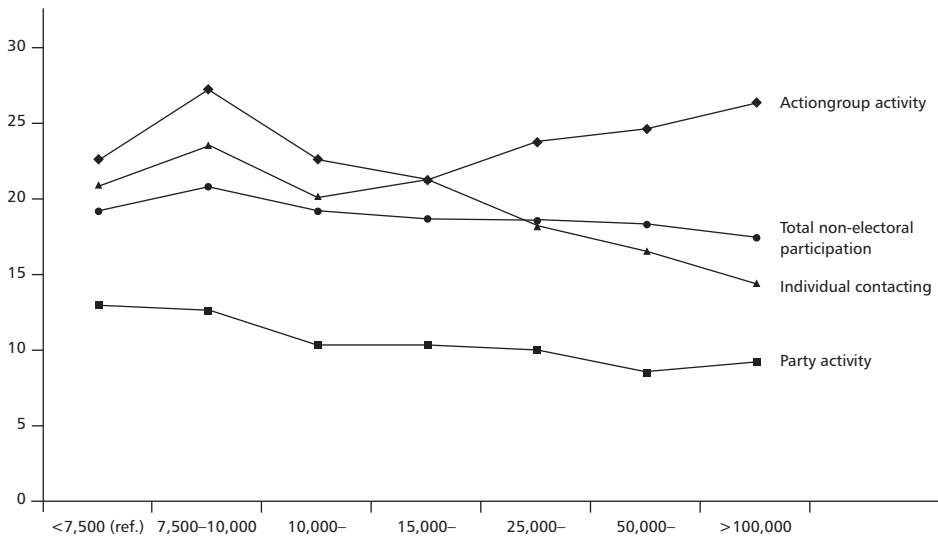
A factor analysis reveals an underlying pattern where action group activities and attendance in meetings are highly correlated, and party activities and individual contacting are revealed as two other distinctive dimensions of non-electoral participation. On a bivariate level, individual contacts to local politicians and to local public servants seem to be most significantly related to the size of the municipality, indicating a significantly lower level of individual contacts in the larger municipalities than in the smaller ones. This conclusion, however, does not stand a multivariate analysis, where the socio-economic compositions of the municipalities are taken into account as explanatory variables. When controlling for citizens' individual characteristics including age, sex, education, commuting, mobility, public employment, party membership, and the use of municipal services, the index of individual contacting is not significantly related to the size of the municipality. In other words, the difference between large and small municipalities is not necessarily a function of the size *per se*, but more significantly related to different socio-economic compositions of the municipalities with more mobility and commuting in the larger (more urban) municipalities along with a lower level of individual party membership and affective attachment to the local community. The estimates of size effects based on the multivariate (multilevel) analysis are reported in Figure 2.

The line for total non-electoral participation shows a slow downward tendency, but the differences are not statistically significant, and the overall conclusion, therefore, is that size does not have an effect on the level of non-electoral participation. Depending on the form of activity and the choice of reference group for the size variable, nuances within this conclusion are worth mentioning. There are no differences in the level and form of non-electoral participation up to a size of approximately 50,000 inhabitants, but for municipalities larger than this, differences in the form of participation can be

identified. From 50,000 inhabitants and over, individual contacting becomes less and less important, while at the same time, action group activities become a more and more important way of being politically active. In this sense, there are qualitative democratic differences in the participation in small and very large Danish municipalities, with the participation in small municipalities characterized by more “intimacy” and individual contacts between citizens and politicians, while the politicians in the largest municipalities, to a larger extent, see and hear the citizens through action groups. Depending on the normative democratic point of departure, this may be interpreted as a potential loss of democracy in larger municipalities by Participatory Democrats or as a potential gain for democracy by Pluralists, at least if higher action group activity is followed by a higher level of organizational activity.

On the overall level, however, size does not play a significant role for the level of local non-electoral participation in the Danish municipalities prior to the Amalgamation Reform of January 1, 2007.

*Figure 2.*  
Indices for Non-electoral Participation in Denmark, 2001



## CONCLUDING REMARKS

The empirical findings do not give a clear answer to the question as to whether larger municipalities are more effective in service provision while smaller municipalities facilitate a more democratic basis for the local government. On the contrary, the results are scat-

tered, ambiguous, and inconsistent. The results depend on the design and the focus of the study, the operational definition of dependent variables, as well as the institutional setting, the size, autonomy, and the tasks of the municipalities.

Paraphrasing Newton (Newton 1978: 193): we can, on the basis of the international literature, conclude that, under certain not-well-understood circumstances, it may be more, or less, economical—or more, or less, democratic—to have larger local authorities. The most recent Danish studies point in the direction that neither economy nor democracy are so closely related to size, as predicted earlier. There may be some economies of scale—especially regarding administration—but they are marginal compared to total expenditures. Democracy, on the other hand, does not seem to be significantly better functioning in smaller municipalities (apart from a little higher participation in elections and individual contacting along with at slightly higher satisfaction with the service delivered by the municipality).

The ambiguous results of the international studies do not mean that research cannot and does not play a role as a knowledge-base for reforming local governments. Research, however, leaves tremendous autonomy for normative and political judgements. Depending on your attitudes and interests, you can find studies that support the thesis that larger municipalities are more efficient and smaller municipalities are more democratic. Or the opposite. Or that size does not matter.

The report of the Danish Commission on Administrative Structure (Strukturkommissionen 2004) should be interpreted in this light. Among all studies of size and democracy, the Commission gave primacy to one single study, concluding that larger municipalities are not less democratic than smaller municipalities, and that the consideration for a well-functioning local democracy in itself does not apply as a reason for maintaining the small municipalities (Strukturkommissionen 2004: 29). Hereby, the Commission killed the argument that was most often used by people in favor of keeping the small municipalities as part of the Danish local government system.

Coming to economies of scale, the Commission reported more studies. But when summing up, the Commission concluded that the potential economies of scale if amalgamating municipalities are—with uncertainty—1.5 percent of the net operating expenditures (Strukturkommissionen 2004: 355). The 1.5 percent happens to be the highest percentage found in any of the studies reported by the Commission.

In the political context of the Danish Commission on Administrative Structure, there was no dilemma between effectiveness and democracy, and the Amalgamation Reform in Denmark, following the work of the Commission and implemented on January 1, 2007, can, therefore, be labeled along with major local government reforms in Europe as an efficiency-oriented reform (Kersting and Vetter 2003: 333ff)—along with a legitimate concern to not harm local democracy.

However, the dilemma between effectiveness and democracy remains a dispute in the academic literature, and this dilemma will, hopefully, continue to give the basis for

new research and fruitful future insights into the connection between size, economy, and democracy.

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## NOTES

- <sup>1</sup> Conceptually, effectiveness in this paper is used as a technical term related to the unit costs of production, while efficiency is a wider concept also taking into account the degree to which the production meets the political ends of the activity.
- <sup>2</sup> A U-shaped curve indicates that the average cost falls as the municipalities measured per inhabitant grows until a certain point where diseconomies of scale sets in.
- <sup>3</sup> The political costs of closing a small school may be less in a large municipality though.
- <sup>4</sup> This rule is not universal, however. In Poland, for example, it has been found that in small municipalities people are better informed, more interested, and more satisfied with local governments. The same is true in Hungary and the Czech Republic, although the level of satisfaction drops in very tiny municipalities with 1,000 or less citizens (Swianiewicz 2001).
- <sup>5</sup> If you look at local newspapers, the growth of the internet, the death of newspapers, and fusions over the last 20 years have undermined the basis of Newton's argumentation. If the amount of daily newspapers should be a clue to the proper number of municipalities in Denmark, we would have to reduce the total number of municipalities in Denmark to 10.
- <sup>6</sup> The number of seats in the city council varies a bit with municipality size, but it is not at all proportional to the number of inhabitants.
- <sup>7</sup> Translated from Danish.



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